



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



Global Offering

Sole Sponsor



* For identification only

IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.



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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 180,000,000 H Shares (subject to the Over-allotment Option)
Number of International Offer Shares	: 162,000,000 H Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 18,000,000 H Shares (subject to adjustment)
Maximum Offer Price	: HK\$1.75 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: RMB1.00 per H Share
Stock code	: 1577

Sole Sponsor



Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection," has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 23 September 2016 and, in any event, not later than Wednesday, 28 September 2016. The Offer Price will be not more than HK\$1.75 and is currently expected to be not less than HK\$1.55. If, for any reason, the Offer Price is not agreed by Wednesday, 28 September 2016 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Investors applying for Offer Shares must pay, on application, the maximum Offer Price of HK\$1.75 per Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% subject to refund if the Offer Price finally determined is lower than HK\$1.75 per Share.

The Sole Global Coordinator (on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as well as our website www.qzhuixin.net not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering."

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" in this Prospectus. Prior to making an investment decision, potential investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors."

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) if certain grounds arise prior to 8:00 a.m. on the day that trading in our H Shares commences on the Hong Kong Stock Exchange. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

* For identification purposes only

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under eWhite Form service through the designated website www.ewhiteform.com.hk ⁽⁴⁾	11:30 a.m. on Thursday, 22 September 2016
Application lists open ⁽²⁾	11:45 a.m. on Thursday, 22 September 2016
Latest time to lodge WHITE and YELLOW Application Forms and give electronic application instructions to HKSCC ⁽³⁾	12:00 noon on Thursday, 22 September 2016
Latest time to complete payment of eWhite Form applications by effecting PPS payment transfer(s)	12:00 noon on Thursday, 22 September 2016
Application lists close	12:00 noon on Thursday, 22 September 2016
Expected Price Determination Date ⁽⁹⁾	Friday, 23 September 2016
Announcement of the Offer Price, the level of indication of interest in the International Offering, results of the applications and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published (i) in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese); (ii) on our website at www.qzhuixin.net ⁽⁵⁾ and the website of the Hong Kong Stock Exchange of www.hkexnews.hk on or before	Thursday, 29 September 2016
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, or Hong Kong business registration numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from	Thursday, 29 September 2016
Results of allocations in the Hong Kong Public Offering will be available at www.ewhiteform.com.hk/results with a "search by ID" function	Thursday, 29 September 2016
Dispatch of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁶⁾⁽⁸⁾	Thursday, 29 September 2016
Dispatch of e-Refund payment instructions/refund checks in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before ⁽⁷⁾⁽⁸⁾	Thursday, 29 September 2016
Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on	Friday, 30 September 2016

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 September 2016, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this Prospectus. If the application lists do not open and close on Thursday, 22 September 2016, the dates mentioned in “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this Prospectus.
- (4) You will not be permitted to submit your application through the designated website at www.ewhiteform.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) None of the website or any of the information contained on the website forms part of this Prospectus.
- (6) H Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on the Listing Date provided that: (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.
- (7) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund check.
- (8) Applicants who have applied on **WHITE** Application Forms or **eWhite Form** for 1,000,000 or more H Shares under the Hong Kong Public Offering and have indicated in their applications that they wish to collect any refund checks and H Share certificates in person from our H Share Registrar, Boardroom Share Registrars (HK) Limited, at 31st Floor, 148 Electric Road, North Point, Hong Kong may do so between 9:00 a.m. to 1:00 p.m. on Thursday, 29 September 2016. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to H Share Registrar at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more H Shares under the Hong Kong Public Offering may collect their refund checks, if any, in person but may not elect to collect their H Share certificates as such H Share certificates will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this Prospectus for details. Uncollected H Share certificates and refund checks will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies” in this Prospectus.
- (9) The Price Determination Date is expected to be on or around Friday, 23 September 2016, and in any event no later than Wednesday, 28 September 2016. If, for any reason, the Offer Price is not agreed by Wednesday, 28 September 2016, the Global Offering will not proceed.

Particulars of the structure of the Global Offering, including the conditions thereto, are set out in “Structure of the Global Offering” in this Prospectus.

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This Prospectus is issued by Quanzhou Huixin Micro-credit Co., Ltd. solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. The Company has not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.

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SUMMARY AND HIGHLIGHTS

This summary aims to give you an overview of the information contained in this Prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Based in Quanzhou City, we were the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, according to *Ipsos*. 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 primarily offer short-term credit-based loans, which generally had maturity profiles of up to six months and ranged in size from RMB1.0 million to RMB10.0 million during the Track Record Period. To a lesser degree, we also provide collateral-backed loans. We provide two types of loans, namely, revolving loans and term loans, to our customers. As of 31 March 2016, we had a registered capital of RMB500.0 million. We had a market share of approximately 7.2% in Quanzhou City’s microfinance market in terms of principal amount of outstanding loans as of 31 December 2015, according to *Ipsos*. Our business scale has expanded rapidly since our inception in January 2010, and we have built a solid customer base in line with the growth in our business scale. During the Track Record Period, we had a portfolio of over 600 different customers.

Our Revenue and Profit Source

For the years ended 31 December 2013, 2014 and 2015, we generated interest income of RMB78.5 million, RMB134.3 million and RMB135.9 million, respectively. For the three months ended 31 March 2015 and 2016, we generated interest income of RMB34.0 million and RMB36.2 million, respectively. Our interest income during the Track Record Period primarily consisted of interest income from our outstanding performing loans, which was 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 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. 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:

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
Average balance of outstanding performing loans ⁽¹⁾ (RMB’000)	426,675	598,139	692,311	651,580	701,515
Average effective interest rate per annum	17.71% ⁽²⁾	20.71% ⁽²⁾	19.00% ⁽²⁾	20.32% ⁽³⁾	20.26% ⁽³⁾

SUMMARY AND HIGHLIGHTS

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

Our Customers

Our customers, which primarily include entrepreneurial individuals, SMEs and microenterprises in Quanzhou City, mainly operate in the manufacturing and services industries. We focus on providing financial solutions to such customers because their financial needs have largely been underserved in China's banking system, in spite of their rapid growth and their significant contribution to China's economic development. We committed to diversify our customer base during the Track Record Period. As a result, interest income from our largest customer accounted for 4.0%, 3.0%, 2.2% and 1.8% of our total interest income for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, respectively. Interest income from our top five customers accounted for 15.9%, 11.2%, 8.6% and 8.0% of our total interest income for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, respectively.

Government Support

From the commencement of our operations on 8 January 2010 until 30 April 2014, we were licensed to base our operations in Licheng District of Quanzhou City. As one of the first group of pilot microfinance companies, we were also permitted during this period to provide our loan services to SMEs and microenterprises with a business presence, as well as individuals who reside, in any area within Quanzhou City. After the *Pilot Measures* was promulgated, on 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. Accordingly, we have limited our operations to these licensed geographic areas since 30 April 2014. Our location in Quanzhou City, scale of operations, in-depth knowledge of the local market and credit environment, and strong reputation as a preferred provider of credit-based and short-term financing solutions for entrepreneurial individuals, SMEs and microenterprises in Quanzhou City have enabled us to benefit from certain preferential government policies. In addition, as Quanzhou City was approved as a pilot financial reform zone for comprehensive reform of financial service and real economy by the State Council in 2012, the Fujian provincial government subsequently implemented a series of financial reform policies and measures with the aim of developing and cultivating the local financial services sector, channeling private capital to support the financing needs of SMEs and local microenterprises. To promote the development of the local services industry, the government of Licheng District provided us with a RMB619,300 grant in 2013 to subsidize our local income tax payment for the year ended 31 December 2011. In addition, in 2015, we recorded a government grant of RMB500,000 provided by the government of Quanzhou City as a governmental reward fund, the purpose of which is to support the listing of local enterprises. Moreover, in April 2014, the NDRC 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

SUMMARY AND HIGHLIGHTS

increasing the financial support of, and the financing resources available to, private enterprises. We believe that, by taking advantage of these supportive policies, we will be able to achieve successful business growth and to better serve our existing and new customers.

Our Credit Risk Management

Credit risk is the principal risk inherent in our business. We have developed a credit risk management system in order to effectively identify, manage and minimize credit risks in connection with each loan we grant. In general, our credit risk management process begins with an initial review and mainly consists of due diligence reviews on customers, risk assessment reviews, multilevel assessments and approvals, post-loan grant reviews and collections. Our credit evaluation procedures enable us to evaluate our customers' creditworthiness, which provides an important reference for our credit risk management. While we develop and expand our business operations, we continue to monitor and improve the performance and function of our risk management system to respond to changes in market conditions, the regulatory environment and our product portfolio. To address operational and legal risks, we have adopted and implemented streamlined procedures to ensure our efficient operation and compliance with applicable laws and regulations. For more details, see "Business — Risk Management" beginning on page 155 of this Prospectus.

Our Track Record

We experienced steady growth during the Track Record Period. Our net loans receivable, being our gross loans receivable deducting the allowance for impairment losses, was RMB526.3 million, RMB685.4 million, RMB692.1 million and RMB753.9 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. Our net interest income was RMB68.4 million, RMB125.8 million and RMB130.1 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our net interest income was RMB32.4 million and RMB34.8 million for the three months ended 31 March 2015 and 2016, respectively. Our net profit, being our net profit and total comprehensive income, was RMB41.1 million, RMB73.5 million and RMB75.3 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our net profit was RMB19.2 million and RMB20.3 million for the three months ended 31 March 2015 and 2016, respectively.

OUR COMPETITIVE STRENGTHS

- We are the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, primarily dedicated to providing entrepreneurial individuals, SMEs and microenterprises with quick access to short-term financing.
- We have a strong shareholder base, substantial financial strengths and a sound credit rating.
- We are located in a pilot financial reform zone and benefit from preferential government policies.
- We adopt sound and effective risk management practices and are dedicated to enhancing our risk control procedures year by year.
- Our experienced management team and experienced personnel have an in-depth industry knowledge that ensures the successful development of our business.

SUMMARY AND HIGHLIGHTS

OUR BUSINESS STRATEGIES

- Further enlarge our capital base and diversify our funding sources
- Expand our product offerings and customer base
- Expand the geographical coverage of our business
- Seek opportunities for strategic acquisitions and investments
- Enhance our corporate governance and strengthen our risk management efforts and internal controls

KEY FINANCIAL AND OPERATING DATA

The following tables set forth our key financial data for the Track Record Period and should be read in conjunction with our financial information included in the Accountants' Report including the notes thereto in Appendix I to this Prospectus:

Summary Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	78,474	134,301	135,882	33,973	36,153
Revolving loans	50,644	73,668	72,748	17,669	21,930
Term loans	27,830	60,633	63,134	16,304	14,223
Interest expense	(10,031)	(8,471)	(5,742)	(1,561)	(1,368)
Interest income, net	68,443	125,830	130,140	32,412	34,785
Profit before tax	54,889	98,074	100,351	25,617	27,003
Income tax expense	(13,762)	(24,605)	(25,096)	(6,405)	(6,752)
Net profit and total comprehensive income for the year/period	41,127	73,469	75,255	19,212	20,251

Summary Statements of Financial Position

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Cash and cash equivalents	158,399	43,542	42,558	16,914
Loans receivable	526,326	685,425	692,140	753,916
Property and equipment	456	1,315	981	877
Intangible assets	39	—	704	592
Deferred tax assets	1,451	1,925	1,184	1,231
Other assets	8,938	8,615	10,112	11,105
Total assets	695,609	740,822	747,679	784,635
Liabilities				
Interest-bearing bank borrowings	150,000	136,000	100,000	138,300
Interest payable	—	187	138	189
Income tax payable	7,968	17,806	14,529	18,523
Other payables	2,107	2,966	3,894	3,254
Total liabilities	160,075	156,959	118,561	160,266
Net assets	535,534	583,863	629,118	624,369

SUMMARY AND HIGHLIGHTS

Summary Statements of Cash Flows

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash flows from/(used in) operating activities	13,221	(66,298)	71,903	50,906	(37,598)
Net cash flows used in investing activities	(55)	(1,136)	(1,096)	(176)	(28)
Net cash flows from/(used in) financing activities	141,969	(47,423)	(71,791)	(67,598)	11,982
Net increase/(decrease) in cash and cash equivalents.	155,135	(114,857)	(984)	(16,868)	(25,644)
Cash and cash equivalents at beginning of year/period	3,264	158,399	43,542	43,542	42,558
Cash and cash equivalents at end of year/period	158,399	43,542	42,558	26,674	16,914

Key Operating Data

The following table sets forth our key operating data as of the dates or for the periods indicated:

	As of/For the year ended December 31			As of/For the three months ended 31 March
	2013	2014	2015	2016
	(RMB'000, except for percentage)			
Principal amount of outstanding loans	572,058	718,220	705,018	758,698
Gross loans receivable	575,569	719,676	708,886	771,514
Default ratio ⁽¹⁾	11.8%	6.0%	2.3%	2.1%
Impaired loan ratio ⁽²⁾	11.7%	6.2%	2.3%	2.4%
Allowance coverage ratio ⁽³⁾	72.9%	76.9%	102.2%	95.7%
Provision for impairment losses ratio ⁽⁴⁾	8.6%	4.8%	2.4%	2.3%
Loss ratio ⁽⁵⁾	4.4%	2.6%	6.9%	3.9%
Net interest margin ⁽⁶⁾	12.4%	19.5%	18.3%	N/A ⁽⁸⁾
Charge-off ratio ⁽⁷⁾	0.7%	3.0%	0.0%	0.0%

Notes:

- (1) Represents the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.
- (2) 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.
- (3) 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.
- (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.
- (6) Represents the net interest income divided by the average balance of the principal amount of our outstanding loans. The average balance of the principal amount of our outstanding loans represents the average of the balance of the principal amount of our outstanding loans at the previous year end and the current year end. Net interest margin measures the profitability of interest-bearing assets.

SUMMARY AND HIGHLIGHTS

- (7) Represents the total write-offs during the period divided by the total principal amount of our outstanding loans at the year/period end. Charge-off ratio measures the gross credit loss of our loan portfolio.
- (8) Such ratio is not meaningful as it is not comparable to annual numbers. The net interest margin for the three months ended 31 March 2016 is 19.0%, on an annualized basis, representing the net interest income for the three months ended 31 March 2016 divided by the average balance of the principal amount of our outstanding loans, multiplied by four.

Due to our enhanced risk management system, we have gradually improved the quality of our customer base to consist of customers with stronger repayment ability and reduced our overall risk of loan impairment. In addition, as approved by the Quanzhou Financial Affairs Bureau, we disposed of impaired loans with an aggregate principal amount of RMB63.8 million to an independent licensed trust company through Haixia Equity Exchange at the price of RMB39.0 million in 2015. As a result, our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016.

Our default ratio decreased during the Track Record Period. As of 31 December 2013, 2014 and 2015 and 31 March 2016, our default ratio was 11.8%, 6.0%, 2.3% and 2.1%, respectively. Such decreases over the Track Record Period were primarily due to our enhanced credit risk management procedures and our disposal of impaired loans with an aggregate principal amount of RMB63.8 million in 2015. Such decreases were not a result of our changing principal amount of outstanding loans or the extensions of payment terms we granted to our customers during the Track Record Period.

Our provision for impairment losses ratio decreased from 8.6% as of 31 December 2013 to 4.8% as of 31 December 2014, and further to 2.4% as of 31 December 2015, primarily due to: (i) the significant increases in the balance of gross loans receivable during the same periods as a result of our business expansion; and (ii) the decreases in the allowance for impairment losses during the same periods mainly as a result of the increase in write-offs for the year ended 31 December 2014 and our disposal of impaired loans in 2015. Our provision for impairment losses ratio remained relatively stable with a slight decrease from 2.4% as of 31 December 2015 to 2.3% as of 31 March 2016.

Our net interest margin increased from 12.4% for the year ended 31 December 2013 to 19.5% for the year ended 31 December 2014, primarily due to: (i) the significant increase in our interest income for the year ended 31 December 2014 as a result of a capital increase of RMB200.0 million in late December 2013; (ii) the increase in average effective interest rate per annum charged on our performing loans; and (iii) the decrease in interest expense as a result of the decrease in effective interest rate on our interest-bearing bank borrowing. Our net interest margin remained stable with a slight decrease from 19.5% for the year ended 31 December 2014 to 18.3% for the year ended 31 December 2015.

Our charge-off ratio increased from 0.7% for the year ended 31 December 2013 to 3.0% for the year ended 31 December 2014, primarily due to the increase in write-offs for the year ended 31 December 2014. Such increase was primarily because incidents reflecting no realistic prospect of future recovery occurred in 2014 to three of our customers, whose loans were due in 2011 and had been categorized as loss for more than two years. We did not have any written-off loans for the year ended 31 December 2015 and the three months ended 31 March 2016.

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For more information on the key operating data, see “Business — Provisioning Policies and Asset Quality,” “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Financial Ratios” and Note 14 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus on pages 145, 253 and I-24 of this Prospectus, respectively.

We provide two types of loans, namely, revolving loans and term loans. For our revolving loans, we generally grant a credit line to our customers with a term of up to one year. For our term loans, we generally grant loans ranging from RMB1.0 million to RMB10.0 million to our customers with a term ranging from one to six months. The following table sets forth the principal amount of our outstanding loans by flexibility as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%
Principal amount of outstanding loans:								
Revolving loans	370,826	64.8	341,110	47.5	424,178	60.2	468,438	61.7
Term loans	201,232	35.2	377,110	52.5	280,840	39.8	290,260	38.3
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>

During the Track Record Period, we focused on providing credit-based financing solutions and, as a result, a substantial majority of our loans were not secured by collateral. However, a substantial portion of our outstanding loans were backed by guarantees as a form of security. Guarantors of loans that we extend to our customers are individuals and/or non-financial institutional enterprises. The following table sets forth the principal amount of our outstanding loans guaranteed by different types of guarantors as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%
Principal amount of outstanding loans guaranteed by:								
Individuals	257,832	45.9	289,810	41.0	294,930	44.7	286,850	40.2
Non-financial institutional enterprises	49,500	8.8	107,600	15.3	56,570	8.6	97,600	13.7
Individuals and non-financial institutional enterprises	254,726	45.3	308,810	43.7	308,518	46.7	329,248	46.1
Total	<u>562,058</u>	<u>100.0</u>	<u>706,220</u>	<u>100.0</u>	<u>660,018</u>	<u>100.0</u>	<u>713,698</u>	<u>100.0</u>

For guaranteed loans, we review the creditworthiness of guarantors using a process that is similar to our review of a customer’s creditworthiness. For collateral-backed loans, we ensure that the loan-to-value ratios do not exceed the fixed maximum ratios that we will accept for any loan to be approved. We also register our security interest in the collateral with the relevant government authority. Where tangible assets are provided as collateral, we conduct on-site visits to inspect such collateral and monitor closely the volatility of the value of the collateral, particularly real property, by conducting on-site visits of the relevant property and performing online research on the general market conditions where such property is located. For equity rights of non-public companies provided as a pledge, we monitor the operating conditions of non-public companies by requesting such companies to provide us with their financial statements periodically and conducting on-site visits or telephone interviews with our

SUMMARY AND HIGHLIGHTS

customers. In addition, we refer to the market price and liquidity of similar equities transacted in the market to assess the value of the pledged equity rights. For more details, see “Business — Risk Management — Credit Risk Management — Due diligence and risk assessment” on page 158 of this Prospectus.

The following table sets forth a breakdown of our loan portfolio by security as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Credit loans	10,000	1.7	—	—	30,000	4.3	30,000	4.0
Guaranteed loans	554,278	96.9	645,640	89.9	474,708	67.3	502,198	66.2
Collateral-backed loans								
— with guarantee	7,780	1.4	60,580	8.4	185,310	26.3	211,500	27.8
— without guarantee	—	—	12,000	1.7	15,000	2.1	15,000	2.0
Total	572,058	100.0	718,220	100.0	705,018	100.0	758,698	100.0

The following table sets forth a range of the annual interest rates that we charged our customers for each of the periods indicated:

	Year ended 31 December						Three months ended 31 March	
	2013		2014		2015		2016	
	%(Min)	%(Max)	%(Min)	%(Max)	%(Min)	%(Max)	%(Min)	%(Max)
Range of the annual interest rates:								
Credit loans	12.0	22.2	—	—	18.0	19.2	18.0	19.2
Guaranteed loans	9.6	24.0	9.6	24.0	15.6	24.0	14.4	24.0
Collateral-backed loans								
— with guarantee	21.6	24.0	21.6	24.0	14.4	24.0	17.4	24.0
— without guarantee	—	—	22.2	22.2	18.0	22.2	18.0	18.0

To minimize our risk exposure, we mainly provide short-term loans to customers, which are loans with terms that range from ten days to one year. A majority of the loans we grant are due within six months. The term of each drawdown of revolving loans is specified in the drawdown application and that of term loans is specified in the loan contract. The following table sets forth the maturity profile of our loans as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Past due	67,558	11.8 ⁽¹⁾	42,760	6.0 ⁽¹⁾	16,390	2.3 ⁽¹⁾	16,090	2.1 ⁽¹⁾
Due within three months	311,200	54.4	402,360	56.0	395,780	56.1	459,090	60.5
Due between three months and six months	117,300	20.5	91,000	12.7	111,990	15.9	118,360	15.6
Due between six months and one year	76,000	13.3	182,100	25.3	59,140	8.4	63,460	8.4
Due over one year	—	—	—	—	121,718 ⁽²⁾	17.3	101,698 ⁽²⁾	13.4
Total	572,058	100.0	718,220	100.0	705,018	100.0	758,698	100.0

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Notes:

- (1) The percentage equals to the default ratio as of the respective dates during the Track Record Period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.
- (2) Represents primarily new loans that were granted with terms of more than one year (but in no event with terms of more than two years) since 2015. In order to enhance our competitiveness, since 2015, we began to provide such loans to certain customers who had demonstrated their stable operations and sound financial health. These customers are entitled to loans with terms ranging from one year to two years and principal amount ranging from RMB2.0 million to RMB5.0 million in 2015. As of the Latest Practicable Date, all of the new loans granted with terms of more than one year were used by our customers to finance their business projects. Such projects comprised (i) the purchase of new production equipment and machinery, as well as the addition of new production lines, (ii) the construction or expansion of production facilities, and (iii) technology upgrades to increase automation of equipment and to upgrade software. In addition to new loans granted with terms of more than one year, our loans due over one year as of 31 March 2016 also included one extension loan granted to a customer who used such loan to finance the expansion of existing production facilities. We apply similar credit and risk assessment procedures and criteria for such loans as we do for all of our other loans, except that we also request such customers to provide information on the type of project or activity that the funds will be used to finance. See “Business — Risk Management — Credit Risk Management — Loan granting” for more details. Other than the longer period of the loan terms and the additional information that must be provided, new loans with terms of more than one year and extension loans have the same features as all of our other 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 CBRC. We make provisions for the anticipated level of loan loss after categorizing the loan according to the “Five-Tier Principle.” According to the “Five-Tier Principle,” our loans are categorized as “normal,” “special-mention,” “substandard,” “doubtful” or “loss” according to their levels of risk. We consider our “substandard,” “doubtful” and “loss” loans as impaired loans.

The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Normal	504,000	88.1	550,280	76.6	598,670	84.9	685,200	90.3
Special-mention	500	0.1	123,380	17.2	89,958	12.8	55,108	7.3
Substandard	25,558	4.5	14,800	2.1	15,890	2.2	17,890	2.3
Doubtful	20,000	3.5	29,760	4.1	500	0.1	500	0.1
Loss	22,000	3.8	—	—	—	—	—	—
Total	572,058	100.0	718,220	100.0	705,018	100.0	758,698	100.0

Subject to our discretion, certain of our customers may apply for payment term extensions on their respective loan before it becomes mature. Although we do not require the borrower to repay the principal of the loan before the payment term is extended, the extension of any payment term will not be effective until our business department completes the assessment and approval process, whether at the loan assessment committee, Chairman and/or Board of Directors level, which in each case will depend on the loan size and extension period. See “Business — Business Process — Assessment and Approval of Loans” for details of our loan assessment and approval process. We consider each extension of payment term to be a new loan application and have adopted risk management measures to minimize any risk that any such payment extension may bring to us. As of 31 December 2013, 2014 and 2015 and 31 March 2016, the total principal amount of our extension loans was RMB41.3 million, RMB26.4 million, RMB30.3 million and RMB45.0 million, respectively, accounting for 7.2%, 3.7%, 4.3% and 5.9% of the total principal amount of our outstanding loans as of the same dates, respectively.

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For more details regarding our operating and financial data, see “Business” and “Financial Information” beginning on pages 114 and 219 of this Prospectus, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We have in the past funded our working capital and other capital requirements primarily by equity contributions from Shareholders, bank borrowings and cash flows from operations. Our liquidity and capital requirements primarily relate to granting loans and other working capital requirements. During the Track Record Period, we financed our operations primarily through a combination of share capital from our Shareholders and bank borrowings. 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.

The following table sets forth our paid-in/share capital, net capital, principal amount of outstanding loans and loan/net capital ratio as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
Paid-in/Share capital (RMB in millions) ⁽¹⁾	500.0	500.0	500.0	500.0
Net capital (RMB in millions) ⁽²⁾	535.5	583.9	629.1	624.4
Principal amount of outstanding loans (RMB in millions) . .	572.1	718.2	705.0	758.7
Loan/Net capital ratio ⁽³⁾	1.07x	1.23x	1.12x	1.22x

Notes:

- (1) We received a capital increase of RMB200.0 million in late December 2013 and completed the AIC registration for the capital increase on 29 January 2014.
- (2) Represents the aggregate of our paid-in/share capital, reserves and retained profits.
- (3) Represents the balance of the principal amount of our outstanding loans divided by our net capital.

Bank borrowings are a significant source of our loans lent to our customers. We obtain bank borrowings primarily to expand our business. Leveraging our record of success since our inception and the reputation of our Shareholders, we were able to obtain financing from banks, such as the China Development Bank, during the Track Record Period, which further enhanced our capital sufficiency and financial strength. As of 31 December 2013, 2014 and 2015 and 31 March 2016, the balance of our outstanding bank borrowings was RMB150.0 million, RMB136.0 million, RMB100.0 million and RMB138.3 million, respectively. For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the effective interest rate per annum of our bank borrowings was 7.07%, 7.00%, 5.64% and 5.05%, respectively.

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 micro-finance business. During the Track Record Period, our business growth was mainly supported by funding from equity contributions and bank borrowings, which were cash inflows from financing activities. In particular, we received equity contributions in cash in the amount of RMB152.0 million in late December 2013. However, as these funds were gradually deployed into further expanding our lending business in the form of loans advanced to customers, they were classified as cash used in operating activities. As a result, we experienced negative operating cash flows for the year ended 31 December 2014. See “Risk Factors — Risks Relating to Our Business and Industry — We reported

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negative operating cash flows for the year ended 31 December 2014 and for the three months ended 31 March 2016, and may continue to do so in the near term subsequent to the Listing” on page 41 of this Prospectus.

We plan to use the net proceeds from the Global Offering to further expand our loan business. See “Future Plans and Use of Proceeds” beginning on page 260 of this Prospectus.

OUR SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, Fujian Septwolves Group directly held approximately 25.91% of our Shares. Immediately following the completion of the Global Offering, Fujian Septwolves Group will directly hold approximately 19.05% of our then total issued Shares, assuming the Over-allotment Option is not exercised (or approximately 18.32% if the Over-allotment Option is exercised in full). Fujian Septwolves Group, Mr. Zhou Yongwei and Ms. Chen Pengling are the Substantial Shareholders within the meaning of the Listing Rules that can exercise or direct the exercise of 10% or more of voting power in any of our Shareholders’ general meetings, and are expected to remain as the Substantial Shareholders immediately following the completion of the Global Offering. For further details, please refer to the section headed “Relationship with Substantial Shareholders” beginning on page 178 of this Prospectus.

As at the Latest Practicable Date, apart from our Company, our Substantial Shareholders and their respective close associates had interests in certain Finance Businesses, including provision of microcredit service in Xiamen City, financing guarantee service, finance leasing service and pawn loan service. A brief summary of the major differences between such Finance Businesses and our current business which illustrates a clear delineation is set out in the section headed “Relationship with Substantial Shareholders — Finance Businesses Engaged by Our Substantial Shareholders — Delineation of Business” beginning on page 181 of this Prospectus.

RECENT DEVELOPMENTS

On 18 August 2016, we received a government grant of RMB2.7 million from the government of Quanzhou City as a governmental reward fund, on the basis that: (i) we were converted into a joint stock limited liability company for listing purpose; and (ii) the amount of EIT we paid increased each year from 2013 to 2015. Such government grant was a one-off incident and there were no unfulfilled conditions and other contingencies attached to such government grant.

Our Directors confirm that since 31 March 2016 (being the date as of which the latest audited financial information of our Company was prepared) and up to the date of this Prospectus, there had been no material adverse change in our business and financial condition, including any material deterioration in the financial condition and creditworthiness of our customers or their guarantors as a whole and any material decrease in the valuation of the collateral provided. In addition, since 31 March 2016 and up to the date of this Prospectus, there had been no event which would materially affect the information shown in our financial information included in the Accountants’ Report attached as Appendix I to this Prospectus.

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OFFERING STATISTICS

	Based on an Offer Price of HK\$1.55 per H Share	Based on an Offer Price of HK\$1.75 per H Share
	<u>H Share</u>	<u>H Share</u>
Market capitalization of our Shares ⁽¹⁾	HK\$1,054 million	HK\$1,190 million
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$1.48	HK\$1.53
Price to book ratio ⁽³⁾⁽⁴⁾ (times)	1.03	1.12

Notes:

- (1) The calculation of market capitalization is based on 680,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” beginning on page II-1 of this Prospectus and on the basis of a total of 680,000,000 Shares in issue immediately following the Global Offering assuming that the Over-allotment Option is not exercised.
- (3) The price to book ratio represents market capitalization of our Shares divided by the book value. The book value is a total of the net assets as of 31 March 2016 plus gross proceeds from the Global Offering which is calculated by using the respective minimum and maximum Offer Price per H Share multiplied by the 180,000,000 H Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised).
- (4) Unless otherwise indicated, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.8333 to HK\$1.00, the exchange rate prevailing on 31 March 2016, set by the PBOC for foreign exchange transactions.

DIVIDENDS

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by our Company, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the Shares they hold unless otherwise stipulated in the Articles of Association of our Company. Dividends may be paid only out of our distributable profits, as permitted under the relevant laws. The declaration, payment and amount of dividends will be subject to our discretion. We did not pay any cash dividends for the year ended 31 December 2013. We paid cash dividends of RMB25.1 million, RMB30.0 million and RMB25.0 million for the years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, respectively.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

LISTING EXPENSES

The total estimated Listing expenses (excluding underwriting commission) in connection with the Global Offering was approximately HK\$23.5 million, and during the Track Record Period, we incurred Listing expenses amounting to approximately HK\$8.0 million, among which approximately HK\$6.0 million has been charged to the profit and loss and approximately HK\$2.0 million was capitalized as deferred expenses, which is expected to be charged against equity upon successful Listing under the relevant accounting standards. We estimate that the Listing expenses to be incurred and charged to the profit and loss in the financial period after 31 March 2016 will be approximately HK\$11.6 million.

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USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$266.1 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us, and assuming the Offer Price of HK\$1.65 per H Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 65%, or approximately HK\$173.0 million, will be used to enlarge the capital base of our loan business and to develop new products and services in order to satisfy the diverse financing and business needs from entrepreneurial individuals, SMEs and microenterprises;
- Approximately 15%, or approximately HK\$39.9 million, will be used for strategic acquisitions and investments in financial services providers. As of the Latest Practicable Date, we had not identified any acquisition target and had not entered into any definitive agreement with respect to any acquisition. See “Business — Our Business Strategies — Seek opportunities for strategic acquisitions and investments;”
- Approximately 5%, or approximately HK\$13.3 million, will be used to strengthen our sales network and marketing activities, upgrade IT system, develop innovative mobile client, as well as to enhance our employees’ training programs and human resources;
- Approximately 5%, or approximately HK\$13.3 million, will be used to strengthen our internal control and risk management systems and establish long-term cooperation with third party credit information service providers; and
- Approximately 10%, or approximately HK\$26.6 million, for working capital and general corporate purposes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional H Shares will be approximately HK\$43.4 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK\$1.65 per Share, being the mid-point of the indicative Offer Price range. We intend to apply the additional net proceeds to the above uses in the proportion stated above.

For more details, see “Future Plans and Use of Proceeds” beginning on page 260 of this Prospectus.

REASONS FOR LISTING

Due to the capital intensive nature of the loan business, our operations are largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding and ability to expand our capital base. Through the Listing, not only will we be able to raise net proceeds from the Global Offering to execute our growth strategies, but we will also gain access to the capital markets in future rounds of financing to fund further growth plans as and when necessary. We believe that raising capital through the issuance of equity or debt securities as a public company will involve relatively lower financing costs as compared with bank financing obtained by a private company. By continuing to enlarge our capital base, we will

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be able to grant more loans to our customers, which in turn will provide us with a more stable flow of income. We also consider that the Listing will enhance our corporate profile, market reputation and brand awareness, which we believe will strengthen our customers' confidence in us, create more opportunities for us to collaborate with third party credit information companies as well as financial service providers, and enhance our overall bargaining power in negotiations with banks and other counterparties.

RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering. Some of the risks generally associated with our business and industry include the followings:

- We operate in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and we may be required to make significant changes to our operations from time to time in order to comply with changes in these laws, regulations and policies.
- We mainly rely on the creditworthiness of our customers and/or their guarantors, rather than on collateral, which may limit our ability to recover payments from defaulting customers.
- Our current operations in China are geographically limited to four administrative districts of Quanzhou City. Any significant deterioration of the economy or business environment of Quanzhou City could materially adversely affect our financial condition and results of operations.
- As our current customers are entrepreneurial individuals, SMEs and microenterprises in four administrative districts of Quanzhou City, the credit risks that we are exposed to are greater than those faced by larger lenders.
- Our allowance for impairment losses may not be adequate to cover actual losses or prevent a material adverse effect on our business, financial condition and results of operations, and any increases in our allowance for impairment losses would cause our net profit to decrease.
- We reported negative operating cash flows for the year ended 31 December 2014 and for the three months ended 31 March 2016, and may continue to do so in the near term subsequent to the Listing.
- We may have difficulty sustaining our growth if our access to funding is reduced.
- Changes in interest rates and spread could have a negative impact on our revenue and results of operations.
- Competition in the industry in which we operate is growing and could cause us to lose market share and revenue in the future.
- The evolving PRC legal system has inherent uncertainties that could limit the legal protection available to our Shareholders.

These risks are not the only significant risks that may affect the value of our H Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in "Risk Factors" beginning on page 36 of this Prospectus in deciding whether to invest in our H Shares.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
“AIC”	Administration for Industry & Commerce* (工商管理機關) in the PRC or, where the context so requires, the State Administration for Industry & Commerce of the PRC (中華人民共和國工商管理總局) or its delegated authority at provincial, municipal or other local level
“AML Law”	the Anti-money Laundering Law of the PRC (中華人民共和國反洗錢法)
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association”	the articles of association of the Company, conditionally adopted on 25 January 2016 and as amended from time to time, a summary of which is set out in “Appendix V — Summary of Articles of Association” in this Prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baiying Financing Guarantee”	Fujian Baiying Financing Guarantee Co., Ltd.* (福建百應融資擔保股份有限公司), previously known as Jinjiang Financing Guarantee Co., Ltd.* (晉江融資擔保有限責任公司), a company established in the PRC with limited liability on 25 July 2008, which is owned as to 58% by Septwolves Group Holding, 22% by Jinjiang Henglong, and 20% by Jinjiang Baixin
“Baiying Finance Leasing”	Xiamen Baiying Finance Leasing Co., Ltd.* (廈門市百應融資租賃有限公司), a company established in the PRC with limited liability on 9 March 2010, which is owned as to 33.75% by Septwolves Group Holding, 25% by Hong Kong Septwolves Group Financial, and three other Independent Third Parties as to 18.75%, 15% and 7.5%, respectively

DEFINITIONS

“Baiying Microcredit”	Xiamen Siming Baiying Microcredit Co., Ltd.* (廈門思明百應小額貸款有限公司), a company established in the PRC with limited liability on 5 May 2014, which is owned by Septwolves Group Holding, Xiamen Gaoxinhong, Ms. Wang Jialin (王佳琳) (daughter in law of Mr. Zhou Yongwei and Ms. Chen Pengling), Mr. Xie Anju (one of our Shareholders), Mr. Zeng Jianwu (曾建武) (our former director) and four other Independent Third Parties as to 49.99%, 15%, 5%, 4.9%, 0.25%, 5%, 5%, 5% and 9.86%, respectively
“Board” or “Board of Directors”	the board of directors of the Company
“Business Day(s)”	any day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CBRC Fujian Bureau”	the China Banking Regulatory Commission Fujian Bureau (中國銀行業監督委員會福建監督局)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	Mr. Zhou Yongwei, the chairman of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires, references in this Prospectus to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong

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“China Development Bank”	China Development Bank Co., Ltd. (國家開發銀行股份有限公司), a company established in the PRC with limited liability, being an Independent Third Party
“Circular 137”	the Circular on Relevant Policies for Rural Bank, Loan Company, Rural Mutual Cooperative and Microfinance Company (關於村鎮銀行、貸款公司、農村資金互助社、小額貸款公司有關政策的通知), which was promulgated by the PBOC and the CBRC on 24 April 2008
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance,” or “Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company,” “we,” “us” or “our”	Quanzhou Huixin Micro-credit Co., Ltd.* (泉州匯鑫小額貸款股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from our Predecessor Company on 18 August 2014, and where the context otherwise requires, our Predecessor Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 6 September 2016 entered into by our Substantial Shareholders with and in favor of the Company as referred to in the section headed “Appendix VI — Statutory and General Information — E. Other Information — 1. Indemnities” in this Prospectus
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share in our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities
“EIT”	the PRC enterprise income tax

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“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法)
“eWhite Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the eWhite Form Service Provider , www.ewhiteform.com.hk
“eWhite Form Service Provider”	the eWhite Form Service Provider designated by the Company as specified on the designated website at www.ewhiteform.com.hk
“Existing Shareholders”	Fujian Septwolves Group, Fujian Xiyuan, Jinjiang Henglong, Quanzhou Haoxiang, Xiamen Gaoxinhong, Quanzhou Anping, Quanzhou Yuanpeng, Mr. Xie Anju, Quanzhou Jianyuan, Shishi Yingfeng, Jinjiang Shuncheng and Jinjiang Xinhong
“Finance Businesses”	certain other finance-related businesses in which our Substantial Shareholders and their respective close associates had interests, namely, the provision of financing guarantee services through Baiying Financing Guarantee, the provision of finance leasing services through Baiying Finance Leasing, the provision of pawn loan services through Xiamen Borong and Fujian Yuanheng, and the provision of microcredit services in Xiamen City through Baiying Microcredit, and the provision of settlement services, entrusted loans services, loans to and taking deposits from any of the Holdco Group Member Companies through Fujian Septwolves Group Finance
“Fujian Province” or “Fujian”	Fujian Province (福建省), a province located in the southeastern coast of China
“Fujian Economic and Information Technology Commission”	Fujian Provincial Economic and Information Technology Commission (福建省經濟和信息化委員會), which was formed by a merger of former Fujian Provincial Economic and Trade Commission (福建省經濟貿易委員會) and former Fujian Provincial Municipal Bureau of Information Technology (福建省信息化局) in 2014; or, where the context so requires, Fujian Provincial Economic and Trade Commission (福建省經濟貿易委員會)

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“Fujian Haoxiang Gardening”	Fujian Haoxiang Gardening Building Decoration Engineering Co., Ltd.* (福建豪翔園林建設有限責任公司), a company established in the PRC with limited liability on 8 April 2009, a shareholder holding approximately 61.08% interest in Quanzhou Haoxiang which will in turn hold 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Fujian Septwolves Group”	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司), a company established in the PRC with limited liability on 18 January 2002 (its predecessor, 福建七匹狼集團公司 (Fujian Septwolves Group Company) was first established in the PRC in February 1985) and one of the Promoters which will hold approximately 19.05% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Fujian Septwolves Group Finance”	Fujian Septwolves Group Finance Co., Ltd.* (福建七匹狼集團財務有限公司), a company established in the PRC with limited liability on 26 March 2015, which is owned as to 65% by Fujian Septwolves Group and 35% by Fujian Septwolves Industry
“Fujian Septwolves Industry”	Fujian Septwolves Industry Co., Ltd.* (福建七匹狼實業股份有限公司), a company established in the PRC with limited liability on 23 July 2001, which is listed on the Shenzhen Stock Exchange (stock code: 002029). As at the Latest Practicable Date, Fujian Septwolves Industry was owned as to approximately 34.29% by Fujian Septwolves Group, approximately 8.63% by Xiamen Gaoxinhong and approximately 57.08% by other public shareholders
“Fujian Xiyuan”	Fujian Anxi Xiyuan Investment Co., Ltd.* (福建省安溪溪源投資有限公司), a company established in the PRC with limited liability on 2 June 1993, formerly known as Fujian Anxi Bama Tea Co., Ltd.* (福建省安溪八馬茶業有限公司), one of the Promoters which will hold approximately 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development” in this Prospectus

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“Fujian Yuanheng”	Fujian Yuanheng Pawn Co., Ltd.* (福建元亨典當有限公司), a company established in the PRC with limited liability on 29 September 2011, which is owned as to 12% by Jinjiang Baixin and 61% by Jinjiang Henglong, the remaining shareholdings of Fujian Yuanheng are owned by Independent Third Parties
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by eWhite Form Service Provider
“Guiding Opinions”	Guiding Opinions on the Pilot Operation of Microfinance Companies (關於小額貸款公司試點的指導意見) jointly issued by the CBRC and the PBOC on 4 May 2008
“Haixia Equity Exchange”	the Haixia Equity Exchange (海峽股權交易中心), an equity exchange platform registered in Fujian Province in 2011
“H Share(s)”	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and are to be listed on the Hong Kong Stock Exchange
“H Share Registrar”	Boardroom Share Registrars (HK) Limited
“HKAS”	Hong Kong Accounting Standards
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Holdco Group Member Companies”	Fujian Septwolves Group, the subsidiaries and associated companies (which Fujian Septwolves Group and/or its subsidiaries, whether alone or jointly, hold not less than 20% equity interest) of Fujian Septwolves Group and companies which Fujian Septwolves Group and/or its subsidiaries, whether alone or jointly, hold less than 20% equity interest but Fujian Septwolves Group and/or its subsidiaries, whether alone or jointly, is or are the largest shareholder(s), each of which has been approved by or registered with CBRC Fujian Bureau
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Share(s)”	the 18,000,000 H Shares (subject to adjustment) being offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this Prospectus and the Application Forms, as further described in “Structure of the Global Offering” in this Prospectus
“Hong Kong Septwolves Group Financial”	Hong Kong Septwolves Group Financial Holding Co., Limited (香港七匹狼金融控股集團有限公司), a company incorporated in Hong Kong with limited liability on 8 January 2015, which is 100% owned by Septwolves Group Holding
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriter” in this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 15 September 2016 relating to the Hong Kong Public Offering and entered into by, among others, the Sole Global Coordinator, the Hong Kong Underwriter and us, as further described in “Underwriting — Underwriting Arrangements and Expenses” in this Prospectus
“Independent Third Party(ies)”	(an) individual(s) or (a) company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/ are not (a) connected person(s) of the Company within the meaning of the Listing Rules
“Interim Measures”	Interim Measures of Fujian Province for the Administration of Microfinance Companies (福建省小額貸款公司暫行管理辦法), promulgated by the General Office of the People’s Government of Fujian Province on and taking effect from 10 March 2012
“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares outside the United States to institutional and professional investors in offshore transactions as defined in and in accordance with Regulation S, as further described in “Structure of the Global Offering” in this Prospectus
“International Offer Shares”	the 162,000,000 H Shares offered by the Company pursuant to the International Offering, together with, where relevant, any additional H Shares to be sold pursuant to the exercise of the Over-allotment Option

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“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and to be entered into by, among others, us, the Sole Global Coordinator and the International Underwriters on or about 23 September 2016, as further described in “Underwriting — Underwriting Arrangements and Expenses — International Offering” in this Prospectus
“Ipsos”	Ipsos Limited, the independent industry consultant commissioned by us to conduct research on the microfinance industry in China
“Ipsos Report”	the report produced by Ipsos which provides an overview and analysis of the microfinance industry in China
“Japanese Shengshi”	Japanese Shengshi Company Limited* (日本株式會社聖石商事), a company incorporated in Japan with limited liability on 10 January 2010, which is owned by Independent Third Parties
“Jinjiang Baixin”	Jinjiang Baixin Machinery Manufacturing Co., Ltd.* (晉江市百信機械製造有限公司), a company established in the PRC with limited liability on 10 July 2007, which is owned as to 60% by Fujian Septwolves Group and 40% by Shi Yuzhu (施玉柱), an Independent Third Party
“Jinjiang City”	Jinjiang City (晉江市), a city subordinated to Quanzhou City in Fujian Province
“Jinjiang Henglong”	Jinjiang Henglong Construction Materials Co., Ltd.* (晉江市恒隆建材有限公司), a company established in the PRC with limited liability on 29 April 2000 and one of the Promoters which will hold approximately 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus

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“Jinjiang Shuncheng”	Jinjiang Shuncheng Commerce and Trading Co., Ltd.* (晉江順成商貿有限公司), a company established in the PRC with limited liability on 22 November 1999, formerly known as Fujian Jinjiang Shuncheng Grain and Oil Industrial Co., Ltd.* (福建省晉江順成糧油工業有限責任公司), one of the Promoters which will hold approximately 2.21% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). It is owned by an Independent Third Party. For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Jinjiang Xinhong”	Jinjiang Xinhong Textile Co., Ltd.* (晉江鑫宏紡織有限公司), a company established in the PRC with limited liability on 8 January 2003 and one of the Promoters which will hold approximately 2.21% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Latest Practicable Date”	9 September 2016, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus prior to its publication
“Licheng District”	Licheng District (鯉城區), a subordinated administrative district in Quanzhou City, Fujian Province
“Listing”	the listing of the H Shares on the Main Board
“Listing Committee”	the Listing Committee of The Stock Exchange of Hong Kong Limited
“Listing Date”	the date, expected to be on Friday, 30 September 2016, on which dealings in the H Shares first commence on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Luojiang District”	Luojiang District (洛江區), a subordinated administrative district in Quanzhou City, Fujian Province
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

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“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas* (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies established in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems on 27 August 1994
“Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Ministry of Industry and Information Technology”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Wang Wenbin”	Mr. Wang Wenbin (王文彬), a non-executive Director, a shareholder holding approximately 51% interest in Fujian Xiyuan which will in turn hold 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Wang Wenchao’s and Mr. Wang Wenli’s brother
“Mr. Wang Wenchao”	Mr. Wang Wenchao (王文超), a shareholder holding approximately 10% interest in Fujian Xiyuan which will in turn hold 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Wang Wenbin’s and Mr. Wang Wenli’s brother
“Mr. Wang Wenli”	Mr. Wang Wenli (王文禮), a shareholder holding approximately 39% interest in Fujian Xiyuan which will in turn hold 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Wang Wenchao’s and Mr. Wang Wenbin’s brother
“Mr. Xie Anju”	Mr. Xie Anju (謝安居), a shareholder and one of the Promoters holding approximately 5.34% direct interest in our Company upon the Listing (assuming no Over-allotment Option is exercised)
“Mr. Zeng Jiayi”	Mr. Zeng Jiayi (曾佳溢), our former director and a shareholder holding approximately 95% interest in Jinjiang Henglong which will in turn hold 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised)

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“Mr. Zhou Shaoming”	Mr. Zhou Shaoming (周少明), a shareholder holding approximately 31.09% interest in Fujian Septwolves Group which will in turn hold 19.05% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Zhou Yongwei’s and Mr. Zhou Shaoxiong’s brother
“Mr. Zhou Shaoxiong”	Mr. Zhou Shaoxiong (周少雄), a shareholder holding approximately 31.09% interest in Fujian Septwolves Group which will in turn hold 19.05% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Zhou Shaoming’s and Mr. Zhou Yongwei’s brother
“Mr. Zhou Yongwei” or “Chairman”	Mr. Zhou Yongwei (周永偉) (formerly known as Zhou Lianqi (周連期), an executive Director, a shareholder holding approximately 31.09% interest in Fujian Septwolves Group which will in turn hold 19.05% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Zhou Shaoming’s and Mr. Zhou Shaoxiong’s brother and Ms. Chen Pengling’s spouse
“Ms. Chen Pengling”	Ms. Chen Pengling (陳鵬玲), a shareholder holding approximately 5.18% interest in Fujian Septwolves Group which will in turn hold 19.05% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised) and Mr. Zhou Yongwei’s spouse
“Nan’an City”	Nan’an City (南安市), a city subordinated to Quanzhou City in Fujian Province
“National Bureau of Statistics”	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-competition Agreement”	the non-competition agreement dated 6 September 2016 entered into by our Substantial Shareholders in favor of the Company
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final Hong Kong dollar price per H Share (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be subscribed pursuant to the Global Offering

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“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares sold pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the Sole Global Coordinator on behalf of the International Underwriters under the International Underwriting Agreement pursuant to which the Company may be required to sell up to an additional aggregate of 27,000,000 H Shares (in aggregate representing 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Pilot Measures”	the Pilot Measures of Cross-County Operation of Microfinance Companies in Quanzhou City (泉州市小額貸款公司跨縣域經營試點實施方案), which was promulgated by the People’s Government of Quanzhou City on and taking effect from 31 March 2014
“PRC Company Law” or “Company Law”	the Company Law of the PRC (中華人民共和國公司法)
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them
“PRC Legal Advisers”	AllBright Law Offices, legal advisers to the Company as to the PRC laws in connection with the Global Offering
“PRC Securities Law” or “Securities Law”	the Securities Law of the PRC (中華人民共和國證券法)
“Predecessor Company” or “our Predecessor Company”	Quanzhou Licheng District Huixin Microcredit Co., Ltd.* (泉州市鯉城區匯鑫小額貸款有限公司), a limited liability company established in the PRC with limited liability on 8 January 2010 and the predecessor of the Company
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date to record and fix the Offer Price

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“Price Determination Date”	the date, expected to be on or around Friday, 23 September 2016 but no later than Wednesday, 28 September 2016, on which the Offer Price is fixed for the purposes of the Global Offering
“Private Lending Judicial Interpretations”	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)
“Promoter(s)”	the promoters of the Company. At the time of our establishment, our Promoters comprised 11 corporate shareholders and one individual shareholder
“Prospectus”	this prospectus issued in connection with the Hong Kong Public Offering
“Quanzhou Anping”	Quanzhou Anping Development and Construction Co., Ltd.* (泉州市安平開發建設有限公司), a company established in the PRC with limited liability on 29 December 1990 and one of the Promoters which will hold approximately 5.88% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). It is owned by Sand Beach. For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Quanzhou City”	Quanzhou City (泉州市), Fujian Province
“Quanzhou Development and Reform Commission”	the Quanzhou Development and Reform Commission (泉州市發展和改革委員會)
“Quanzhou Financial Affairs Bureau”	the Bureau of Financial Affairs of Quanzhou City (泉州市金融工作局)
“Quanzhou Haoxiang”	Quanzhou Haoxiang Stone Co., Ltd.* (泉州豪翔石業有限公司), a company established in the PRC with limited liability on 22 October 2003 and one of the Promoters which will hold approximately 7.35% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus

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“Quanzhou Jianyuan”	Quanzhou Jianyuan Investment and Development Co., Ltd.* (泉州市建源投資發展有限公司), a company established in the PRC with limited liability on 6 June 2005 and one of the Promoters which will hold approximately 3.07% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Quanzhou Xingyuan”	Quanzhou Xingyuan Plastics Co., Ltd.* (泉州興源塑料有限公司), a company established in the PRC with limited liability on 21 September 1994 and ultimately 100% owned by Mr. Ng Kar Cheong (黃加種), the father of Mr. Ng Seng Chuan (our Supervisor)
“Quanzhou Yuanpeng”	Quanzhou Yuanpeng Clothing and Textile Co., Ltd.* (泉州市遠鵬服飾織造有限公司), a company established in the PRC with limited liability on 2 December 2004 and one of the Promoters which will hold approximately 5.34% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). It is owned by Wealth Success. For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sand Beach”	Sand Beach Development Limited (封域發展有限公司), a company incorporated in Hong Kong with limited liability on 9 March 1990, a shareholder holding 100% interest in Quanzhou Anping which will in turn hold 5.88% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the NPC (全國人民代表大會常務委員會)

DEFINITIONS

“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Septwolves Group Holding”	Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司), a company incorporated in the PRC with limited liability on 25 February 2000, which is owned as to 82.86% by Fujian Septwolves Group, 3.43% by Mr. Zhou Yongwei, 5.71% by Mr. Zhou Shaoxiong, 5.71% by Mr. Zhou Shaoming and 2.29% by Ms. Chen Pengling
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	Domestic Share(s) and/or H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shishi Yingfeng”	Shishi Yingfeng Clothing Co., Ltd.* (石獅盈豐服飾有限公司), a company established in the PRC with limited liability on 19 September 2006 and one of the Promoters which will hold approximately 2.28% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). It is owned by an Independent Third Party. For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Sole Global Coordinator,” “Sole Bookrunner,” “Sole Lead Manager” or “Stabilizing Manager”	Changjiang Securities Brokerage (HK) Limited, a company incorporated in Hong Kong with limited liability on 8 August 2011, a licensed corporation under the SFO to carry on type 1 (dealing in securities) regulated activities
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4 August 1994
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Sole Sponsor” or “Changjiang Corporate Finance”	Changjiang Corporate Finance (HK) Limited, a company incorporated in Hong Kong with limited liability on 8 August 2011, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity (being the sole sponsor to the Company in respect of the Listing)

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“Substantial Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, collectively refers to Fujian Septwolves Group, Mr. Zhou Yongwei and Ms. Chen Pengling
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	our supervisory committee established pursuant to the PRC Company Law, as described in “Directors, Supervisors and Senior Management” in this Prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks, as amended from time to time
“Track Record Period”	the three financial years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016
“Trademark Office”	the Trademark Office of the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局)
“Underwriters”	the Hong Kong Underwriter and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US dollars”	United States dollars, the lawful currency of the United States
“Wealth Success”	Wealth Success Enterprise Limited (成康企業有限公司), a company incorporated in Hong Kong with limited liability on 26 July 2007, the sole shareholder of Quanzhou Yuanpeng which will in turn hold 5.34% interest in our Company upon Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Xiamen Borong”	Xiamen Borong Pawn Co., Ltd.* (廈門博融典當有限責任公司), a company established in the PRC with limited liability on 28 September 2002, which is owned by Xiamen Guarantee Co., Ltd.* (廈門市擔保有限公司) being an Independent Third Party, Fujian Septwolves Group and two other Independent Third Parties as to 40%, 30%, 17.5% and 12.5%

DEFINITIONS

“Xiamen Gaoxinhong”	Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司), previously known as Xiamen Laierfu Trading Co., Ltd.* (廈門來爾富貿易有限責任公司), a company established in the PRC with limited liability on 22 May 2001 and one of the Promoters which will hold approximately 6.10% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus
“Xiamen Rural Commercial Bank”	Xiamen Rural Commercial Bank Co., Ltd. (廈門農村商業銀行股份有限公司), a company established in the PRC with limited liability, being an Independent Third Party
“Xiamen Sifang”	Xiamen Sifang Jiasheng Trading Company Limited* (廈門四方嘉盛貿易有限公司), a company established in the PRC with limited liability on 2 November 2007, a shareholder holding approximately 59% interest in Xiamen Gaoxinhong which will in turn hold approximately 6.10% interest in our Company upon the Listing (assuming no Over-allotment Option is exercised). For details of its shareholding, please refer to the section headed “History and Development — Our Corporate Structure — Prior to the Global Offering” in this Prospectus

* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only

GLOSSARY

This glossary of technical terms contains terms used in this Prospectus in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.

“12th Five-Year Plan”	the 12th Five-Year Plan (2011–2015) for National Economic and Social Development of the PRC (中華人民共和國國民經濟和社會發展第十二個五年規劃)
“ARF”	agriculture, rural areas and farmers or, as the case may be, businesses and/or activities in relation to agriculture, rural areas and rural residence
“collateral-backed loans”	loans secured in whole or in part by way of (i) a mortgage on land use rights; building ownership rights and/or equipment; and (ii) a pledge on shares
“collateral-backed loans with guarantee”	loans backed by guarantors as well as secured in whole or in part by collateral
“collateral-backed loans without guarantee”	loans not backed by guarantee but secured in whole or in part by collateral
“credit loans”	loans based solely on the credit rating of the borrower
“default ratio”	the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans
“guaranteed loans”	loans backed by guarantors but not secured by any collateral
“inter-company borrowings”	borrowings by microfinance companies that have been rated “excellent” or “qualified” by Fujian Economic and Information Technology Commission by means of inter-company lending among microfinance companies through Haixia Equity Exchange
“loss ratio”	net charge of impairment allowance on loans receivable divided by interest income
“microenterprise(s)”	microenterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises (關於印發中小企業劃型標準規定的通知) promulgated by the National Bureau of Statistics, the Ministry of Finance, the Ministry of Industry and Information Technology and the NDRC in June 2011. For example, in respect of the retail business, a microenterprise refers to an entity with fewer than ten employees or annual revenue of less than RMB1.0 million
“net interest income”	being interest income of the loan services less interest expense

GLOSSARY

“net loans receivable”	gross loans receivable less impairment allowances on individual and collective assessments
“past due loan(s)”	loan(s) with whole or part of the principal that was overdue for more than a week
“pilot financial reform zone”	in December 2012, the State Council of the PRC approved the establishment of a pilot financial reform zone in Quanzhou City to form a diversified, open and dynamic financial system to support the development of local enterprises
“SME(s)”	small and medium-sized enterprise(s), as defined in the Notice on the Provisions for Classification Standards of Small and Medium-sized Enterprises. For example, in respect of the retail business, a small enterprise refers to an entity with ten to 50 employees and annual revenue of between RMB1.0 million to RMB5.0 million, and a medium-sized enterprise refers to an entity with 50 to 300 employees and annual revenue of between RMB5.0 million to RMB200.0 million

FORWARD-LOOKING STATEMENTS

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our ability to control our credit risks and other risks inherent in our business;
- our business and operating strategies and our ability to implement such strategies;
- future developments, trends, conditions and the competitive environment in the industry and markets in which we operate or into which we intend to expand;
- our expansion plans;
- financial market developments;
- our financial condition and performance;
- our future debt levels and capital needs;
- changes in economic conditions in the cities in which we operate, including a downturn in the property markets and general economy in China;
- our strategies, plans, objectives and goals;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- our business prospects;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical facts.

FORWARD-LOOKING STATEMENTS

In some cases, we use the words “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “may,” “might,” “ought to,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in “Business” and “Financial Information” in this Prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. By their nature, however, forward-looking statements require us to make assumptions that are subject to inherent risks and uncertainties. As such, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

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You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition, results of operations and prospects could be materially adversely affected by any of these risks, the market price of H Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment accordingly. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those prevailing in other countries.

Our operations involve certain risks, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and we may be required to make significant changes to our operations from time to time in order to comply with changes in these laws, regulations and policies.

The microfinance industry is a highly regulated industry in China and is subject to laws, rules, regulations, government policies and measures at the national, provincial and local levels. As there is no administrative regulatory authority governing microfinance companies at the national level, microfinance companies in China are subject to regulations and guidelines promulgated by regulatory authorities at the local level. As such, our business operations are subject to the supervision of all the competent authorities as well as the discretion of different authorities with respect to the interpretation, implementation and enforcement of relevant regulations, policies and measures. However, there may from time to time be changes in the competent authority directly supervising the business operations of a microfinance company. For example, since our incorporation, we have been governed by different competent authorities at various stages of our operating history. For details, see “Regulatory Overview — Regulations in the Microfinance Industry — Regulatory Authorities of the Microfinance Industry.”

In addition, as China’s microfinance industry is an emerging sector that has grown rapidly since 2008, the applicable laws, regulations and policies governing the industry have evolved in recent years. We expect that there will be further changes and amendments in such regulatory requirements, including in their interpretation and application. Any new developments in the laws, regulations and policies governing the microfinance industry, including developments at the national, provincial or local level, could change or replace the laws, regulations and policies that are currently applicable to us. There is no assurance that we will be able to strictly comply with any changes or new requirements on a timely basis. While we may be conducting our operations in compliance with existing regulations, new regulations may render our operations non-compliant and require us to make significant changes to our business. Any incident involving non-compliance may subject us to administrative sanctions, monetary penalties and restrictions on our business activities or the revocation of our license. If we do not respond to the changes in a timely manner or fail to fully comply with the applicable laws and regulations, our financial condition, results of operations and business prospects could be adversely affected.

Compliance with new laws and regulations may place restrictions on our business activities or cause us to incur significant costs, and we may face uncertainties with respect to the interpretation and

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application of new laws, regulations and policies. For example, from the commencement of our operation on 8 January 2010 until 30 April 2014, we were permitted to provide our loan services to SMEs and microenterprises with a business presence, as well as individuals who reside, in any area within Quanzhou City. However, following the promulgation of the *Pilot Measures* on 31 March 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District of Quanzhou City, with effect from 30 April 2014. In the future, new laws and regulations may prohibit us from expanding our business presence into other areas of Quanzhou City or further limit our operations in the foregoing four districts/cities where we are currently operating.

Our ability to continue our operations or expand our business into other cities or regions in which we do not currently operate depends on our ability to obtain the relevant operating licenses or approvals from government authorities at the local, municipal, provincial and national levels. Failure to obtain or renew any of these licenses or approvals in a timely manner or at all as a result of any changes in laws and regulations or in any interpretation or enforcement of laws and regulations that are unfavorable to us may prevent us from conducting or expanding our business as planned. Moreover, we may be required to obtain or maintain approvals, licenses or permits for conducting new businesses or offering new products. Extensive government regulations and the related delays in seeking the appropriate approvals or suspension of business for rectification can also significantly delay or interrupt the implementation of our expansion plans or introduction of new products, which could materially adversely affect our market competitiveness, profitability and prospects. Even if we do obtain approval from the appropriate authorities, such approval may be granted on a limited basis or subject to the modification of our business and services, which could increase our costs.

We mainly rely on the creditworthiness of our customers and/or their guarantors, rather than on collateral, which may limit our ability to recover payments from defaulting customers.

Our business is exposed to credit risks from our customers. During the Track Record Period, the majority of the loans that we extended to our customers were guaranteed loans not backed by any collateral. As of 31 December 2013, 2014 and 2015 and 31 March 2016, 96.9%, 89.9%, 67.4% and 66.4% of our loans receivable were guaranteed loans, respectively. To a limited extent, we also granted credit loans to customers, with 1.7%, 4.3% and 4.0% of our loans receivables as of 31 December 2013 and 2015 and 31 March 2016, respectively. As of 31 December 2013, 2014 and 2015 and 31 March 2016, 1.4%, 10.1%, 28.4% and 29.6% of our loans receivable were collateral-backed loans, respectively. For the years ended 31 December 2013, 2014 and 2015, the principal amount of credit loans we granted to our customers amounted to RMB10.0 million, RMB15.0 million and RMB40.0 million, respectively, representing 0.4%, 0.5% and 1.4% of the total principal amount of our loans for the same periods. We did not grant any credit loans to our customers for the three months ended 31 March 2016. A total of RMB30.0 million of credit loans, representing 100.0% of the principal amount of our outstanding credit loans as of 31 March 2016, had been settled as of the Latest Practicable Date. However, none of such loans was overdue as of the Latest Practicable Date. We have developed a credit evaluation system that enables us to make decisions based on the creditworthiness of our customers and/or their guarantors rather than the value of collateral, and we expect that a majority of our loans will be extended to our customers without collateral in the future. However, our ability to recover payments from defaulting customers of guaranteed loans and credit loans may be more limited than collateral-backed loans.

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If a customer defaults on a credit loan, which is a loan that is neither secured by collateral nor backed by any guarantee, our only option is to go after the customer for collection. However, our customer's ability to repay the loan may be limited by various factors, such as the profitability of the customer's business, the development of industries relating to our customer's business, and the local economy of the regions where our customer conducts business. If a credit loan customer's ability to repay the loan is adversely affected by any of these factors and such customer's default continues, we may suffer losses. If a customer defaults on a guaranteed loan, we may demand the customer and the guarantors to repay the principal of the loan and any interest accrued. However, in the event that we are unable to locate the guarantor, or the guarantor no longer has sufficient or any financial resources to make full repayment on the customer's behalf, our financial condition and results of operations may be materially adversely affected. For more information, see "Business — Provisioning Policies and Asset Quality" in this Prospectus.

If our customers default and we are unable to receive full repayment from their guarantors, we may have to apply for foreclosure on the assets (if any) of the defaulting customers and their guarantors, such as land use rights, building ownership rights and equipment, through court orders. We may also apply to enforce our unsecured interests against these assets through legal proceedings. However, the application to attach assets of another person and liquidating or realizing the value of such assets may be time consuming or may not ultimately be possible. In addition, the enforcement process may be difficult for legal and practical reasons. As advised by our PRC Legal Advisers, in the event that we bring an action in a PRC court for the foreclosure on collateral or assets of another person, the entire recovery process could be time-consuming. Furthermore, the defaulting customers and their guarantors may have concealed, transferred or sold their assets beforehand, which may make it more difficult or impossible for us to apply for attachment. Moreover, if the attached assets are mortgaged and registered in favor of third parties, our interests will be ranked behind these third parties and our unsecured rights may not be enforced until after secured creditors have received full payment, thereby limiting or even preventing us from benefiting from such assets.

If we fail to effectively manage credit risk of our loans and maintain a low impaired loan ratio, our business, financial condition and results of operations may be adversely affected.

The sustainability of our business and future growth depends largely on our ability to effectively manage the credit risk of our loans and maintain a low impaired loan ratio. Any deterioration in our loan portfolio quality and increase in the impaired loan ratio could materially adversely affect our results of operations. As of 31 December 2013, 2014 and 2015 and 31 March 2016, we had impaired loans receivable of RMB67.6 million, RMB44.6 million, RMB16.4 million and RMB18.4 million, respectively. As a result, our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016.

We may not be able to effectively control the level of our overdue loans in the future. Our impaired loan ratio may increase in the future due to a variety of factors, including factors beyond our control, such as a slowdown in economic growth in China and Fujian Province, and in particular, in Quanzhou City, a deepening of a global credit crisis or other adverse macroeconomic trends. Such factors may cause operational, financial and liquidity issues for our customers and affect their ability to

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make loan repayments in a timely manner. If we fail to effectively manage credit risk of our loan and our overdue loans increase, our business, financial condition and results of operations may be materially adversely affected.

Our current operations in China are geographically limited to four administrative districts of Quanzhou City. Any significant deterioration of the economy or business environment of Quanzhou City could materially adversely affect our financial condition and results of operations.

From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, and provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. On 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. Subject to the relevant regulations and our business license, we currently expect that our future growth of business will continue to be concentrated in Quanzhou City. As a result, our growth opportunities will depend on the stability of the economy in Quanzhou City. Any significant downturn in the local economy or the implementation of local policies unfavorable to entrepreneurial individuals, SMEs and microenterprises in general may result in a decrease in demand for our loans and have a negative impact on our customers' ability to repay their loans on a timely basis, both of which may materially and adversely affect our financial condition and results of operations.

We extend the repayment term for our customers, which may adversely impact our risk profile and liquidity.

Subject to the requisite approval from our loan assessment committee, our Chairman and/or our Board of Directors, we may extend the repayment term for a customer if we are satisfied with such customer's quality and repayment source as well as the risk profile of loans. Under exceptional circumstances, we negotiate with a defaulting customer who is willing but fail to honor payment due to temporary liquidity difficulties for a revised repayment plan. As of 31 December 2013, 2014 and 2015 and 31 March 2016, the total principal amount of extension loans amounted to RMB41.3 million, RMB26.4 million, RMB30.3 million and RMB45.0 million, respectively, accounting for 7.2%, 3.7%, 4.3% and 5.9% of the total principal amount of our outstanding loans as of the same dates, respectively. In addition, during the Track Record Period, few extension loans we granted to our customers had extended payment periods of more than one year (but in no event more than two years). For example, in August 2015, we granted one extension loan with extended payment period of 22 months to a customer who used such loan to finance the expansion of existing production facilities. As part of our risk management procedures, with effect from May 2016, we have limited the granting of extensions of loan payment terms. Any customer that qualifies for an extended payment term will only be able to apply for a one-time extension for each loan that is granted to such customer, and we also restrict the extended payment period to ensure that such period will not exceed one year.

During the Track Record Period, in most of the cases, there was no material adverse change to customers who were granted an extension of the repayment term of their loans regarding their creditworthiness and repayment ability. However, there is no guarantee that our risk assessment and

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management process to mitigate the credit risks for the extension loans is adequate and that there will be no adverse changes to the creditworthiness and repayment ability of these customers in the further. In addition, we cannot assure you that such customers will not default on the loan repayment or such loans with extended terms in the future will not increase the credit risk of our loan portfolio, which in turn may adversely impact our liquidity, financial condition and results of operations. For more information on loan term extension, see “Business — Loan Portfolio — Maturity Profile of Loan Portfolio — Loan term extension” and “Business — Risk Management — Credit Risk Management — Loan extension.”

As our current customers are entrepreneurial individuals, SMEs and microenterprises in four administrative districts of Quanzhou City, the credit risks that we are exposed to are greater than those faced by larger lenders.

There are inherent risks associated with our business, including credit risk, which refers to the risk that a borrower may default on the loan repayment. As a microfinance company, we provide loans to entrepreneurial individuals, SMEs and microenterprises. These borrowers generally have fewer financial resources in terms of capital or borrowing capacity than larger enterprises and may be more vulnerable to a downturn in the economy. Such borrowers may expose lenders to greater credit risks than larger enterprises, such as larger-capitalized state-owned entities or private companies with longer operating histories. Conditions such as inflation, economic downturns, policy changes, adjustments of industrial structure and other factors beyond our control may increase our credit risk to a higher level than such events would affect larger lenders.

In addition, since we currently provide financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Nan’an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City, our ability to geographically diversify our economic risks is limited by the local markets and economy. Moreover, decreases in local real estate value could adversely affect the values of the real property used as collateral for our collateral-backed loans. Such adverse changes in the local economy may have a negative impact on our borrowers’ abilities to repay their loans and the value of our collateral, and our financial condition and results of operations may be adversely affected.

Our allowance for impairment losses may not be adequate to cover actual losses or prevent a material adverse effect on our business, financial condition and results of operations, and any increases in our allowance for impairment losses would cause our net profit to decrease.

As of 31 December 2013, 2014 and 2015 and 31 March 2016, our allowance for impairment losses was RMB49.2 million, RMB34.3 million, RMB16.7 million and RMB17.6 million, respectively, representing a provision for impairment losses ratio of 8.6%, 4.8%, 2.4% and 2.3%, respectively. The amount of allowance for impairment losses of loans receivable is based on our assessment of various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers’ operational and financial condition, repayment ability and repayment intention, the realizable value of the collateral and the ability of the guarantors of our borrowers to fulfill their obligations, as well as the national and local economy. Many of these factors are neither predictable nor within our control. We are also required to comply with the applicable PRC rules and regulations governing provisions for losses, such as the *Guideline for Loan Credit Risk Classification* (貸款風險分類指引) issued by the CBRC. As of 31 December 2013, 2014 and 2015 and 31 March 2016, our allowance coverage ratio, representing the allowance for impairment losses for all loans divided by the balance of

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impaired loans receivable, was 72.9%, 76.9%, 102.2% and 95.7%, respectively. If our risk assessment and expectations differ from actual circumstances or if the quality of our loan portfolio deteriorates, our provisions for losses may not be adequate to cover our actual losses and we may need to set aside additional provisions, which could materially adversely affect our business, financial condition and results of operations.

Furthermore, our allowance for impairment losses may continue to increase as a result of future regulatory and accounting policy changes, deviations in loan classification or our own discretion in light of the lack of clear applicable rules and regulations regarding microfinance companies, or changes in economic conditions. Any increase in allowance for impairment losses would result in a decrease in net profit and have a material adverse effect on our financial condition and results of operations.

We reported negative operating cash flows for the year ended 31 December 2014 and for the three months ended 31 March 2016, and may continue to do so in the near term subsequent to the Listing.

Our loan business is particularly capital intensive and involves substantial operating outflows in its ordinary course. During the Track Record Period, our business development was mainly supported by capital contributions from our Shareholders and bank borrowings, which are classified as cash inflows from financing activities. We received capital contributions of RMB300.0 million at our inception in 2010 and a capital injection in cash from our Shareholders of RMB152.0 million in late December 2013. However, our cash outflows in the form of loans to customers, which are classified as cash used in operating activities, will continue to increase in line with the expansion of our loan portfolio. We recorded net cash flows used in operating activities of RMB66.3 million and RMB37.6 million for the year ended 31 December 2014 and for the three months ended 31 March 2016, respectively. Our cash used in operating activities primarily consists of loan granting. Due to the nature of our business, when the growth rate of our loan portfolio is greater than that of the loans repaid by the borrowers, we record net operating cash outflow.

We plan to use approximately 65% of the net proceeds from the Global Offering to enlarge the capital base of our loan business. See “Future Plans and Use of Proceeds.” We expect to deploy the additional capital to continue to expand our loan portfolio, which will be classified as operating cash outflows, while the corresponding inflows of capital will be classified as financing activities. As a result, we may continue to report negative operating cash flows in the foreseeable future after the Listing. Negative operating cash flows may reduce our financial flexibility and ability to obtain additional borrowings from banks.

We may have difficulty sustaining our growth if our access to funding is reduced.

Our business is largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding and ability to expand our capital base. According to the *Interim Measures*, with certain exceptions, the ratio of financing obtained from banking financial institutions to net capital for a microfinance company in Fujian Province is capped at 50%, and a microfinance company may not receive any deposits from the public for conducting banking activities; for certain microfinance companies that have sound and compliant operations and have satisfied the evaluation criteria established by relevant authorities, the ratio of financing obtained from banking financial institutions to net capital of such microfinance company may be raised up to 100%. See “Regulatory Overview.” In August 2015, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from banking facilities

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and two other sources to net capital up to 100%. For more information, see “Business — Our Loan Business — Our Capital Base.” As such, our ability to obtain funds may still be affected by our future financial performance as well as a number of factors that are beyond our control, such as government regulatory changes, market conditions for capital raising activities, the availability of bank liquidity in general, and the national and local economic environment. If we are unable to secure stable sources of funding on reasonable terms, or at all, our capital base may be limited and our business may slow down. In the event that our capital base decreases, our liquidity position, financial condition, results of operations and business prospects would be materially adversely affected.

Changes in interest rates and spread could have a negative impact on our revenue and results of operations.

Our revenue and financial condition are primarily dependent on interest income, which is the difference between interest earned from loans that we extend to our customers and interest paid on the lines of credit we obtain from banks. As a result, our profitability is highly correlated to the interest margin, being the difference between the interest rate charged to our borrowers and the costs of our bank borrowings. A narrowing interest rate spread could adversely affect our revenue and financial condition. If our funding costs increase and we are unable to adjust our lending interest rates in a timely manner, or at all, our interest margin will decline.

In addition, the interest rates we charge to the borrowers were linked to the PBOC benchmark lending rate before 1 September 2015, which may fluctuate significantly due to changes in the PRC Government’s monetary policy. 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 PBOC benchmark lending rate, pursuant to the *Interim Measures*. The maximum loan interest rate was four times of the prevailing PBOC Benchmark Rate pursuant to the *Interim Measures* and with reference to *Certain Opinions on the Court’s Trial for Lending Cases* (關於人民法院審理借貸案件的若干意見) promulgated by the Supreme People’s Court (最高人民法院) on 13 August 1991 and replaced by the *Private Lending Judicial Interpretations* on 1 September 2015. The *Private Lending Judicial Interpretations* provide that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower’s request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts. However, there is no guarantee that the PRC Government’s monetary policy will not change again and we may have to adjust our interest rates we charge to reflect the fluctuation of the prevailing PBOC benchmark lending rate. If we have to reduce the interest rates we charge to reflect any decrease of the prevailing PBOC benchmark lending rate, our interest rate spread may be adversely affected. Such may have a negative impact on our profitability and business prospects.

We lack business diversification and our future income is more susceptible to fluctuations than a more diversified financial services company.

As a microfinance company, we are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with short-term financing solutions and substantially all of our income during the Track Record Period consisted of the interest that we received on the loans that we

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extended to our customers. We currently do not offer guarantee or consulting services. Under such circumstances, if we are unable to maintain and grow our revenue from our current business, increase our product offerings or develop additional sources of revenue, our future revenue and earnings may not continue to grow.

In addition, our business is heavily dependent on our customers from the manufacturing industry. The principal amount of our outstanding loans granted to customers from the manufacturing industry was RMB342.0 million, RMB449.0 million, RMB459.9 million and RMB463.4 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively, accounting for 59.8%, 62.5%, 65.2% and 61.1% of the total principal amount of our outstanding loans as of the same dates. As such, we are exposed to risks relating to the financial performance of such customers. Factors that may adversely affect the ability of our customers to repay their loans include, among other things, their inability to implement their business plans or to meet their sales targets, any downturn in the markets or industries in which they operate, or any declines in general economic conditions. According to *Ipsos*, certain sectors in China's manufacturing industry experienced overcapacity in 2015. There is no guarantee that the financial condition of our customers will remain healthy in the future, that our customers will continue to fulfill their repayment obligations on time, or that any of our customers will not ultimately default on their loans. As a result, we cannot assure you that we will be able to maintain our profitability or demand for our loan services at historical levels from our customers. Moreover, our lack of business diversification could inhibit opportunities for our future development and business prospects.

Competition in the industry in which we operate is growing and could cause us to lose market share and revenue in the future.

We operate in an increasingly competitive industry. China's rapid economic development in recent years has resulted in a large and growing number of SMEs and microenterprises, many of which require significant levels of funding for their operations but do not meet the criteria to obtain financing from larger commercial banks or traditional financial institutions. This has led to the emergence of many licensed microfinance companies and other similar businesses, some of which are unlicensed. We believe that competition in the microfinance industry will continue to intensify as the industry matures and begins to consolidate. We directly compete with the other local microfinance companies in Quanzhou City. Other competitors include commercial banks, rural banks, private money lenders and wealthy individuals that lend to entrepreneurial individuals, SMEs and microenterprises in need of short-term financing. Some of these competitors have larger capital scale, stronger market positions, more diverse product offerings, a more established customer base and more resources than we do. There is no guarantee that we will compete successfully in the future. If we are not able to maintain our current level of profitability and market share as a result of increased competition, our business, financial condition and results of operations may be materially adversely affected.

Our business model could be negatively affected by changes and fluctuations in the banking industry.

We are primarily dedicated to serving entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries. Entrepreneurial individuals, SMEs and microenterprises are generally underserved by the banking industry in China because they typically lack an adequate track record or suitable collateral to obtain sizable lines of credit. In addition, the loan approval process of commercial banks is often time consuming, which conflicts with the needs of such customers for quick

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access to short-term financing. These factors have created opportunities for us to develop and expand our business. However, if microfinance businesses become more attractive to commercial banks as the microfinance industry continues to develop, or the PRC Government supports the development of entrepreneurial individuals, SMEs and microenterprises by requiring commercial banks and rural banks to provide quick and convenient financing to such borrowers, commercial banks and rural banks will directly compete with us on microfinance businesses. Under such circumstances, we may experience greater competition in our business and less demand for our financing services.

In addition, in case of cash crunch fears within the banking industry, we may not be able to obtain sufficient credit lines from our cooperative banks. Since bank borrowings are one of our primary sources of funding, our ability to acquire sufficient cash to fund the loans that we grant to our customers may be affected by the availability of bank liquidity. As a result, our business, financial condition and results of operations may be adversely affected.

Furthermore, if there is cash crunch in the market and banks early-call the loans granted to their borrowers, the financial condition and liquidity of our customers who had bank borrowings could be negatively affected. As a result, such customers' repayment ability may be adversely affected, which in turn would affect our business and financial condition.

The collateral securing our loans and any assets that we may have repossessed may not be sufficient and we may not be able to realize the value of the collateral or repossessed assets in a timely manner, or at all.

During the Track Record Period, we provided collateral-backed loans to our customers in Quanzhou City. As of 31 March 2016, 29.8% of the principal amount of our outstanding loans were backed by collateral, the value of which may fluctuate and decline due to various factors, including those affecting the PRC economy, real estate and financial market in general. Furthermore, the development of the real estate industry and price of real properties in China are significantly influenced by PRC macroeconomic policies, such as interest rate policy and credit policy. It may also be time-consuming or may not ultimately be possible to liquidate or realize the value of collateral in China, and difficult to enforce the court orders for legal and practical reasons. If a borrower providing collateral defaults, our security interest on the collateral may not be realized until creditors with higher priority have been paid in full. Moreover, after settling the first and other higher ranking collateral-backed loans in full in case of foreclosure, the residual value of the collateral may be insufficient to cover the outstanding balance of the subordinated collateral loans. There is no assurance that we will be able to realize the value of the collateral as we anticipated in a timely manner, or at all.

Moreover, we may from time to time be required to repossess the assets, such as real estate properties, of a defaulting borrower in lieu of repayment of an outstanding claim. For example, in 2011, we repossessed real estate properties located in Quanzhou City in relation to the default on a loan that we granted to a customer in 2010. The contracts to transfer relevant contractual rights of such real estate properties entered into between such borrower and our Company was signed and the transfer was recorded by the relevant local authorities. Given that the real estate properties were still under construction as of the Latest Practicable Date, the relevant building ownership certificates for these properties were not yet available. We cannot guarantee that we will be able to obtain the building ownership certificates for these or other repossessed properties in a timely manner, or at all. Our ability to obtain such certificates and subsequently liquidate or realize the value of such repossessed properties

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may be hindered for various reasons, including where the borrower (i) fails to obtain the necessary licenses, permits or approvals from the relevant government agencies or authorities, (ii) is unable to complete construction of any real property that was still undergoing development at the time of repossession due to a shortage of capital, or (iii) fails to comply with relevant laws and regulations during development of the real property. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our limited operating history may make it difficult to evaluate our results of operations and prospects.

Our Company was established in January 2010 and we have a limited operating history. As of 31 March 2016, we had gross loans receivable of RMB771.5 million. Our interest income for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 was RMB78.5 million, RMB134.3 million, RMB135.9 million, RMB34.0 million and RMB36.2 million, respectively. Although we have experienced revenue growth since our inception, there is no assurance that our revenue will continue to increase at the same rates or at all, or that we will be able to operate profitably in the future. Our limited operating history makes the prediction of future results of operations difficult and, therefore, our past revenue growth and financial results may not be indicative of our future performance. You should consider our business and prospects in light of the risks and uncertainties that we will face as an early-stage microfinance company operating in a new and rapidly evolving industry, including the potential failure to comply with changes in laws and regulations, obtain sufficient capital and expand our customer base.

We may encounter difficulties when developing new products and expanding into new markets.

Our future growth primarily depends on the successful implementation of our strategies and plans. We plan to broaden our loan product offerings to better meet the financing needs of our existing customers and further expand our customer base. However, we can give no assurance that our newly developed products will successfully address our customers' needs. In addition, we may not be able to obtain regulatory approvals for some of our new products. Furthermore, our new products may involve increased and unperceived risks and may not provide the returns that we expect. If we are unable to achieve the intended results for our new products, our business, financial condition and results of operations may be adversely affected.

From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, and provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. On 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. To further expand our business, we also plan to expand our operations into other districts of Quanzhou City, and plan to expand our business presence in Fujian Province. However, we may not be able to replicate our current business model in other regions or new markets. In expanding our business, we may enter markets in which we have limited or no experience. We may not be familiar with the local business and regulatory environment and fail to attract a sufficient number of customers due to our limited presence in that region. In addition, competitive conditions in new markets may be different from those in our existing market and may

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make it difficult or impossible for us to operate profitably in these new markets. If we are unable to manage such challenges and other difficulties in our geographic expansion, our business prospects and growth potential may be negatively affected.

We may not be able to adequately protect our intellectual property, which may adversely affect our business and results of operations.

As of the Latest Practicable Date, we had registered one trademark in Hong Kong with the Trademark Registry of the Intellectual Property Department. In March 2015, we were notified by the Trademark Office in China that we would not be able to apply for registration of two trademarks in China because such trademarks were considered to be similar to certain previously-registered trademarks. As advised by our PRC Legal Advisers, we were not required to register our trademarks in China according to the *Trademark Law of the People's Republic of China (2013 Amendment)* (中華人民共和國商標法(2013修正)), *Regulations of the People's Republic of China on the Administration of Company Registration (2016 Revision)* (中華人民共和國公司登記管理條例(2016修訂)) and relevant PRC laws and regulations as of the Latest Practicable Date. For details, see “Business — Intellectual Property.” There is no assurance that we could continue to use our trademarks and we may not be able to protect our intellectual property adequately in China. If it is held by any PRC court or tribunal that we have infringed on any trademark owned by another party, we may be forced to change our brand and our business may be adversely affected.

In addition, our efforts to maintain and protect our intellectual property may not be sufficient; third parties may infringe upon our intellectual property, which could have a material adverse effect on our business, financial condition or results of operations. We may from time to time be involved in litigations to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigations could result in substantial cost and diversion of resources, which could negatively affect our operations, profitability and prospects. Moreover, even if any of such litigations is resolved in favor of us, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated related losses, whether tangible or intangible. In such event, our financial performance and business reputation will be adversely affected.

The Chinese characters for “匯鑫,” a term that means a collection of fortune, is commonly used in the finance business, and it would be difficult for us to object to another finance related company's use of such characters in their names. Any negative publicity or customer dispute and complaint regarding any infringing party's unauthorized use of our trademarks, brands and logos, or any party's legitimate use of similar trademarks, brands and logos, could dilute or tarnish our brand, which could harm our profitability and prospects even if we are able to successfully enforce our legal rights or take the corresponding remedial measures. These infringements or any further infringements of our intellectual property rights or damages to our brand may have a material adverse effect on our business and results of operations in the future.

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Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of relevant organizational framework policies, risk management policies and risk control procedures to manage our risk exposures, primarily credit risk, operational risk and legal risk. However, we may not be successful in implementing these risk management and internal control systems effectively. While we seek to continue to enhance our risk management and internal control systems from time to time, there is no guarantee that these systems are adequate or effective in managing our exposure to, or protecting us against, unanticipated risks, and any failure to identify any potential risks or internal control deficiencies may have a negative effect on our financial condition and results of operations and therefore adversely affect our business prospects.

We have implemented measures to enhance our internal control system. As some of our risk management and internal control policies and procedures are relatively new, we will require additional time to fully evaluate the effectiveness of, and ensure our compliance with, these policies and procedures. In addition, we cannot assure you that all of our employees will adhere to such policies and procedures, or that human errors or mistakes will not occur. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control systems as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control systems, our business and results of operations could be materially adversely affected.

We may have limited information regarding the entrepreneurial individuals, SMEs and microenterprises to which we provide loans, and the quality of our credit evaluation may be compromised as a result.

A majority of our customers are entrepreneurial individuals, SMEs and microenterprises. While our credit evaluation depends, to a significant degree, on customer due diligence investigations, there is very limited information available about entrepreneurial individuals, SMEs and microenterprises. For example, our enterprise customers might not maintain complete accounting records or other financial information, document their business model and procedures, or have in place the internal control systems of larger corporate entities. Our individual customers may not have the financial or other records and adequate information to demonstrate their creditworthiness and reputation or the viability of their business. Our business managers collect all the relevant documents and information during due diligence investigations, and verify the information necessary for us to make credit evaluations. For more details, see “Business — Risk Management.” However, a lack or inadequacy of information may require us to expend additional effort and costs in conducting our due diligence reviews while undermining the effectiveness of such reviews. There are difficulties in covering all material information necessary to make a fully informed decision through our customer due diligence process, and our due diligence efforts may not be sufficient to identify the risks associated with the loans. In addition, we may not be able to monitor our customers’ actual use of the loans we grant, or verify if our customers have other undisclosed assets or liabilities, which may affect our ability to properly assess the risk profiles of our customers. If we fail to perform thorough due diligence reviews or discover customer credit deficiency, the quality of our credit evaluation may be compromised. Any failure to effectively measure and limit the credit risk associated with our loan portfolio could have a material adverse effect on our business, financial condition and results of operations.

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We may not be able to detect and prevent fraud or other misconduct committed by our employees or other parties.

We may be exposed to fraud or other misconduct committed by our employees, customers or other third parties. For example, an employee may collude with customers to conceal key customer information in order to help such customers obtain loans through fraudulent means or approve a loan application without carefully assessing the risks involved in such loan application. In addition, a customer or third party may provide fraudulent accounting statements or other false information to deceive our employees. Such fraud and misconduct could subject us to financial losses and penalties imposed by the relevant regulatory authorities as well as seriously harm our reputation. Although we have established risk management and internal control systems to monitor our operations and overall compliance, we can give no assurance that we will be able to identify incidents of non-compliance or suspicious transactions in a timely manner, or at all. Moreover, it may be difficult to deter or prevent fraud or misconduct, such as money laundering activities, and the measures we take to prevent and detect such activities may not be effective, which could lead us to suffer financial losses as well as reputational damage. We cannot assure you that fraud and other misconduct committed by our employees or other parties will not occur, or that our business and reputation will not be materially adversely affected by such incidents.

Disputes between our customers and their consultants may cause negative public perception regarding our reputation and business.

We provide flexible short-term financing solutions to address the funding needs of entrepreneurial individuals, SMEs and microenterprises. We solicit our customers mainly through our business department, advertisement and referrals. Our customers sometimes seek funding options through consulting or agency service providers before and during loan application process. We do not have contractual relationship with our customers' consultants or agents, nor do we have control over the contractual arrangements between our customers and such consultants.

Our customers may have dispute and bring claims against their consultants based on their contractual arrangement or other matters. Although we are not a party to the dispute and not involved in the business relationship between the customers and their consultants, our names and services may be mentioned in the legal proceedings, particularly where the third-party consultants repeatedly assist customers to secure loan from us or have other business relationships with us. We cannot assure you that there will not be similar dispute in the future. Nor can we assure that we will not be brought as a party for similar dispute. Any occurrence of such dispute that our name is mentioned, regardless of the groundness of a claim, could cause negative public perception, which in turn could have an adverse effect on our reputation and corporate images.

We benefit from government grants, the loss of or a reduction in which could reduce our profits.

During the Track Record Period, we received government grants from the government of Licheng District, as part of the government's initiatives to promote the development of domestic enterprises. To promote the development of the local services industry, the government of Licheng District provided us with a RMB619,300 grant in 2013 to subsidize our local income tax payment for the year ended 31 December 2011. In addition, in 2015, we recorded a government grant of RMB500,000 provided by the government of Quanzhou City as a governmental reward fund, the purpose of which is to support the listing of local enterprises. However, we cannot assure that we will continue to receive the same or

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similar government subsidies as the relevant government policies may change over time. For example, for the year ended 31 December 2014, we did not receive any government grant. Any loss of or reduction in government subsidies could have an adverse effect on our financial condition, results of operations and prospects.

HKFRS 9 and its amendments may require us to change our provisioning practice for impairment of financial assets.

We currently assess the impairment of our loans and investment assets under the guidance of HKAS 39. The determination of impairment requires our management to exercise significant judgment and discretion. See “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies, Judgments and Estimates.” Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is responsible for developing and revising international accounting standards, issued HKFRS 9 and its amendments from time to time. HKFRS 9 will replace the accounting standards relating to the classification, measurement and derecognition of financial assets and financial liabilities under HKAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on 1 January 2018. The major differences between HKFRS 9 and HKAS 39 are the measurement categories and the approach for classifying financial assets. The classification of financial assets under HKFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as “amortized cost” or “fair value through other comprehensive income” under HKFRS 9, we will be required to apply a new expected credit loss impairment model under HKFRS 9, which, as compared to the incurred credit loss model in HKAS 39, uses more forward-looking information and does not involve a threshold until which credit losses remain unrecognized. The adoption of this requirement is also expected to have an impact on our systems and processes of collecting and analyzing data, as it changes the timing of assessment of the potential credit loss for recognition of impairment and the ultimate amount of impairment recognized on financial assets. We are in the process of upgrading our systems, building up models as well as engaging in data governance related work. These will provide a base for future adoption of the expected credit loss model. For details on the differences between HKFRS 9 and HKAS 39, see Note 3 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus.

As the new standard requires changes to systems and processes to collect and analyze necessary data, it would not be practicable for us to quantify the impact that such new standard would have, or to provide a reasonable estimate of its effect, on our operating results or financial position before we are able to make a detailed assessment. We would be required to make changes to our provisioning practice as a result of our adoption of the HKFRS 9 expected loss model in the future in accordance with HKFRS 9 and its amendments, as well as any other future amendments to HKAS 39 or similar standards from time to time, including any authoritative interpretive guidance on the application of such new or revised standards, and such changes may have a material adverse effect on our business, financial condition and results of operation.

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Our results of operations may be adversely affected if we experience failures in our information technology systems.

We rely, to a large extent, on our information technology systems for daily operations. Our information technology systems enable us to record financial data, analyze our past financial performance, monitor our financial condition and plan our future business operations. Our operating efficiency and risk management practices have been enhanced by such information technology systems. In addition, we implemented a new ERP system in 2015 to integrate information for our business operations and accounting system by encompassing the management of our sales and marketing activities, customer information, loan approval and granting processes, and loan portfolio monitoring and reporting. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not occur in the future or that we will be able to integrate our information systems with our business effectively. Additionally, restoring any damaged information technology systems may result in significant costs and require additional resources. If we experience any serious damage, errors or significant interruption in connection with our information systems, our operations may be disrupted.

Our inability to attract, retain or secure key management and qualified personnel for our operations could hinder our continuing growth and success.

Our success depends, to a significant extent, on the services and efforts of key management and other employees. Given our relatively lean human resources structure, the loss of services of any employee holding an important position or possessing industry expertise or experience, including those in charge of sales and marketing, credit evaluation, risk management, collection, and accounting and financial management, could have a material adverse effect on our operations. If one or more of such personnel were unable or unwilling to continue their employment with us, we might not be able to replace them in a timely manner, or at all. Competition for experienced management and other qualified personnel is intense among microfinance companies and financial services providers, and there can be no assurance that we will be able to continue to attract and retain the qualified employees essential for our growth. Under such circumstances, if we are unable to recruit and retain replacement personnel with equivalent qualifications in time or at all, our growth and business prospects could be adversely affected. In addition, we may incur additional expenses to recruit and retain qualified personnel and as a result, our financial condition and results of operations may be adversely affected. For more information on our key management and employees, see “Business” and “Directors, Supervisors and Senior Management” in this Prospectus.

Our insurance coverage may not be adequate, which could expose us to significant costs and business disruptions.

Our business and operations involve certain risks, such as the borrowers’ failure to repay the loan principal and interest accrued, losses of key personnel, business interruption due to fire, power shortages, network failure or labor disputes, and risks relating to natural disasters including storms, floods and earthquakes, any of which may result in significant costs or cause business disruptions. In addition, we do not maintain any credit insurance, business interruption insurance, third-party liability insurance or any other insurance, except for the mandatory social insurance and certain personal health

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and accident insurance for our employees. If we incur any loss that is not covered by our insurance coverage, our business, financial condition and results of operations could be materially adversely affected.

We deposit our cash with various banks. Our cash accounts are not insured or otherwise protected. Should any bank holding our cash deposits become insolvent, or if we are otherwise unable to withdraw funds, we could lose the cash on deposit with that particular bank.

Our business strategy of growth through mergers or acquisitions may not succeed.

As part of our growth strategy, we intend to pursue merger and acquisition opportunities within financial services sector of Fujian Province. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions as well as to obtain necessary financing and any required governmental or third-party approvals and consents in a timely manner. Even if we complete acquisitions, we may experience difficulties in integrating any acquired companies, personnel or loan products into our existing business, or incur significant costs of integration that exceeds our anticipation, either of which may divert the attention of our management from our operations and materially adversely affect our business.

RISKS RELATING TO DOING BUSINESS IN CHINA

We are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

We are established, and all of our operations and assets are located, in China. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant degree, to the economic, political and social conditions and government policies in China. The PRC economy differs from the economies of most of the developed countries in many aspects, including the degree of government involvement, the development of key industries, growth rate and level of development, control of foreign exchange and allocation of resources.

While the PRC economy has grown significantly in the past decades, such growth has been uneven, both geographically and among various sectors of the economy. We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may have a negative effect on our business. For example, the PRC Government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. We cannot assure you that these various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and the allocation of resources will be effective in improving the growth rate of the PRC economy. Furthermore, such measures, even if they benefit the overall PRC economy in the long term, may materially adversely affect our business, financial condition and results of operations.

For approximately three decades, the PRC Government has implemented reform measures to utilize market forces in the development of the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may also lead to further readjustment or introduction of other reform measures. This reform

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process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our business or may adversely affect our financial condition and results of operations.

Our business relies on the growth of PRC financial services sector, the development of which may slowdown or suspend, as a result, our business, financial condition and results of operations may be materially adversely affected.

The financial services sector particularly the microfinance industry, has experienced rapid growth in recent years. We expect that the finance industry in China will continue to expand as a result of continued growth of the PRC economy. However, such growth may not be sustainable, and could be slowed or halted by a number of factors, including a downturn or unfavorable change in the global economy, particular any change which affects our customers, a downturn or unfavorable change in the PRC economy, an unfavorable change in the PRC regulatory environment, and an unfavorable change in the PRC credit market.

If the growth of the PRC financial services industry slows down or suspends, the demand for our loan services may experience a significant decline, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Negative publicity regarding certain illegal loan practices in China may indirectly affect our business.

Negative publicity regarding certain illegal loan practices in China could harm the public perception of our industry. If the public associates the microfinance industry with abusive illegal loan practices, we may face a decrease in loan demand. Damage to the industry's reputation could also lead to increased scrutiny from the government or the tightening of regulations, which may have a material adverse effect on our business.

The evolving PRC legal system has inherent uncertainties that could limit the legal protection available to our Shareholders.

As we are a company established under the PRC law and all of our business and operations are conducted in China, we are principally governed by the PRC legal system, which is a system with inherent uncertainties that could limit the legal protection available to our Shareholders. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their judicial interpretation by the Supreme People's Court (最高人民法院), while prior legal decisions and judgments have limited significance for guidance. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters, such as corporate organization and governance, foreign investment, commerce, taxation and trade.

However, many of these laws and regulations are relatively new, and their implementation and interpretation involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of any violation of these policies and rules until sometime after such violation has occurred. Furthermore, the

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legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention.

The future development and implementation of anti-money laundering laws in China may increase our obligation to supervise and report transactions with our customers, thereby increasing our costs and exposing us to criminal or administrative sanctions for non-compliance.

The laws and regulations in China relating to anti-money laundering have developed significantly in recent years. Currently, the PRC anti-money laundering regime requires financial institutions, which are defined under the *AML Law* promulgated by the PBOC to include commercial banks, policy banks, urban credit cooperatives, rural credit cooperatives, postal saving institutions, securities companies, futures brokerage companies, fund management companies, insurance companies, insurance asset management companies, trust companies, trust and investment companies, automotive financial companies and currency brokerage companies established in China, to establish sound internal control policies and procedures to identify and report money laundering activities. In addition, certain companies that qualify as special non-financial institutions, as determined by the competent administrative authority of anti-money laundering under the State Council and other relevant departments of the State Council, are also required by the relevant regulations to comply with applicable anti-money laundering obligations. As advised by our PRC Legal Advisers, microfinance companies are not defined as either special non-financial institutions or financial institutions under the existing *AML Law*. See “Regulatory Overview — Laws and Regulations Related to Anti-money Laundering” and “Business — Approvals, Compliance-Related Matters and Legal Proceedings — Anti-money Laundering Procedures.”

According to *Circular 137*, which was promulgated by the PBOC and the CBRC on 24 April 2008, rural banks, loan companies, rural mutual cooperatives and microfinance companies (collectively, the “Four Types of Institutions”) are required to strictly comply with specified cash management regulations and exercise sound judgment in managing the use of their cash to prevent money laundering. When handling cash deposits or withdrawals involving a single sum of RMB50,000 and above for any client who is a natural person, these Four Types of Institutions must ensure that the client possesses a valid identity certificate or valid identity certification document. Any of these Four Types of Institutions providing financial services involving a single sum of RMB10,000 and above, such as a cash remittance or cash exchange, to any client that does not have an existing account with the relevant institution must ensure that the client possesses a valid identity certificate or valid identity certification document and, moreover, must retain a copy of such identity certificate. The Four Types of Institutions are required to maintain records of all cash transactions or daily cash transactions, such as cash deposits, cash withdrawals, cash remittances and bill discounting, in accordance with the relevant PRC anti-money laundering regulations. As advised by our PRC Legal Advisers, except for *Circular 137*, we were not subject to any other laws and regulations relating to anti-money laundering as of the Latest Practicable Date.

However, because the PRC anti-money laundering laws and regulations continue to evolve and the definition of special non-financial institutions had not been finalized as of the Latest Practicable Date, there can be no assurance that the *AML Law* and other anti-money laundering laws and regulations which currently only apply to financial institutions and special non-financial institutions will not be amended such that microfinance companies, like us, will become subject to the same or similar

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requirements. In the event that we are required to comply with PRC anti-money laundering laws and regulations, we would be required to establish internal procedures for the supervision and reporting of transactions with our customers, which may increase our costs significantly. Moreover, any failure to establish and implement adequate procedures in accordance with the applicable laws and regulations could expose us to potential criminal or administrative sanctions.

The PRC Government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the Global Offering, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE or its delegated authority at provincial, municipal or other local level.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

It may be difficult to effect service of legal process and enforce judgments obtained from non-PRC courts against us or our Directors, Supervisors or executive officers residing in China.

Substantially all of our Directors, Supervisors and executive officers reside in China. In addition, all of our assets and most of the assets of our Directors, Supervisors and executive officers are located in China. As a result, it may not be possible to effect service of process outside China upon us or most of our Directors, Supervisors or executive officers, including for matters arising under applicable securities law. Furthermore, China has not entered into any treaties providing for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. Hong Kong also does not have any arrangement with the United States for the reciprocal enforcement of judgments. Therefore, recognition and enforcement in China or Hong Kong of a court judgment obtained from various jurisdictions is uncertain.

In addition, on 14 July 2006, China and Hong Kong signed the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), which took effect on 1 August 2008. Pursuant to such arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and

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enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing, or such judgment fails to fulfill restrictions in this arrangement. As a result, it may be difficult or impossible for investors to effect service of process against our assets or our Directors, Supervisors or executive officers in China in order to seek recognition and enforcement of foreign judgments in China.

Payment of dividends is subject to restrictions under the PRC law.

Under the PRC law and our Articles of Association, we may only pay dividends out of distributable profits. Distributable profits are our net profits as determined under PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Fluctuation of Renminbi could materially affect our financial condition and results of operations.

All of our business and operations are conducted in China. In addition, we collect all of our revenue in Renminbi, some of which will need to be converted into foreign currencies to pay dividends to our Shareholders.

The value of Renminbi against the Hong Kong dollar, the US dollars and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the US dollars was generally stable. In July 2005, the PRC Government changed its decade-old policy of pegging the value of Renminbi to the US dollars and Renminbi appreciated more than 20% against the US dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against the US dollars. Since June 2010, Renminbi has appreciated against the US dollars from approximately RMB6.83 per US dollar to approximately RMB6.11 per US dollar in May 2015 and back to approximately RMB6.56 per US dollar as at 8 January 2016. It is difficult to predict how Renminbi exchange rates may change going forward. With an increased floating range of Renminbi's value against foreign currencies, Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar, the US dollars or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of Renminbi against the US dollars or other foreign currencies. In the event of significant change in the exchange rates of Hong Kong and US dollars against Renminbi, our ability to pay dividends in foreign currencies may be adversely affected. In addition, any dividends in respect of our H Shares will be declared in Renminbi and paid in Hong Kong dollars. Accordingly, holders of H Shares in countries other than

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China are subject to risks arising from adverse movements in the value of the Renminbi against the Hong Kong dollar, which may reduce any dividends paid in respect of the H Shares. Further, after the Global Offering, the offering proceeds that we receive in foreign currencies will also be subject to fluctuations in the value of Renminbi, which could materially affect our financial condition and results of operations.

It is possible that PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and decrease intervention in the foreign exchange market. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk.

Foreign individual holders of our H Shares may become subject to PRC income tax and the PRC tax obligations of foreign enterprises that are holders of our H Shares remain uncertain.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of H Shares.

According to the *Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax Following the Abolishment of the Document Numbered Guo Shui Fa [1993] No. 045* (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) promulgated by the SAT on 28 June 2011, for a holder of H Shares who is not a PRC resident, we have to withhold tax amount from the dividend pursuant to a tax rate ranging from 5% to 20% (usually 10%), which depends on the applicable tax treaty between the PRC and the jurisdiction in which the holder of H Shares resides. If no such tax treaty is applicable, the tax rate is 20%.

For non-PRC resident enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the *EIT Law* and the *Rules for Implementation of the Enterprise Income Tax Law of the People's Republic of China* (中華人民共和國企業所得稅法實施條例), dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares, which are ordinarily subject to the EIT at a rate of 20%, shall be subject to the EIT at a reduced rate of 10%. In accordance with the *Notice on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises which hold H Shares* (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT, PRC resident enterprises shall withhold EIT at a rate of 10% from dividends distributed to overseas non-resident enterprise shareholders. The non-resident enterprise shareholders entitled to reduced tax rate treaties or arrangements may apply to the competent taxation authorities for refund of the excess amount withheld.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders of our H Shares will be subject to PRC individual income tax at a flat rate of 20%.

In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC's tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual

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holders of our H Shares and on gains realized on the sale or other disposition of our H Shares. The PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has been accompanied by periods of high inflation in the past. In order to control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such measures could inhibit economic activities and lead to a slowing of economic growth in China, both of which could materially adversely affect our results of operations and prospects. High inflation in the future may cause the PRC Government to once again impose controls on credit and/or price of commodities, or to take other actions, which may bring a negative impact on our business.

The national and regional economies in China and our business may be adversely affected by natural disasters, acts of God and the occurrence of epidemics.

Our business is subject to general economic and social conditions in China. The economy, infrastructure and livelihood of the people in the region where we conduct our business could be materially adversely affected by natural disasters, epidemics, acts of war or terrorism or other factors beyond our control. Some of the regions in China may be under the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, or are susceptible to potential wars, terrorist attacks or epidemics, such as severe acute syndrome, or SARS, strains of avian influenza, the human swine influenza A (H1N1), the human swine influenza A (H5N1) and the human swine influenza A (H7N9). Serious natural disasters may result in a tremendous loss of lives, injuries and the destruction of assets, as well as disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially adversely affect economic systems and financial markets. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our operations and adversely affect our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the region where we conduct business, cause our business to suffer in ways that we cannot predict and materially adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior market for our H Shares. The liquidity and market price of our H Shares following the Global Offering may be volatile.

Prior to the Global Offering, no public market existed for our H Shares. The initial Offer Price range for our H Shares was the result of negotiations among us and the Sole Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. We cannot assure you that the Global Offering will result in the development of an active trading market for our H Shares, or if such a trading market does develop, it will be sustained following the completion of the Global Offering. In addition, the market price of our H

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Shares may decline below the Offer Price. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our H Shares will be traded.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The conversion of our Domestic Shares into H Shares could increase the supply of our H Shares in the market and have a negative effect on the prevailing market price of our H Shares.

Subject to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares. Such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. Any listing or trading of the converted shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class Shareholder voting is required for the listing and trading of the converted shares on an overseas stock exchange. However, the *PRC Company Law* provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within a period of one year from the date which the publicly offered shares are traded on any stock exchange. Therefore, upon obtaining the requisite approval, shares currently held on our Domestic Share register may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange after one year of the Global Offering, which would further increase the supply of our H Shares in the market and could negatively impact the market price our H Shares.

Future sales, or market perception of sales, of a substantial number of our H Shares by our major Shareholders in the public market could cause the market prices of our H Shares to fall.

The market price of our H Shares could decline as a result of future sales of substantial amounts of the H Shares, or the perception that such sales may occur. Certain amounts of our H Shares currently outstanding are and will be subject to contractual and legal restrictions on resale for a period of time following the completion of the Global Offering (the "Lock-Up Period"). See "Underwriting" in this Prospectus. Upon expiration of this Lock-Up Period, the relevant Shareholders will be able to dispose of any or all of their Shares that are subject to the lock-up agreements. In the event that our major Shareholders dispose of, or are perceived by the market as intending to dispose of, a substantial number of our H Shares in the public market, the market price of our H Shares could decline.

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We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may determine to use the net proceeds of the Global Offering in ways you do not agree with or that do not yield a favorable return. We plan to use approximately 65% of the net proceeds of the Global Offering to enlarge the capital base of our loan business and to develop innovative products and services in order to satisfy the diverse financing and business needs from entrepreneurial individuals, SMEs and microenterprises. For details of our intended use of proceeds, see “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price and trading volume of our H Shares may decline.

The trading market for our H Shares will be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price of our H Shares may decline regardless of the accuracy of the information. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we may lose visibility in the financial markets, which may adversely affect the market price or trading volume of our H Shares.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.

Potential investors will pay a price per H Share that substantially exceeds the per share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when potential investors purchase our H Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares.

In addition, in order to expand our business, we may need to raise additional funds in the future. We may consider offering and issuing new equities or equity-linked securities to raise additional funds. Under such circumstances, the percentage ownership of the Shareholders in the Company may be reduced and the new securities may confer rights and privileges that take priority over those conferred by our H Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and our relevant industries contained in this Prospectus.

Facts, forecasts and other statistics in this Prospectus relating to China, the PRC economy and our relevant industries, including the microfinance industry, have been derived from information provided or published by PRC and other government agencies, industry associations, independent research institutions or other third-party sources and we can guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by us, and the Underwriters or any of its or their respective affiliates or advisers and, therefore, we make no

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representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Forward-looking statements contained in this Prospectus are subject to risks and uncertainties.

This Prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to the Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board to have a sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules states that the requirement under Rule 8.12 of the Listing Rules applies to a new applicant incorporated in the PRC, but also provides that the requirement may be waived by the Stock Exchange in its discretion.

As our headquarters and all of the principal business operations of our Company are located in Quanzhou City of the PRC, substantially all of our Directors (except Mr. Cai Yi, an independent non-executive Director) and our senior management team has been and will continue to be based in the PRC.

At present, all of our Directors (except Mr. Cai Yi, an independent non-executive Director) are not ordinarily resident in Hong Kong. Further, our Directors consider that it would be practically difficult and not commercially feasible for our Company to appoint additional Hong Kong residents as executive Directors or to relocate any of our existing executive Directors to Hong Kong merely for the purpose of complying with Rules 8.12 and 19A.15 of the Listing Rules. We do not have, and do not contemplate in the foreseeable future, that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Listing Rules.

In this regard, we have applied to the Stock Exchange and the Stock Exchange has granted a waiver to our Company from strict compliance with the requirement under Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange we will put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and us:

- our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Wu Zhirui, the executive Director and general manager, and Mr. Yan Zhijiang, our executive Director, joint company secretary, deputy general manager and secretary to the Board, who will act as our principal channel of communication with the Stock Exchange. Each of our authorized representatives has furnished his contact details to the Stock Exchange and has confirmed that each of them will be able to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and electronic means. Each of the two authorized representatives has been duly authorized to communicate on behalf of the Company with the Stock Exchange.
- Each of our authorized representatives will be provided all necessary means to contact all of our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Each of them is authorized to communicate on behalf of our Company with the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- All of our Directors who are not ordinarily resident in Hong Kong have also confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange in Hong Kong within a reasonable period of time when required. Also, each of our Directors has furnished his mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange should the Stock Exchange wish to contact any of our Directors. The Company will implement the following measures: (a) each Director must provide his/her mobile number, office number, e-mail address and facsimile number to the authorized representatives, and (b) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives.

We have one independent non-executive Director (namely Mr. Cai Yi) who is ordinarily resident in Hong Kong and will act as additional channel of communication between the Stock Exchange and us.

- our Company has appointed Changjiang Corporate Finance as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date and it will act as an additional channel of communication of our Company with the Stock Exchange. The Company will ensure compliance with the requirements under Rules 19A.05 and 19A.06 of the Listing Rules applicable to and required of it, and the compliance adviser will have access at all times to the Company's authorized representatives, the other Directors and officers of the Company to ensure that they are in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of the Company.
- In accordance with Rule 19A.06(4) of the Listing Rules, Changjiang Corporate Finance has provided the Stock Exchange with the names, home and office telephone numbers and fax numbers of at least one of its officers and an alternate who will act as its contact with the Company and the Stock Exchange.

In these circumstances, our Company and our Directors do not envisage that there should be any difficulty for the Stock Exchange to contact (if required) any of our Directors and believe that the arrangements set out above are sufficient to maintain effective communication between us and the Stock Exchange. Our Directors will ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

We have appointed Mr. Yan Zhijiang as one of our joint company secretaries. He joined our Company on 11 November 2013 and has served as our executive Director from 11 November 2013 and the secretary to our Board from 10 July 2014, and has approximately 12 years of experience in legal matter management/risk management with sound understanding of the operations of our Board and our Company. For details of Mr. Yan Zhijiang, please see "Directors, Supervisors and Senior Management — Board of Directors — Executive Directors." Mr. Yan Zhijiang, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Yan Zhijiang will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Company's Hong Kong legal advisers on an invitation basis and seminars organized by the Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- we have appointed Ms. Ng Ka Man (吳嘉雯), who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as the other joint company secretary to work closely with and to provide assistance to Mr. Yan Zhijiang in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Yan Zhijiang to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- upon expiry of the three-year period, the qualifications and experiences of Mr. Yan Zhijiang will be re-evaluated. Mr. Yan Zhijiang is expected to demonstrate to the Stock Exchange's satisfaction that he, having had the benefit of Ms. Ng Ka Man's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Listing Rules. If such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rule 8.17 of the Listing Rules as secretary of the Company.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Upon expiry of the initial three-year period, the qualifications of Mr. Yan Zhijiang will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Mr. Yan Zhijiang has obtained relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

CSRC APPROVAL

We have obtained approvals of the CSRC for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting such consent, the CSRC does not accept any responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this Prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between the Company and the Sole Global Coordinator (on behalf of the Underwriters). The International Offering is expected to be underwritten by the International Underwriters. The Global Offering is coordinated by the Sole Global Coordinator.

For further information about the Underwriters and the underwriting arrangements, please see "Underwriting" in this Prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (on behalf of the Underwriters) and us on or around Friday, 23 September 2016, and in any event no later than Wednesday, 28 September 2016.

If the Sole Global Coordinator (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Wednesday, 28 September 2016, or such later date or time as may be agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

The Company has applied to the Listing Committee for the granting of the Listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). No part of the Share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the *PRC Company Law*, the *Special Regulations* and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the *PRC Company Law* or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Applications Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, or any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this Prospectus and the relevant Application Forms.

H SHARE REGISTRAR AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our head office in China.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of Listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and the Company’s compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the H Shares. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in our H Shares or the exercise of any rights attaching to our H Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in “How to Apply for Hong Kong Offer Shares” in this Prospectus and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this Prospectus.

LANGUAGE

If there is any inconsistency between the English version of this Prospectus and the Chinese translation of this Prospectus, the English version of this Prospectus should prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this Prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this Prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this Prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.8333 to HK\$1.00, the exchange rate prevailing on 31 March 2016, set by the PBOC for foreign exchange transactions.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Executive Directors

Mr. Zhou Yongwei (周永偉)	No. 933 Xianyue Road Siming District, Xiamen Fujian Province, the PRC	Chinese
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Mr. Wu Zhirui (吳智銳)	Room 302 No. 10 Guan Ri Xi Yi Li Huli District, Xiamen Fujian Province, the PRC	Chinese
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Mr. Yan Zhijiang (顏志江)	Room 502 No. 183 Xiabao Road Siming District, Xiamen Fujian Province, the PRC	Chinese
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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Non-executive Directors

Mr. Wang Wenbin (王文彬)	No. 3 Village Committee No. 58 Xinle Road, Buji Town Longgang District, Shenzhen Guangdong, the PRC	Chinese
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Mr. Jiang Haiying (蔣海鷹)	No. 261 Yugang Road Dazuo Village, Chongwu Town Hui'an County, Fujian Province the PRC	Chinese
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Mr. Zhu Jinsong (朱金松)	Room 901 No. 527 Lianqian West Road Siming District, Xiamen Fujian Province, the PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Independent Non-executive Director</i>		
Mr. Cai Yi (蔡毅)	Flat A, 33/F, Block 2 The Harbourside 1 Austin Road West Kowloon, Hong Kong	Chinese
Mr. Zhang Lihe (張立賀)	Room 1104 No. 175 Hubin North Road Siming District, Xiamen Fujian Province, the PRC	Chinese
Mr. Wang Yiming (王藝明)	Room 403 No. 294 Hubin South Road Siming District, Xiamen Fujian Province, the PRC	Chinese

SUPERVISORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Ms. Hong Lijun (洪麗君)	No. 20 West Garden Xiaoqiao East District Jinjiang, Fujian Province, the PRC	Chinese
Mr. Li Jiancheng (李建成)	No. 52 Mei Yao Liu Cheng Xiang Tang Village Nan'an City Fujian Province, the PRC	Chinese
Mr. Ng Seng Chuan (黃成泉)	7 HAIG Road, #15-441 Singapore 430007	Singaporean
Ms. Ruan Cen (阮岑)	Room 201, Planning Bureau, No. 13 Deng Xian Qiao, Licheng District, Quanzhou City Fujian Province, the PRC	Chinese
Mr. Wang Shijie (王世傑)	No. 552 Li Li Village Penghu Town, Yongchun County Fujian Province, the PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Chen Jinzhu (陳金助)	No. 195 Binlangxili Siming District, Xiamen Fujian Province, the PRC	Chinese
Mr. Wu Lindi (吳麟弟)	No. 388 Hubin South Road Siming District, Xiamen Fujian Province, the PRC	Chinese

For further information on our Directors and Supervisors, please see “Directors, Supervisors and Senior Management.”

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Changjiang Corporate Finance (HK) Limited Suite 1908, 19th Floor, Cosco Tower 183 Queen’s Road Central Central Hong Kong
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	Changjiang Securities Brokerage (HK) Limited Suite 1908, 19th Floor, Cosco Tower 183 Queen’s Road Central Central Hong Kong
Legal Advisers to the Company	<i>As to Hong Kong Laws:</i> Troutman Sanders 34th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong <i>As to PRC Laws:</i> AllBright Law Offices 11, 12/F, Shanghai Tower, 501 Yincheng Middle Road Pudong New Area Shanghai the PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to the Sole Sponsor and Underwriters	<p><i>As to Hong Kong Laws:</i> Jun He Law Offices Suite 3701-10, 37/F, Jardine House 1 Connaught Place Central Hong Kong</p> <p><i>As to PRC Laws:</i> Shu Jin Law Firm 12/F, Taiping Finance Tower 6001 Yitian Road, Futian District Shenzhen the PRC</p>
Auditors and Reporting Accountants	<p>Ernst & Young <i>Certified Public Accountants</i> 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong</p>
Compliance Adviser	<p>Changjiang Corporate Finance (HK) Limited Suite 1908, 19th Floor, Cosco Tower 183 Queen's Road Central Central Hong Kong</p>
Industry Consultant	<p>Ipsos Limited 77 Leighton Road Causeway Bay Hong Kong</p>
Receiving Banker	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered address	12/F, Former Finance Building No. 361 Feng Ze Street Quanzhou City, Fujian Province the PRC
Headquarters/Principal place of business in the PRC	12/F, Former Finance Building No. 361 Feng Ze Street Quanzhou City, Fujian Province the PRC
Principal place of business in Hong Kong	36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Company website	www.qzhuixin.net <i>(The information contained on the website of our Company does not form part of this Prospectus.)</i>
Joint Company secretaries	<p>Ms. Ng Ka Man, ACS, ACIS 36/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong</p> <p>Mr. Yan Zhijiang <i>Holder of Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC, Qualified Secretary to the Board as accredited by Shanghai Stock Exchange</i> Room 502 No. 183 Xiabao Road Siming District Xiamen, Fujian Province the PRC</p>

CORPORATE INFORMATION

Authorized representatives

Mr. Wu Zhirui
Room 302
No. 10 Guan Ri Xi Yi Li
Hu Li District
Xiamen, Fujian Province
the PRC

Mr. Yan Zhijiang
Room 502
No. 183 Xiabao Road
Siming District
Xiamen, Fujian Province
the PRC

Audit committee

Mr. Zhang Lihe (*Chairman*)
Mr. Wang Yiming
Mr. Zhu Jinsong

Remuneration committee

Mr. Wang Yiming (*Chairman*)
Mr. Cai Yi
Mr. Wu Zhirui

Nomination committee

Mr. Zhou Yongwei (*Chairman*)
Mr. Cai Yi
Mr. Zhang Lihe

Compliance adviser

Changjiang Corporate Finance (HK) Limited
Suite 1908, 19th Floor
Cosco Tower
183 Queen's Road Central
Central
Hong Kong

H Share Registrar

Boardroom Share Registrars (HK) Limited
31/F, 148 Electric Road
North Point
Hong Kong

CORPORATE INFORMATION

Principal bankers

The Agricultural Bank of China
Jinjiang Jinjing Branch
No. 365–367 Zhong Xing Road, Jin Jing Town
Jinjiang City
Quanzhou City, Fujian Province
the PRC

China Development Bank
Fujian Branch
33/F, Yi Fa Plaza
No. 111 Wu Si Road
Fuzhou, Fujian Province
the PRC

Quanzhou Rural Commercial Bank
Jindian Branch
No. 22–03 Dong Fang Jin Dian
Fengze District
Quanzhou City, Fujian Province
the PRC

Xiamen Rural Commercial Bank
Yingcun Branch
Yingdaitou, Ying Village, Houxi Town
Jimei District, Xiamen City
Fujian Province
the PRC

Xiamen Bank Co., Ltd
Yinlong Branch
No. 857 Xia He Road
Xiamen City
Fujian Province
the PRC

INDUSTRY OVERVIEW

Investors should note that we have engaged Ipsos, an independent research firm, to prepare an industry report for use in this Prospectus. Ipsos prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Ipsos contacted companies operating in the industry to gather and synthesize information about the market, prices and other relevant information. Ipsos has assumed that the information and data which it relied on are complete and accurate.

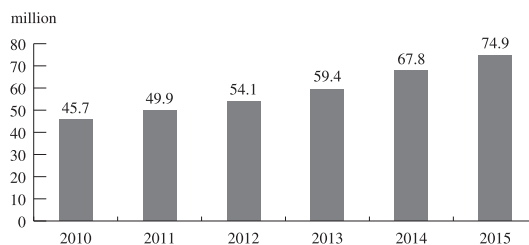
Ipsos has provided part of the statistical and graphical information contained in this section. Ipsos has advised that: (i) some of the information in its database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other data collection agencies may differ from the information in its database.

We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. Investors should also note that no independent verification has been carried out on any facts or statistics that are directly or indirectly derived from official government and non-official sources. The Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors and advisers or any other persons or parties involved in the Global Offering make no representation as to the accuracy of the information from official government and non-official sources, which may not be consistent with other information compiled within or outside China. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SMES AND MICROENTERPRISES IN CHINA

SMEs and microenterprises play an important role in China's economic development. According to Ipsos, the total number of SMEs and microenterprises in China increased from 45.7 million as of 31 December 2010 to 74.9 million as of 31 December 2015, representing a CAGR of 10.4%. SMEs and microenterprises accounted for 96.7% of the total number of enterprises in China as of 31 December 2015 and contributed approximately 60.0% to China's GDP for the year ended 31 December 2015. The table below sets forth the total number of SMEs and microenterprises in China from 2010 to 2015:

Total Number of SMEs and Microenterprises in China (2010 to 2015)



Source: Ministry of Industry and Information Technology; National Bureau of Statistics; Ipsos Report

INDUSTRY OVERVIEW

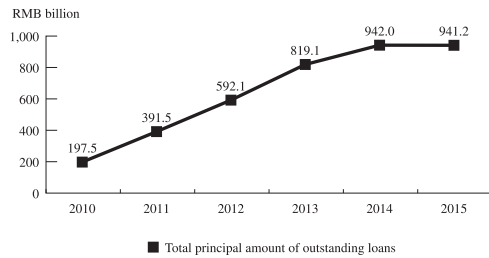
Part of the PRC Government's aim under the 12th Five-Year Plan was to continue to foster the growth of SMEs and microenterprises and increase their contribution to China's GDP to approximately 65.0% in 2015. The State Council promulgated the *Opinions on Further Supporting the Sound Development of Small and Micro Enterprises* (關於進一步支持小型微型企業健康發展的意見) (the "Opinions") in April 2012, which requires the relevant government entities of all regions in China to strengthen their support of SMEs and microenterprises in the form of financial and tax-related benefits, specifically by increasing the thresholds of value added taxes and corporate taxes, extending the policy of a 50% reduction in corporate income tax for SMEs to the end of 2015 and expanding the coverage of such policy, as well as other concrete measures. In addition, the *Opinions* requires these government entities to create an environment conducive to the overall development of SMEs, as well as to promote the growth of SMEs engaged in the innovative, service, modern agricultural and cultural industries. As such, the number of SMEs and microenterprises is expected to increase in the future as a result of these favorable government policies, according to *Ipsos*.

MICROFINANCE INDUSTRY IN CHINA

As a result of the continued development of the macro-economic environment in China and resulting increase in the number of SMEs and microenterprises, China's microfinance industry has seen rapid expansion since 2008. In May 2008, the CBRC and the PBOC promulgated the *Guiding Opinions*, which set forth the fundamental requirements for establishing, registering and operating a microfinance company at the national level. The formalization of registration procedures for microfinance companies in 2008 was a significant step towards advancing the microfinance industry and led to the rapid increase in registered microfinance companies in China. In July 2013, the State Council issued the *Guidance on the Structural Adjustment, Transformation and Upgrading of the Financially Supported Economy* (關於金融支持經濟結構調整和轉型升級的指導意見), pursuant to which the PRC Government increased its support, and provided guidance on the diversification of customer segments, of microfinance companies. Microfinance companies were also given access to funding at a lower cost. According to *Ipsos*, the total number of registered microfinance companies in China increased from 2,614 as of 31 December 2010 to 8,910 as of 31 December 2015, representing a CAGR of 27.8%, and total registered capital in the microfinance industry amounted to RMB845.9 billion as of 31 December 2015. As such, the principal amount of outstanding loans granted by microfinance companies in China increased from RMB197.5 billion as of 31 December 2010 to RMB941.2 billion as of 31 December 2015, representing a CAGR of 36.7%. The *Ipsos* Report indicates that the ratio of the principal amount of outstanding loans granted by microfinance companies to the principal amount of the total outstanding loans granted in China increased from 0.4% as of 31 December 2010 to 0.9% as of 31 December 2015.

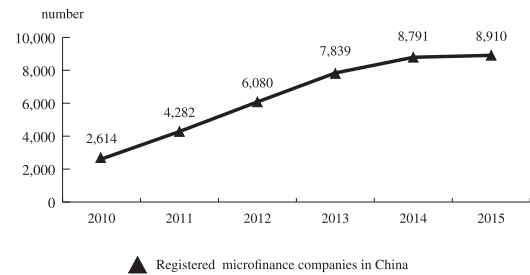
INDUSTRY OVERVIEW

Total Principal Amount of Outstanding Loans Granted by Microfinance Companies in China (2010 to 2015) (Year End)



Source: PBOC; Quanzhou Financial Affairs Bureau; Fujian Economic and Information Technology Commission; Ipsos Report

Total Number of Registered Microfinance Companies in China (2010 to 2015) (Year End)



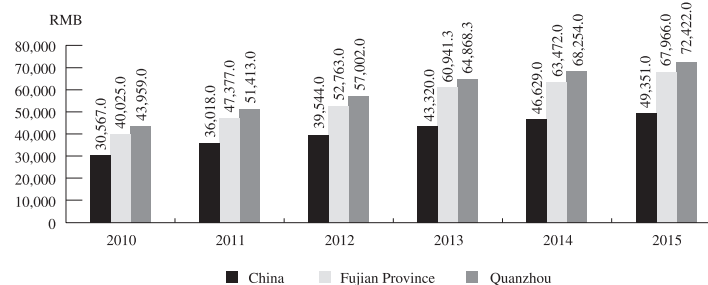
Source: PBOC; Fujian Economic and Information Technology Commission; Ipsos Report

MACRO-ECONOMIC ENVIRONMENT IN FUJIAN PROVINCE AND QUANZHOU CITY

Fujian Province is known for its active trading relationship with foreign countries, as well as its strength in the manufacturing and services industries. According to *Ipsos*, Fujian Province holds half of China's ocean fisheries. Fujian Province had a population of approximately 38.4 million people as of 31 December 2015, of which approximately 27.2 million people formed part of the labor force, according to *Ipsos*. In 2015, 70.8% of the working population contributed to Fujian Province's per capita GDP, which increased from RMB40,025.0 for the year ended 31 December 2010 to RMB67,966.0 for the year ended 31 December 2015, representing a CAGR of 11.2%, according to *Ipsos*.

Economic growth was more pronounced in Quanzhou City than in Fujian Province as a whole, and was mainly due to the increase in business opportunities in the textiles and sportswear export and manufacturing industry, ship manufacturing industry, and petrochemical industry. According to *Ipsos*, the per capita GDP in Quanzhou City increased from RMB43,959.0 for the year ended 31 December 2010 to RMB72,422.0 for the year ended 31 December 2015, representing a CAGR of 10.5%. The table below sets forth the respective per capita GDP data of Fujian Province and Quanzhou City from 2010 to 2015, which were higher than China's overall per capita GDP for the same periods:

Per Capita GDP of China, Fujian Province and Quanzhou City (2010 to 2015)



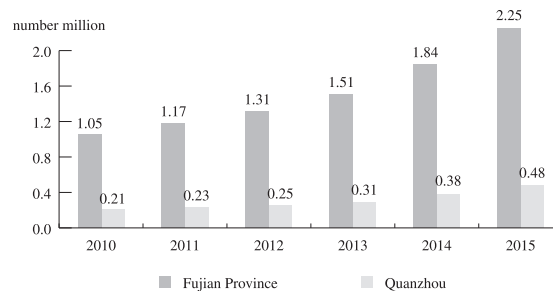
Source: National Bureau of Statistics; IMF World Economic Outlook 2015; Fujian Statistical Yearbook 2015; Ipsos Report

INDUSTRY OVERVIEW

SMES AND MICROENTERPRISES IN FUJIAN PROVINCE AND QUANZHOU CITY

According to *Ipsos*, the total number of SMEs and microenterprises in Fujian Province increased from 1.1 million as of 31 December 2010 to 2.3 million as of 31 December 2015, representing a CAGR of 16.6%. The total number of SMEs and microenterprises in Quanzhou City increased from 0.2 million as of 31 December 2010 to 0.5 million as of 31 December 2015, representing a CAGR of 18.0%. The table below sets forth the total numbers of SMEs and microenterprises in Fujian Province and Quanzhou City from 2010 to 2015:

Total Number of SMEs and Microenterprises in Fujian Province and Quanzhou City (2010 to 2015) (Year End)



Source: Ministry of Industry and Information Technology; National Bureau of Statistics; Ipsos Report

According to *Ipsos*, the total number of SMEs and microenterprises in Fujian Province and Quanzhou City is expected to increase in the future due to favorable government policies at both the national and local levels. For example, Fujian Provincial Department of Finance and Fujian Economic and Information Technology Commission promulgated the *Opinions on Further Implementing Promotion of the Development of SMEs through Government Procurement* (關於進一步落實政府採購促進中小企業發展的實施意見), pursuant to which SMEs in Fujian Province enjoy priority in government procurement projects valued at less than RMB1.0 million.

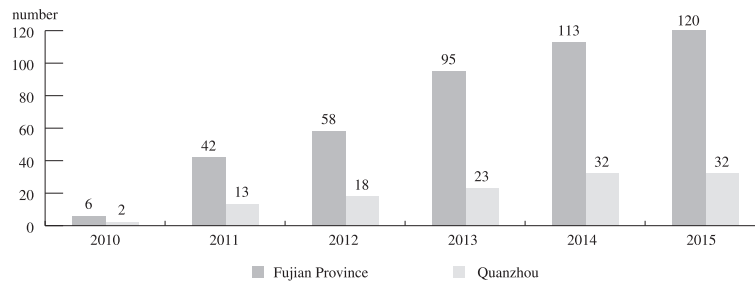
Despite their rapidly growing numbers, SMEs and microenterprises remain largely underserved by traditional banks and financial institutions. This is generally due to a variety of factors, including: (i) their lack of a credit history or of an adequate credit rating; (ii) their lack of sufficient collateral that traditional banks or financial institutions would consider to be acceptable; and (iii) their inability to pay the additional fees charged by banks and financial institutions.

INDUSTRY OVERVIEW

MICROFINANCE INDUSTRY IN FUJIAN PROVINCE AND QUANZHOU CITY

According to *Ipsos*, the first microfinance company in Fujian Province was established in October 2008, and as of 31 December 2015, there were 120 microfinance companies in Fujian Province, of which 32 were in Quanzhou City. As of 31 December 2015, Fujian Province ranked second in terms of average registered capital per microfinance company, which amounted to RMB220.0 million, and second in terms of average principal amount of outstanding loans per microfinance company, which amounted to RMB250.3 million. The table below sets forth the total numbers of microfinance companies in Fujian Province and Quanzhou City from 2010 to 2015:

**Total Number of Microfinance Companies
in Fujian Province and Quanzhou City (2010 to 2015) (Year End)**

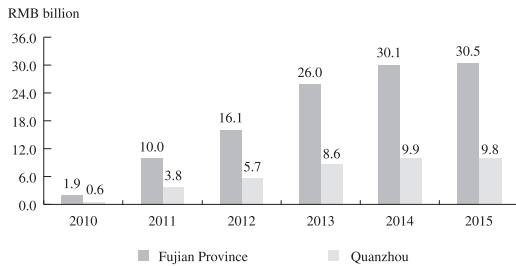


Source: PBOC; Ipsos Report

The increase in the number of SMEs and microenterprises and their growing financial needs have contributed to the rapid development of the microfinance industry in Fujian Province and Quanzhou City. According to *Ipsos*, the principal amount of outstanding loans granted by microfinance companies in Fujian Province increased from approximately RMB1.9 billion as of 31 December 2010 to approximately RMB30.0 billion as of 31 December 2015, representing a CAGR of 72.9%. The ratio of the principal amount of outstanding loans granted by microfinance companies to the principal amount of the total outstanding loans granted in Fujian Province increased from 0.1% as of 31 December 2010 to 0.9% as of 31 December 2015. The principal amount of outstanding loans granted by microfinance companies in Quanzhou City increased from approximately RMB0.6 billion as of 31 December 2010 to approximately RMB9.8 billion as of 31 December 2015, representing a CAGR of 76.7%. The ratio of the principal amount of outstanding loans granted by microfinance companies to the principal amount of the total outstanding loans granted in Quanzhou City increased from approximately 0.2% as of 31 December 2010 to approximately 1.8% as of 31 December 2015.

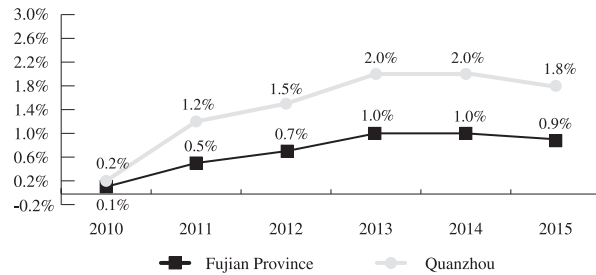
INDUSTRY OVERVIEW

Total Principal Amount of Outstanding Loans Granted by Microfinance Companies in Fujian Province and Quanzhou City (2010 to 2015) (Year End)



Source: PBOC; Ipsos Report

Ratio of Principal Amount of Outstanding Loans Granted by Microfinance Companies to Principal Amount of the Total Outstanding Loans Granted in Fujian Province and Quanzhou City (2010 to 2015) (Year End)



Source: PBOC; Ipsos Report

Regulatory Environment

In addition to being subject to national regulatory policies, microfinance companies in Quanzhou City must also abide by a series of local regulatory policies. For example:

- The *Interim Measures* promulgated in March 2012 established the basic requirements for setting up and operating microfinance companies in Fujian Province, including but not limited to the threshold of registered capital, equity structure, business scope and certain financial ratios.
- The *Pilot Measures* promulgated in March 2014 set forth the requirements for microfinance companies conducting cross-county business in Quanzhou City.
- The *Interim Provision of Quanzhou City for the Classification and Rating for the Administration of Microfinance Companies* (泉州市小額貸款公司分類評級管理暫行規定) promulgated in April 2014 provided the methods and factors of the classification and rating of microfinance companies in Quanzhou City.

For more information regarding the regulatory environment in the microfinance industry in Fujian Province and Quanzhou City, please refer to “Regulatory Overview.”

Barriers to Entry

According to Ipsos, the main entry barriers into the microfinance industry in Fujian Province and Quanzhou City include:

- **Minimum registered capital** — In China, the minimum registered capital requirement is RMB5.0 million for limited liability microfinance companies and RMB10.0 million for joint stock microfinance companies. In Fujian Province, the registered capital of a microfinance company upon inception must not be less than RMB100.0 million or more than RMB500.0 million. In addition, debts, entrusted loans and public savings are not allowed to be injected

INDUSTRY OVERVIEW

as registered capital of a microfinance company in Quanzhou City. The relatively high minimum capital requirement for microfinance companies in Fujian Province and Quanzhou City may present challenges for potential players that seek to enter into the market;

- **Regulatory requirement** — Registration and operation of microfinance companies is strictly regulated and supervised by local authorities; and
- **Rating barriers** — According to the *Interim Provision of Quanzhou City for the Classification and Rating for the Administration of Microfinance Companies* (泉州市小額貸款公司分類評級管理暫行辦法), the relevant local authorities are tasked with evaluating and supervising microfinance companies. Local authorities also provide microfinance companies with good grade in the annual evaluation with support in the form of favorable policies and subsidies, and evaluate their loan products for approval.

Major Challenges

According to *Ipsos*, major challenges for the development of the microfinance industry in Fujian Province and Quanzhou City include:

- **Disfavored monetary policy** — The market is less attractive for new entrants because microfinance companies face increasing competition from banks attributable to PBOC's sequential interest rate cuts, which has created uncertainties with respect to the development of the microfinance industry.
- **Customer credit default risks** — Credit default risks are major risks for microfinance companies. Since (i) self-employed individuals and SMEs are of high risks and volatility, and (ii) the major lending vehicles of microfinance companies are credit and guaranteed loans, there could be default risks and loss of principal on the due date.
- **Limited sources of funding** — According to *CBRC*, the general sources of funding for most microfinance companies are relatively limited, and are predominantly from private investments such as by parent companies or from bank borrowings. According to the *Interim Measures*, a microfinance company in Fujian Province must have a minimum registered capital of RMB100.0 million and the financing obtained from banking financial institutions generally must not exceed 50% of its net capital. However, there will be certain exceptions for microfinance companies that have sound and complaint operations and have satisfied the evaluation criteria established by relevant authorities. As a result, some microfinance companies may at times face challenges in securing sufficient financing to meet the fast-growing demands from the increasing number of SMEs and microenterprises.

Competitive Landscape

Competition within the microfinance industry in Fujian Province has become increasingly intense. According to *Ipsos*, there were 120 registered microfinance companies in Fujian Province as of 31 December 2015, of which 32 were in Quanzhou City. The total registered capital of microfinance companies in Fujian Province amounted to RMB26.4 billion as of 31 December 2015, of which RMB9.0 billion was the total registered capital of microfinance companies in Quanzhou City. The total number and total registered capital of microfinance companies in Fujian Province and Quanzhou City are

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expected to grow as a result of stable economic development, the growth and success of SMEs and microenterprises, and the increasing support in the form of government policies administered at the national, provincial and local levels. In addition, a majority of the banks, insurances companies, finance corporations and intermediary loan companies in Quanzhou City and elsewhere in Fujian Province also offer loan products that are similar to the types of loans offered by microfinance companies. Peer-to-peer financing platforms, which are under rapid development, may also compete with microfinance companies.

Compared to traditional commercial banks, microfinance providers are at a major disadvantage because their sources of funding are more limited. Moreover, traditional commercial banks have recently begun to establish their own specialized small loan departments to compete for market share. In addition, as there does not exist a nationwide administrative regulatory authority to oversee this industry and microfinance companies are generally monitored and regulated by local authorities in areas where they operate the microfinance industry in China has become highly localized and fragmented. The number of registered microfinance companies in China experienced growth at a CAGR of 27.8% from 2010 to 2015, among which the largest ten microfinance companies accounted for only 10.3% of the total revenue of the industry in 2015.

Key market players

We are the largest licensed microfinance company in Fujian Province and Quanzhou City in terms of 2015 revenue. We are also the largest licensed microfinance company in Quanzhou City and the second largest licensed microfinance company in Fujian Province in terms of principal amount of outstanding loans and registered capital in 2015. Our financial and other competitive strengths have enabled us to offer diverse loan services to retain existing customers and capture new business opportunities in the microfinance market.

The following table sets forth the rankings and market shares of the top ten microfinance companies in Fujian Province in terms of revenue for the year ended 31 December 2015:

Ranking	Company	Annual revenue (RMB million)	Market share (%)
1	The Company	135.9	6.5
2	Shaowu Tiecheng Small Credit Co., Ltd. (邵武市鐵誠小額貸款股份有限公司)	72.0	3.4
3	Longyan Xinluo Yongfeng Small Loan Co., Ltd. (龍岩市新羅區永豐小額貸款股份有限公司)	69.0	3.3
4	Xiamen Huli Chengtai Small Loan Co., Ltd. (廈門湖里誠泰小額貸款有限公司)	61.0	2.9
5	Zhangping Juyuan Small Loan Co., Ltd. (漳平市聚緣小額貸款股份有限公司)	55.3	2.6
6	Xiamen Jimei Huilong Small Loan Co., Ltd. (廈門集美惠龍小額貸款有限公司)	53.6	2.6
7	Longyan Xinluo Yongxing Small Loan Co., Ltd (龍岩新羅區永興小額貸款股份有限公司)	50.7	2.4
8	Nan'an Tianbang Small Loan Co., Ltd. (南安市天邦小額貸款有限公司)	50.2	2.4
9	Fuzhou Jin'an Shengfeng Small Loan Co., Ltd. (福州市晉安區盛豐小額貸款股份有限公司)	46.3	2.2
10	Xiamen Haicang Hengxin Small Loan Co., Ltd. (廈門海滄恒鑫小額貸款有限公司)	44.8	2.1

Source: Ipsos Report

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The following table sets forth the rankings and market shares of the top five microfinance companies in Quanzhou City in terms of revenue for the year ended 31 December 2015:

Ranking	Company	Annual revenue (RMB million)	Market share (%)
1	The Company	135.9	17.3
2	Nan'an Tianbang Small Loan Co., Ltd. (南安市天邦小額貸款股份有限公司)	50.2	6.4
3	Jinjiang Baiying Small Loan Co., Ltd. (晉江市百應小額貸款有限責任公司)	40.5	5.2
4	Quanzhou Licheng Chuangxin Small Loan Co., Ltd. (福建泉州市鯉城區創信小額貸款有限公司)	39.1	5.0
5	Shishi Fuyin Small Loan Co., Ltd. (石獅市富銀小額貸款有限公司)	33.1	4.2

Source: Ipsos Report

The following tables set forth the rankings and market shares of the top ten microfinance companies in Fujian Province in terms of principal amount of outstanding loans as of 31 December 2015:

Ranking	Company	Principal amount of outstanding loans (RMB million)	Market share (%)
1	Longyan Xinluo Yongfeng Small Loan Co., Ltd. (龍岩市新羅區永豐小額貸款股份有限公司)	938.1	3.1
2	The Company	705.0	2.4
2	Longyan Xinluo Yongxing Small Loan Co., Ltd. (龍岩新羅區永興小額貸款股份有限公司)	705.0	2.4
4	Zhangping Juyuan Small Loan Co., Ltd. (漳平市聚緣小額貸款股份有限公司)	662.8	2.2
5	Changting Xingeng Small Loan Co., Ltd. (長汀縣辛耕小額貸款股份有限公司)	651.3	2.2
6	Ningde Jingxin Microcredit Co., Ltd. (寧德市精信小額貸款股份有限公司)	575.8	1.9
7	Quanzhou Licheng Chuangxin Small Loan Co., Ltd. (福建泉州市鯉城區創信小額貸款有限公司)	556.3	1.9
8	Sanming Xinli Yuan Small Loan Co., Ltd. (三明市梅列區新力源小額貸款有限公司)	536.0	1.8
9	Nan'an Xinyu Small Loan Co., Ltd. (南安市鑫宇小額貸款有限公司)	509.8	1.7
10	Shanghai Jiahe Small Loan Co., Ltd. (上杭佳和小額貸款股份有限公司)	462.9	1.5

Source: Ipsos Report

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The following tables set forth the rankings and market shares of the top five microfinance companies in Quanzhou City in terms of principal amount of outstanding loans as of 31 December 2015:

<u>Ranking</u>	<u>Company</u>	<u>Principal amount of outstanding loans</u> (RMB million)	<u>Market share</u> (%)
1	The Company	705.0	7.2
2	Quanzhou Licheng Chuangxin Small Loan Co., Ltd. (福建泉州市鯉城區創信小額貸款有限公司)	556.3	5.7
3	Nan'an Xinyu Small Loan Co., Ltd. (南安市鑫宇小額貸款有限公司)	509.8	5.2
4	Anxi Minhua Small Loan Co., Ltd. (安溪縣閩華小額貸款有限公司)	397.9	4.1
5	Fujian Nan'an Chenggong Small Loan Co., Ltd. (福建省南安市成功小額貸款股份有限公司)	364.4	3.7

Source: Ipsos Report

The following tables set forth the rankings and market shares of the top eight microfinance companies in Fujian Province in terms of registered capital as of 31 December 2015:

<u>Ranking</u>	<u>Company</u>	<u>Registered capital</u> (RMB million)	<u>Market share</u> (%)
1	Longyan Xinluo Yongfeng Small Loan Co., Ltd. (龍岩市新羅區永豐小額貸款股份有限公司)	630.0	2.4
2	The Company	500.0	1.9
2	Longyan Xinluo Yongxing Small Loan Co., Ltd. (龍岩新羅區永興小額貸款股份有限公司)	500.0	1.9
2	Quanzhou Licheng Chuangxin Small Loan Co., Ltd. (福建泉州市鯉城區創信小額貸款有限公司)	500.0	1.9
2	Quanzhou Hui'an Hejin Small Loan Co., Ltd. (福建泉州市惠安縣和金小額貸款有限公司)	500.0	1.9
3	Zhangping Juyuan Small Loan Co., Ltd. (漳平市聚緣小額貸款股份有限公司)	476.0	1.8
4	Changting Xingeng Small Loan Co., Ltd. (長汀縣辛耕小額貸款股份有限公司)	450.0	1.7
5	Ningde Jingxin Microcredit Co., Ltd. (寧德市精信小額貸款股份有限公司)	396.0	1.5

Source: Ipsos Report

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The following tables set forth the rankings and market shares of the top eight microfinance companies in Quanzhou City in terms of registered capital as of 31 December 2015:

Ranking	Company	Registered capital (RMB million)	Market share (%)
1	The Company	500.0	5.5
1	Quanzhou Licheng Chuangxin Small Loan Co., Ltd. (福建省泉州市鯉城區創信小額貸款有限公司)	500.0	5.5
2	Nan'an Xinyu Small Loan Co., Ltd. (南安市鑫宇小額貸款有限公司)	300.0	3.3
2	Shishi Fuyin Small Loan Co., Ltd. (石獅市富銀小額貸款有限公司)	300.0	3.3
2	Anxi Minhua Small Loan Co., Ltd. (安溪縣閩華小額貸款有限公司)	300.0	3.3
2	Fujian Nan'an Chenggong Small Loan Co., Ltd. (福建省南安市成功小額貸款股份有限公司)	300.0	3.3
2	Nan'an Tianbang Small Loan Co., Ltd. (南安市天邦小額貸款股份有限公司)	300.0	3.3
2	Jinjiang Baiying Microcredit Co., Ltd. (晉江市百應小額貸款有限責任公司)	300.0	3.3

Source: Ipsos Report

Among microfinance companies in Quanzhou City, we ranked first in terms of annual revenue and principal amount of outstanding loans in 2015. Our significantly higher revenue compared to Nan'an Tianbang Small Loan Co., Ltd. (the "Nan'an Tianbang"), the second largest market player in Quanzhou City in terms of 2015 revenue, is mainly attributable to our larger registered capital and our larger scale of bank borrowings as an additional source of our lending capital. As of 31 December 2015, we had a registered capital of RMB500.0 million and total outstanding bank borrowings amounting to RMB100.0 million. Nan'an Tianbang, on the other hand, had a registered capital of RMB300.0 million and no outstanding bank borrowings as of the same date.

In addition, our better performance is also likely attributable to our competitive advantages, which include our ready access to lending capital, diverse portfolio of flexible short-term financing solutions, quick loan assessments and approval processes, and strong shareholder base. Furthermore, our understanding of the continued development and liquidity needs of customers and ability to offer flexible product offerings, which has enabled us to grant loans with longer maturity periods and therefore charge higher interest rates on loans, may have also contributed to our significantly higher revenue. For a discussion of our competitive advantages, see "Business — Competition."

Growth Drivers and Market Trends

According to *Ipsos*, assuming the overall economy in China continues to remain stable, the microfinance industry in Fujian Province, including in Quanzhou City, is expected to maintain steady growth in the future due to the following factors:

- China's credit tightening policy has led to a higher demand for microfinance services. The tight monetary policy aiming to curb inflation and deflate asset bubbles makes it more difficult for individuals, SMEs and microenterprises to access credit from conventional sources, such as commercial banks and financial institutions, due to the more stringent

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requirements that such lenders impose on borrowers. Because the requirements imposed on borrowers by microfinance companies are comparatively easier to meet, microfinance companies are well-positioned to capture the growing demand for financing from individuals, SMEs and microenterprises.

- Government policies support the growth of the microfinance industry in Fujian Province, including in Quanzhou City. In 2012, the State Council issued the *General Scheme of the Pilot Comprehensive Reform Zone of Financial Service and Real Economy in Quanzhou City, Fujian Province* (福建省泉州市金融服務實體經濟綜合改革試驗區總體方案), pursuant to which Quanzhou City became the third pilot comprehensive reform zone for both the financial services economy and real economy in China. Accordingly, the People's Government of Fujian Province promulgated measures to enforce such comprehensive reform in Quanzhou City. The microfinance industry in Quanzhou City is expected to benefit from such reform.
- In addition, the expected continued increase in the number of SMEs and microenterprises in Fujian Province, including Quanzhou City, and their growing demand for microfinance services will continue to drive the development of the microfinance industry. According to *Ipsos*, the total number of SMEs and microenterprises in Fujian Province and Quanzhou City increased from 1.1 million and 0.2 million as of 31 December 2010 to 2.3 million and 0.5 million as of 31 December 2015, respectively, and is expected to grow at a CAGR of approximately 16.1% and 17.1%, respectively, to reach 4.2 million and 1.0 million as of 31 December 2019, respectively.
- China's average urbanization rate increased from 49.9% in 2010 to 56.1% in 2015, and is expected to reach 60.0% by 2018. Quanzhou, an urban city in Fujian Province, has experienced robust economic restructuring from rapid urbanization. Urbanization rate of Quanzhou increased from 58.4% in 2010 to 62.9% in 2015, and is expected to reach 68.5% in 2020. According to *Ipsos*, an average of 18 million people are expected to move from rural areas to urban cities every year by 2018. In 2015, as a result of a higher living standard and higher living expenses, the average personal expenditures of an urban citizen were RMB10,401, in comparison to those of a rural citizen of RMB4,326. The significant discrepancy in personal expenditures indicated a tendency of financial difficulties of migrant individuals. Responding to the growing financing needs, financial institutions, including banks, rural banks and credit cooperatives, have been recently increasing their offerings to migrant households and individuals for their transition to living in urban cities. However, migrant workers, many of whom do not have credit histories and are unable to obtain loans from banks, are expected to seek to finance their personal expenditures or business operations from a wider variety of financing sources, and are thus expected to become an increasingly significant customer base for microfinance companies in general as they drive demand for loan services from non-bank sources. As such, continuing urbanization is expected to contribute to the overall growth of the microfinance industry.

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SOURCE OF INFORMATION

We commissioned Ipsos, an Independent Third Party, to conduct a customized and detailed analysis of the microfinance industry in China in order to evaluate the existing market scale and future market potential, and provide an objective and fair overview of China's microfinance industry in its report.

Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos SA became and is the third largest research company in the world which employs approximately 16,000 personnel worldwide across 87 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Ipsos primarily adopted a full-circle information collection methodology, combining data and intelligence collected through desk research, client consultation and primary research. Primary research involved interviews with key stakeholders and industry experts in China, including but not limited to small loans and financial service providers to SMEs and individuals, government officials, industry experts and associations. Client consultation provided background information about the Company. This methodology guaranteed a full circle/multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy. Ipsos sought to ensure the accuracy of the projections included in its report by using its in-house analysis models and techniques to analyze, assess and validate data and intelligence.

We will pay Ipsos a total of HK\$705,000 for its research services, which we believe reflects the prevailing market rate. Except for Ipsos Report, we have not appointed anyone else to prepare any other research report for the listing report or this Prospectus. We prepared this section of this Prospectus based on Ipsos Report so as to provide our prospective investors with a comprehensive description of our industry. This Prospectus also records some information excerpted from Ipsos Report, which can be referred to in "Summary," "Risk Factors," "Business" and "Financial Information."

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REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

The PRC Company Law

The *PRC Company Law* governs the establishment, operation, management and dissolution of corporate entities in the PRC, which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994. The *PRC Company Law* was subsequently amended for the first time at the 13th Session of the Ninth SCNPC on 25 December 1999, amended for the second time at the 11th Session of the Tenth SCNPC on 28 August 2004, revised for the third time at the 18th Session of the Tenth SCNPC on 27 October 2005, and revised for the fourth time at the Sixth Session of the Twelfth SCNPC on 28 December 2013. The newly amended *PRC Company Law* has been promulgated and effective from 1 March 2014. The *PRC Company Law* stipulates that companies established in the PRC are either limited liability companies or joint stock companies and it applies to both PRC domestic companies and wholly or partly foreign invested companies within the territory of the PRC. However, where the *PRC Company Law* is silent on matters related to foreign invested enterprises (the “FIEs”), such matters may be addressed by specific PRC laws and regulations governing the FIEs. According to the laws and regulations governing the FIEs, a PRC domestic company such as the Company may apply to become a FIE upon the initial public offering of H shares.

The Foreign Investment Provisions

In 1995, the State Planning Commission (國家計劃委員會), the State Economic and Trade Commission (國家經濟貿易委員會) and the Ministry of Foreign Trade and Economic Cooperation (對外經濟貿易部) jointly promulgated the *Provisional Provisions on Guiding Foreign Investment* (指導外商投資方向暫行規定, the “Provisional Foreign Investment Provisions”) and the *Catalogue for the Guidance of Foreign Investment* (外商投資產業指導目錄) (the “Foreign Investment Catalogue”), classifying all foreign investment projects into four categories: encouraged, permitted, restricted and prohibited.

On 11 February 2002, the State Council promulgated the *Provisions on Guiding Foreign Investment* (指導外商投資方向規定) (the “Foreign Investment Provisions”), restating the four categories of foreign investment projects. The *Foreign Investment Provisions* came into force on 1 April 2002 and the *Provisional Foreign Investment Provisions* were simultaneously repealed. The *Foreign Investment Catalogue* has been revised several times since it was first promulgated, with the most significant revisions taking place in 2002, 2004, 2007, 2011 and 2015. The version of the *Foreign Investment Catalogue* currently in effect was jointly promulgated by the NDRC and the MOFCOM on 10 March 2015 and came into effect on 10 April 2015.

The purpose of the *Foreign Investment Provisions* and the *Foreign Investment Catalogue* is to direct foreign investment into certain priority industry sectors while restricting or prohibiting investment in other sectors. If the industry in which the investment is to occur falls into the encouraged category, foreign investment can be conducted through the establishment of a wholly foreign owned enterprise. If restricted, foreign investment may be conducted through the establishment of a wholly foreign owned enterprise if certain requirements are met or in some cases must be conducted through the establishment of a joint venture enterprise, with varying minimum shareholdings for the Chinese party depending on the particular industry. If prohibited, foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted and prohibited categories is classified as a permitted industry for foreign investment. Our PRC Legal Advisers advised us that, according to the *Foreign*

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Investment Catalogue (2015) Revision, the finance industry is a restricted industry as provided in the *Foreign Investment Catalogue*, however, the specific kinds of companies under the heading of finance industry include:

- banks (shares of a single overseas financial institution and related parties under its control or joint control as the originator or strategic investors shall not exceed 20% in a single Chinese commercial bank; total share of multiple overseas financial institutions and related parties under its control or joint control as the originator or strategic investors shall not exceed 25%; overseas financial institutions investing in the rural small and medium-sized financial institutions must be banks)
- insurance companies (the share of life-insurance companies shall not exceed 50%)
- security companies (only engaged in underwriting, recommendation and guarantee of RMB common stock, capital stocks, government bonds and corporate bonds as set up, brokerage of foreign share and brokerage and proprietary of government bonds and corporate bonds; after development of two years, qualified companies can apply to expand the business scope; the foreign capital shall not exceed 49%); security investment fund management companies (the foreign capital shall not exceed 49%)
- futures companies (Chinese should hold the majority of shares)

Pursuant to *National Economy Industry Classification Catalogue* (國民經濟行業分類(GB/4754-2011)), the microfinance companies fall within the finance industry but do not belong to the above kinds of companies, therefore, microfinance industry is a permitted industry for foreign investment.

REGULATIONS IN THE MICROFINANCE INDUSTRY

Regulatory Authorities of the Microfinance Industry

As of the date of this Prospectus, there is no nationwide administrative regulatory authority for the microfinance industry at national level. Pursuant to the *Guiding Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Microfinance Companies* (中國銀行監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見), which was promulgated by the CBRC and the PBOC and took effect on 4 May 2008, the provincial governments may launch the pilot operation of microfinance companies within county territory in their respective province (region, municipality) only after they could determine a competent department (financial affairs office or similar department) to be responsible for the supervision and administration on microfinance companies and are willing to assume the responsibility for managing the microfinance companies' risks.

Pursuant to the *Interim Measures, the General Scheme of the Pilot Comprehensive Reform Zone of Financial Service for Real Economy in Quanzhou City of Fujian Province* (福建省泉州市金融服務實體經濟綜合改革試驗區總體方案) promulgated by the State Council in 2012, the *Opinions Regarding the Enforcement of the General Scheme of the Pilot Comprehensive Reform Zone of Financial Service for Real Economy in Quanzhou City of Fujian Province* (福建省人民政府關於貫徹落實福建省泉州市金融服務實體經濟綜合改革試驗區總體方案的實施意見) promulgated by the People's Government of Fujian

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Province on 11 April 2013, other relevant regulations and the regulatory opinion letters respectively issued by the Fujian Economic and Information Technology Commission and the Quanzhou Financial Affairs Bureau:

- (i) the Fujian Economic and Information Technology Commission was the competent authority in Fujian Province for direct supervision, administration and approval of all microfinance companies incorporated in Quanzhou City before 11 April 2013;
- (ii) on 11 April 2013, the People's Government of Fujian Province delegated the powers of review and approval as well as business innovation of the microfinance companies incorporated in Quanzhou City to Quanzhou City;
- (iii) beginning on 11 April 2013, the Fujian Economic and Information Technology Commission is no longer responsible for direct supervision, administration and approval of all microfinance companies incorporated in Quanzhou City but is entitled to issue operational guidance; and
- (iv) after such delegation, during the period from 11 April 2013 to 31 October 2013, the Quanzhou Economic and Trade Commission (泉州市經貿委) was responsible for direct supervision, administration and approval of the microfinance companies incorporated in Quanzhou City and since 31 October 2013, Quanzhou Financial Affairs Bureau has been the competent authority responsible for the supervision, administration and approval of all microfinance companies incorporated in Quanzhou City and has also been entitled to issue operational guidance.

The Fujian Economic and Information Technology Commission and Quanzhou Financial Affairs Bureau are current competent authorities in the provincial and local level, respectively; both authorities are entitled to issue operational guidance and Quanzhou Financial Affairs Bureau is responsible for direct supervision, administration, approval and business innovation of microfinance companies incorporated in Quanzhou City.

REGULATORY POLICIES OF THE MICROFINANCE COMPANIES

National Guiding Policies

The *Guiding Opinions* contains the fundamental opinions and policies to guide the microfinance industry. It regulates the fields of microfinance companies, including but not limited to the incorporation, capital source, utilization of capital, supervision and administration and termination of microfinance companies. Pursuant to the *Guiding Opinions*:

- Any applicant must apply to the supervising authority of the provincial government and, upon approval, comply with registration formalities to obtain all necessary business licenses, approvals and certificates for the establishment of a microfinance company;
- If a microfinance company is a limited liability company, its registered capital must be at least RMB5.0 million, and if it is a company limited by shares, its registered capital must be at least RMB10.0 million;

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- No single natural person, enterprises or other social organization, together with their respective affiliates, may hold in excess of 10% of the total registered capital of the microfinance company;
- The funds of a microfinance company mainly consist of the capital contributed and funds donated by shareholders as well as funds raised from up to a maximum of two banking financial institutions. A microfinance company must accept public supervision and shall not engage in any form of illegal fund-raising. According to relevant laws and regulations, the funds obtained by a microfinance company from banking financial institutions may not exceed 50% of its net capital;
- A microfinance company must conduct its operations according to market-oriented principles. The loan interest rate charged by a microfinance company cannot exceed the maximum loan interest rate specified by judicial departments and cannot be lower than 0.9 of the benchmark interest rate announced by the PBOC. The specific floating rate shall be determined by the microfinance company based on market-oriented principles;
- 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;
- None of the founders, being natural persons, enterprises and other social organizations, of any microfinance company and no natural person as a director, supervisor, or member of senior management of any microfinance company must have any criminal or bad credit record;
- The microfinance company shall, according to relevant provisions, set up prudent and normative asset classification and provision systems, accurately classify the assets, make full provision for allowances for doubtful accounts, and guarantee that its adequacy ratio of provision for asset losses always remain above 100% in order to fully cover all risks;
- The microfinance company shall establish a sound corporate governance structure and credit management system, and strengthen internal control; and
- The PBOC will trace and monitor the interest rates and capital flows of microfinance companies, and will include them in the credit system. The microfinance company shall regularly provide the credit system with information about the borrower, loan amount, guarantee and repayment, and other business information.

Pursuant to Article 80 of the *Legislative Law of the People's Republic of China* (中華人民共和國立法法) (the “Legislative Law”) which was promulgated by the NPC on 15 March 2000 and took effect on 1 July 2000 and amended in accordance with the *Decision on Amending the Legislative Law* adopted at the third session of the 12th NPC on 15 March 2015, all the ministries and commissions of the State Council, the PBOC, the General Administration for Auditing, and organs with administrative functions directly under the State Council may, in accordance with laws, administrative regulations, decisions and orders of the State Council, enact rules within the scope of its authority. Matters governed by the rules of departments shall be those for the enforcement of the laws or the administrative regulations, decisions and orders of the State Council. In addition, according to Article 85 of the *Legislative Law*, an

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administrative rule shall be promulgated through an order signed by the head of the department. As advised by our PRC Legal Advisers, the *Guiding Opinions* shall not be defined as administrative regulations in accordance with the *Legislative Law*.

Pursuant to Article 3 of the *Working Rules of Official Documents of the Party and Governmental Institutions* (黨政機關公文處理工作條例) (the “Working Rules”) which was jointly promulgated by the General Office of the State Council and the Central Committee of the Communist Party on 16 April 2012 and took effect on 1 July 2012, “official documents of the Party and government institutions are documents that are of particular effects and formal forms to exercise leadership, perform functions and conduct public service of the Party and the country. These documents are important instruments to promulgate rules and regulations, to supervise, coordinate and consolidate work, to consult and address questions and to report and announce communication conditions.”

According to the *Working Rules*, the main types of official document include, among others, orders and opinions. Orders are issued to promulgate administrative rules and regulations, announce implementation of important mandatory measures, approve the grant of and promotion in titles, and grant awards to relevant entities and individuals. Opinions are issued to contribute opinions and analyses on important issues and propose resolutions.

In the event of selective application of rules in conflict, our PRC Legal Advisers advised us that in accordance with the *Circular of the Supreme People’s Court on Printing and Issuing the Summary of the Symposium on Issues Concerning Applicable Legal Norms for the Trial of Administrative Cases* (最高人民法院關於印發《關於審理行政案件適用法律規範問題的座談會紀要》的通知) (the “Circular”), the *Guiding Opinions* are not superior to other normative documents issued by provincial governments (including the provincial regulatory policies and measures applicable to micro and microfinance companies) in terms of legal hierarchy.

According to the *Opinions on Further Supporting the Sound Development of Small and Micro Enterprises* (關於進一步支持小型微型企業健康發展的意見) issued by the State Council on 19 April 2012, the restriction on the percentage of equity interest held by a single shareholder in a microfinance company can be lifted where it is appropriate.

Certain Opinions on the Court’s Trial for Lending Cases and Private Lending Judicial Interpretations

Pursuant to *Certain Opinions on the Court’s Trial for Lending Cases* (關於人民法院審理借貸案件的若干意見) promulgated by the Supreme People’s Court on 13 August 1991, private lending interest rates can be appropriately higher than bank loan interest rates, over which local courts in different regions may exercise discretion in specific cases according to local financial conditions. However, private lending interest rates shall not exceed four times of the benchmark lending rate. The interest rate over this limit shall not be protected.

On 6 August 2015, *Certain Opinions on the Court’s Trial for Lending Cases* was replaced by the *Private Lending Judicial Interpretations* promulgated by the Supreme People’s Court. Effective on 1 September 2015, the *Private Lending Judicial Interpretations* 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 between 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

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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.

As advised by our PRC Legal Advisers, we complied with the above applicable requirements throughout the Track Record Period.

Local Regulations and Policies

Before 11 April 2013, the authorized authority at provincial level of Fujian Province, namely the Fujian Economic and Information Technology Commission, was the competent authority for direct supervision, administration and approval of the microfinance companies incorporated in Quanzhou City. On 11 April 2013, the People's Government of Fujian Province delegated the powers of review and approval as well as business innovation to Quanzhou City, since when, the competent authorities for microfinance companies incorporated in Quanzhou City changed from provincial level authority to municipal level authority. The governments of Fujian Province and Quanzhou City with their corresponding designated supervising authorities for microfinance companies have promulgated various rules and normative documents to supervise and administrate microfinance companies incorporated in Quanzhou City, Fujian Province. Given that our business is confined within the approved areas of Quanzhou City, rules and normative documents at local level are primarily rules and normative documents issued by applicable authorities of both Fujian Province and Quanzhou City.

The following regulatory policies are regional normative documents and rules, and are neither laws nor administrative regulations. Microfinance companies shall comply with the following requirements in the regulatory policies when operating in Quanzhou City. As of the Latest Practicable Date, Quanzhou Financial Affairs Bureau, the competent authority responsible for direct supervision, administration, approval and business innovation of microfinance companies incorporated in Quanzhou City, was entitled to grant administrative decisions in this regard.

The Interim Measures of Fujian Province for the Administration of Microfinance Companies

Pursuant to the *Interim Measures*, which was promulgated by the General Office of the People's Government of Fujian Province on and took effect from 10 March 2012:

- The People's Government of Fujian Province authorizes Fujian Economic and Information Technology Commission as the competent authority to be responsible for the approval of the incorporation, change of registration, termination and the business scope of microfinance companies, and act as the leading role being in charge of the supervision and risk management of the microfinance companies.
- Incorporation, threshold of registered capital and required equity structure:
 - A microfinance company could be established in the form of either a limited liability company or a joint stock company. Furthermore, the registered capital shall not be lower than RMB100.0 million and not higher than RMB500.0 million upon the incorporation, which shall be in compliance with the law, and shall only be paid up with currency in a lump sum at the time of the incorporation.

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- A microfinance company shall be established by at least eight shareholders or promoters. The main promoter (or the largest shareholder) of a microfinance company shall be a local enterprise with sound management, excellent credit record and abundant funds. Moreover, the requirements for the main promoter are that its total net profit generated through the three consecutive fiscal years prior to the application of establishing a microfinance company shall not be less than RMB15.0 million, and its net assets for the fiscal year prior to the application of establishing this microfinance company shall not be lower than RMB50.0 million. In addition, the asset-liability ratio of this main promoter shall be under 50% and the capital contributing to this microfinance company shall not be higher than 50% of the main promoter's net assets (according to the standard of consolidated accounting statements).
- The shareholding percentage of the main promoter (or the largest shareholder) or the total shareholding percentage held by the main promoter and its affiliates in a microfinance company shall not exceed 30% (30% is exclusive) of the total registered capital of the microfinance company, and the main promoter is not allowed to invest in other microfinance companies within the same county region. The collective shareholding percentage of other single shareholders and affiliates shall not exceed 10% of the total registered capital and the capital contributed to the microfinance company shall not be lower than RMB500,000.
- Business scope and operation:
 - The business scope of microfinance companies shall be: (i) conducting microfinance business; (ii) carrying out entrusted loan of banking institutions; and/or (iii) conducting other business upon approval by Fujian Economic and Information Technology Commission.
 - Microfinance companies are encouraged to provide loan business service to SMEs, ARF, and local entrepreneurial individuals.
 - The ratio of the balance of outstanding small loans (defined as loans of up to a maximum of RMB1.0 million to a single borrower under the *Interim Measures*) to the total balance of outstanding loans that is applicable to a microfinance company shall not be lower than 70% (the "70% Requirement"). On 12 December 2014, each of the Quanzhou Financial Affairs Bureau and the Fujian Economic and Information Technology Commission issued a supplementary regulatory opinion letter (together, the "Opinion Letters"), pursuant to which both competent authorities confirmed that the 70% Requirement has not been applicable to us since our establishment. The inapplicability was in line with the declaration by both competent authorities that, in order to meet the needs of SMEs in Quanzhou City for financing as well as to support their business growth and encourage their financial innovation, the 70% Requirement would not be applicable to selected microfinance companies in Quanzhou City (including our Company) that have a strong registered capital, have operated in a compliant manner and have demonstrated adherence to strong corporate governance and risk management procedures. Although we were not subject to any restrictions on the proportion of our outstanding loans during the Track Record Period and as of the Latest Practicable Date, upon the Listing we will become subject to an amended 70%

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requirement that defines outstanding small loans to a single borrower as loans of up to a maximum of RMB5.0 million instead of RMB1.0 million (the “Amended 70% Requirement”), according to the Opinion Letters.

- The balance of loans granted to the same borrower must not exceed 5% of the net capital of the microfinance company.
- A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.
- Except where new rules are promulgated to provide otherwise, a microfinance company shall not operate business and establish branches outside of the region where it is licensed to operate.
- The main source of the capital of a microfinance company shall be contributed or donated by shareholders and contributed by banking institutions which are freely selected by such microfinance company; the balance of the capital borrowed from banking institutions shall not exceed 50% of the net capital of such microfinance company. Where a microfinance company is of good function, legitimate operation and meets the conditions upon examination, the limit of the capital borrowed from banking institutions may be raised to 100% of the net capital of such microfinance company.
- Microfinance companies shall establish internal financial accounts and special loan business accounts in banks. Release and retrieve of loans and interests and financing and entrusted loans with banking institutions must be conducted via the special loan business accounts, which shall not be used to conduct other kinds of business.
- The primary entity responsible for a microfinance company’s daily supervision, risk prevention and disposal is the people’s government of the registration county (city/district), which shall clarify the department of supervision and establish the target-oriented responsibility system.
- A local microfinance company that has engaged in any of the following activities must make rectification upon the request of administrative management departments of local economic commission. Where the local microfinance company fails to rectify within a specified time frame, its business shall be suspended and rectified by the authorities:
 - To replace the legal representative and appoint major management without the prior approval;
 - To establish subsidiaries without the prior approval;
 - To modify without the prior approval;
 - Fail to operate within the scope of business;
 - Fail to comply with the policies regarding interest rates;

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- To reject or impede the on or off site supervision or examination of relevant departments;
- Fail to provide documents pursuant to rules and regulations, or provide false documents or documents concealing important facts;
- Fail to disclose information pursuant to rules and regulations;
- Other behaviors considered as rectification needed.

The Opinions regarding the Enforcement of the General Scheme of the Pilot Comprehensive Reform Zone of Financial Service for Real Economy in Quanzhou City of Fujian Province

Pursuant to section 9 of the *Opinions regarding the Enforcement of the General Scheme of the Pilot Comprehensive Reform Zone of Financial Service for Real Economy in Quanzhou City of Fujian Province* (福建省人民政府關於貫徹落實福建省泉州市金融服務實體經濟綜合改革試驗區總體方案的實施意見) (the “Enforcement Opinions”), which was promulgated by the People’s Government of Fujian Province on 11 April 2013, the powers of the approval and business innovation of the microfinance companies incorporated in Quanzhou City has been delegated to Quanzhou City by the People’s Government of Fujian Province.

The Pilot Measures of Cross-County Operation of Microfinance Companies in Quanzhou City

The *Pilot Measures*, which was promulgated in accordance with the *Opinions regarding the Enforcement of the General Scheme of the Pilot Comprehensive Reform Zone of Financial Service for Real Economy in Quanzhou City of Fujian Province*, was promulgated by the People’s Government of Quanzhou City on and took effect from 31 March 2014. Pursuant to the *Pilot Measures*:

- Cross-county operation only refers to expanding business across counties, while the establishment of any branches across counties is not allowed.
- The pilot microfinance companies which could conduct cross-county operation are selected and determined pursuant to the principles as below:
 - The actual paid-in/share capital of the microfinance companies that operate across three or less than three counties shall not be lower than RMB500.0 million (RMB500.0 million inclusive), the actual paid-in/share capital of the microfinance companies that operate across more than three counties shall be no less than RMB1,000.0 million (RMB1,000.0 million inclusive), and the tax paid for the previous fiscal year shall not be less than RMB12.0 million.
 - Microfinance companies that operate across counties shall be those ranking as level A (excellence) or above according to the annual review conducted by competent authorities. If the rank of microfinance companies is downgraded during the annual review in any subsequent year, the approval for conducting cross-county operation will be revoked in such year.

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- Microfinance companies which plan to apply for operating across counties must obtain the approval from the local government or management commission of the relevant county (city/district) where the microfinance companies registered. Concurrently, the microfinance companies shall submit letters of commitment regarding operating in compliance and strengthening the risk management to the local government or management commission. Additionally, this government or management commission shall issue letters of commitment regarding daily supervision and strengthening the risk-disposal management to the People's Government of Quanzhou City. Microfinance companies that operate across counties must file to the competent authorities of the potential business expanding counties (cities/districts) where they are going to expand business for records.

The Measures of Fujian Province for the Annual Examination and Evaluation for the Administration of Microfinance Companies

According to the *Measures of Fujian Province for the Annual Examination and Evaluation for the Administration of Microfinance Companies* (福建省小額貸款公司年度考核評價暫行辦法) promulgated by Fujian Economic and Information Technology Commission on and took effect from 6 February 2015:

- Fujian Economic and Information Technology Commission is in charge of the annual comprehensive examination and evaluation of microfinance companies in Fujian Province. Each of the local branches of Fujian Economic and Information Technology Commission in cities and counties is in charge of the specific examination and evaluation of microfinance companies incorporated within its jurisdiction.
- While taking the annual examination and evaluation, the Examining and Evaluating Authorities will consider the following five factors:
 - whether the microfinance company provide support to SMEs and ARF;
 - whether the microfinance company is operating legitimately;
 - whether the microfinance company has established risk prevention system;
 - whether the microfinance company has sound corporate governance; and
 - whether the microfinance company is subject to outside supervision.
- The results of the annual examination and evaluation can be classified as: excellent, qualified, basic-qualified and non-qualified.
- The microfinance company rated as “excellent” may (i) raise funds from several banking financial institutions, (ii) transfer its credit assets to banking financial institutions, (iii) conduct pilot financing innovation businesses through Haixia Equity Exchange such as inter-company lending among microfinance companies, transfer of the income right of assets, issuance of private bonds and etc, (iv) list its shares on domestic and overseas stock

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exchange or Haixia Equity Exchange and (v) conduct other pilot businesses approved by the authority. The limit of the funds obtained from all kinds of financing methods (except for listing financing) is 100% of the net capital of such microfinance company.

We were accredited as a Level A Excellent Microfinance Company of Quanzhou (泉州市A(優質)類小額貸款公司) for the years ended 31 December 2013, 2014 and 2015.

Pursuant to *Supervisory Guidance on the Offshore Offering of Stocks by Joint Stock Limited Companies, Listing Submission Documents and Approval Procedures* (關於股份有限公司境外發行股票和上市申報文件及審核程序的監督指引), joint stock companies may offer shares for subscription to offshore specific or non-specified investors upon the approval of the CSRC and their shares may be listed overseas.

As advised by our PRC Legal Advisers, we have acquired all the necessary regulatory and internal approvals for the Global Offering and Listing. Please see “Appendix VI — Statutory and General Information” for more details. In particular, we have obtained the Shareholders’ approval and CSRC approval for the Global Offering and Listing on 3 September 2014 and 28 July 2016, respectively.

LAWS AND REGULATIONS RELATED TO ANTI-MONEY LAUNDERING

The *AML Law* promulgated by the PBOC on 31 October 2006 and effective since 1 January 2007, stipulates that financial institutions established within the territory of the PRC and special non-financial institutions which are required by relevant regulations to perform obligations of anti-money laundering shall comply with the anti-money laundering obligations. Under the *AML Law*, the *Provisions on Anti-money Laundering of Financial Institutions* (金融機構反洗錢規定) promulgated by the PBOC on 14 November 2006 and effective since 1 January 2007, and the *Measures on Administration of Identification of Client and Preservation of Client Identities Information and Trading Records of Financial Institutions* (the “Measures”) (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) jointly promulgated by PBOC, CBRC and CIRC on 21 June 2007 and effective since 1 August 2007, the scope of institutions which shall comply with the obligations under the *AML Law* and the *Measures* includes financial institutions which are duly established in the PRC (which include commercial banks, policy banks, urban credit cooperatives, rural credit cooperatives, postal saving institutions, securities companies, futures brokerage companies, fund management companies, insurance companies, insurance asset management companies, trust companies, trust and investment companies, automotive financial companies, currency brokerage companies and other financial institutions that are determined and published by PBOC), as well as institutions engage in agiotage, payment and settlement, and fund sales shall follow the anti-money laundering laws and regulations, which scope does not, include microfinance companies.

As of the Latest Practicable Date, the definition of special non-financial institutions that are required to comply with the *AML Law* and the *Measures* had not been finalized and microfinance companies had not been defined as either special non-financial institutions or financial institutions.

In addition, according to *Circular 137*, which was promulgated by the PBOC and the CBRC on 24 April 2008, rural banks, loan companies, rural mutual cooperatives and microfinance companies (collectively, the “Four Types of Institutions”) are required to strictly comply with specified cash management regulations and exercise sound judgment in managing the use of their cash to prevent money laundering. When handling cash deposits or withdrawals involving a single sum of RMB50,000

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and above for any client who is a natural person, these Four Types of Institutions must ensure that the client possesses a valid identity certificate or valid identity certification document. Any of these Four Types of Institutions providing financial services involving a single sum of RMB10,000 and above such as a cash remittance or cash exchange, to any client that does not have an existing account with the relevant institution must ensure that the client possesses a valid identity certificate or valid identity certification document and, moreover, must retain a copy of such identity certificate. The Four Types of Institutions are required to maintain records of all cash transactions or daily cash transactions, such as cash deposits, cash withdrawals, cash remittances and bill discounting, in accordance with the relevant PRC anti-money laundering regulations.

As advised by our PRC Legal Advisers, except for *Circular 137*, we were not subject to any other laws and regulations relating to anti-money laundering as of the Latest Practicable Date.

REGULATIONS ON TAX

PRC Enterprise Income Tax

On March 2007, the NPC passed the *EIT Law* with effect from 1 January 2008. On 6 December 2007, the State Council enacted the *Implementation Rules for the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) which also became effective as of 1 January 2008.

The *EIT Law* and its implementation rules adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoke any previous tax exemption, reduction and preferential tax treatments applicable to foreign-invested enterprises.

Levying VAT in Lieu of Business Tax

Pursuant to the *PRC Provisional Regulations on Business Tax* (中華人民共和國營業稅暫行條例) which was last amended on 10 November 2008 and took effect on 1 January 2009, and its implementation regulations which were last amended on 28 October 2011, all entities or individuals providing services as prescribed in these regulations, transferring intangible assets or selling immovable properties within the territory of the PRC are required to pay business tax. The amount of business tax payable is calculated as turnover multiplied by the prescribed tax rates. The rate of business tax for those engaging in the finance and insurance industry, transfer of intangible assets and sale of immovable properties is 5%.

The MOF and the SAT promulgated the *Pilot Proposals for Levying the Value-added Tax in Lieu of Business Tax* (營業稅改徵增值稅試點方案) (the “Pilot Plan”) on 16 November 2011, pursuant to which, the pilot work of the value-added tax in lieu of business tax was carried out in some industries nationally since 1 January 2012. Pursuant to the *Pilot Plan* and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some modern service industries in China. Under the *Pilot Plan*, a VAT rate of 6% applies to certain modern service industries. On 23 March 2016, the MOF and SAT promulgated the *Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Tax to Replace Business Tax* (關於全面推開營業稅改徵增值稅試點的通知), pursuant to which, starting from 1 May 2016, the VAT pilot program will cover construction industry, real estate industry, finance industry and life service industry nationally.

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REGULATIONS ON EMPLOYMENT

The Labor Contract Law

The *Labor Contract Law of the PRC* (中華人民共和國勞動合同法) (the “Labor Contract Law”) was promulgated by the SCNPC on 29 June 2007 and came into effect on 1 January 2008. The *Labor Contract Law* is primarily aimed at the regulation of the rights and obligations of the employee and employer, including matters in respect of the establishment, performance and termination of labor contract.

Under the *Labor Contract Law*, an employer must pay an employee double his salary for each month under the circumstance where the employer fails to enter into a written contract with the employee for more than one month but less than a year; where such period exceed one year, the parties are deemed to have entered into a non-fixed term labor contract. Where an employee has been working for an employer for a consecutive period of ten years or more, a non-fixed term labor contract shall be concluded unless the employee requests the conclusion of a fixed term labor contract. Employees must adhere to the regulations concerning commercial secrets and non-competition. The amount of compensation an employer may seek from an employee for breach of the agreed service term may not exceed the training expense paid by the employer. An employee may have his labor contract terminated if the employer fails to pay social insurance premiums for the employee in accordance with the laws.

Employment Promotion

The *Law of the PRC on Employment Promotion* (中華人民共和國就業促進法) (the “Law on Employment Promotion”) was promulgated by the SCNPC on 30 August 2007 and came into effect on 1 January 2008. The *Law on Employment Promotion* contains provisions on policy support, fair employment, employment service and management, and vocational education and training. More particularly, the *Law on Employment Promotion* states explicitly that employment discrimination should be eliminated, and the employees discriminated by acts in violation of the provisions may file a lawsuit with the People’s Court. It also provides that public employment service agencies established by the Government at the county level or above should provide free service to employees, including consultation of employment policies and regulations, vocational training and price guidance for market wages.

In addition, the *Law on Employment Promotion* perfects an employment and unemployment registration system, stipulating that employers must complete employment registration with public employment service agencies after employees have been recruited; while employees who are individual operators or engaged in temporary jobs may registered with community public service agencies and shall be entitled to applicable support policies upon registration.

REGULATIONS ON SOCIAL INSURANCE

The social insurance are mainly governed by the *Social Insurance Law of the People’s Republic of China* (the “Social Insurance Law”) (中華人民共和國社會保險法), the *Provisional Regulations on the Collection of Social Insurance Fees* (社會保險費徵繳暫行條例), the *Provisional Measures on the Administration of Social Insurance Registration* (社會保險登記管理暫行辦法) and the *Regulations on Work-Related Injury Insurance* (工傷保險條例). The *Social Insurance Law* was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011. The *Provisional Regulations on the*

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Collection of Social Insurance Fees was promulgated by the State Council and came into effect on 22 January 1999. The *Provisional Measures on the Administration of Social Insurance Registration* was promulgated by the Ministry of Labor and Social Security and came into effect on 19 March 1999. The *Regulations on Work-Related Injury Insurance* was promulgated by the State Council on 27 April 2003 and came into effect on 1 January 2004, and was amended on 20 December 2010. According to aforesaid laws and regulations, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of three to five times of the overdue amount will be imposed.

REGULATIONS ON HOUSING PROVIDENT FUND

Pursuant to the *Regulations on Management of Housing Provident Fund* (住房公積金管理條例), which became effective on 3 April 1999 and was amended on 24 March 2002, enterprises in the PRC must register with housing provident fund management center, maintain housing provident fund accounts with designated banks for their employees, and deposit into the fund an amount not less than 5% of each employee's average monthly salary in the previous year.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal laws and regulations governing distribution of dividends paid by PRC domestic and foreign invested enterprises include The *PRC Company Law*. Accordingly, FIEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, FIEs are required to set aside at least 10% of their after-tax profit each year, if any, to fund certain reserve funds. Until such time as the accumulated reserve funds reach and remain above 50 % of the enterprise's registered capital amount, these reserves are not distributable as cash dividends.

HISTORY AND DEVELOPMENT

OUR BUSINESS DEVELOPMENT

The following table sets forth major events and milestones in the development of our business:

Background

We have over six years of operating history, providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions in an expeditious manner to support their continued development and address their ongoing liquidity needs. Our history dates back to January 2010, when our Predecessor Company, 泉州市鯉城區匯鑫小額貸款有限公司 (Quanzhou Licheng District Huixin Microcredit Co., Ltd.) was established in Quanzhou City, the PRC as a limited liability company with a registered capital of RMB300,000,000 on 8 January 2010, primarily engaging in offering short-term credit based loans. Our Predecessor Company was subsequently converted into a joint stock limited liability company and renamed as 泉州匯鑫小額貸款股份有限公司 (Quanzhou Huixin Micro-credit Co., Ltd.*) on 18 August 2014, namely our Company.

Milestones of Our History

The following are significant milestones during our development process:

<u>Year</u>	<u>Event</u>
2009	We were licensed by Fujian Economic and Trade Commission to conduct our business within Licheng District and also deemed and treated as the first batch pilot microfinance companies by the Quanzhou Financial Affairs Bureau and Fujian Economic and Trade Commission to conduct business within Quanzhou City
2010	Our Predecessor Company was established with initial registered capital of RMB300,000,000 and commenced our business in Licheng District of Quanzhou City, Fujian Province
2011	Our Predecessor Company was recognized as Key Enterprise by the government of Licheng District of Quanzhou City, Fujian Province
2012	Our Predecessor Company was recognized as Key Enterprise by the government of Licheng District of Quanzhou City, Fujian Province Our Predecessor Company was awarded Grade A taxpayer for the year from 2010 to 2011 by the local tax bureau of Quanzhou City, Fujian Province Our Predecessor Company was accredited A+ by the Fujian Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司福建分公司) in relation to its credit during the year of 2012
2013	Our Predecessor Company was recognized as Key Enterprise by the government of Licheng District of Quanzhou City, Fujian Province Our Predecessor Company was awarded as Grade A (outstanding) in the 2013 classification of micro-credit companies of Quanzhou City, Fujian Province

HISTORY AND DEVELOPMENT

<u>Year</u>	<u>Event</u>
2014	<p>The registered capital of our Predecessor Company was increased to RMB500,000,000</p> <p>Our Predecessor Company was recognized as Key Enterprise by the government of Licheng District of Quanzhou City, Fujian Province</p> <p>Our Predecessor Company was accredited A+ by the Fujian Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司福建分公司) in relation to its credit during the year of 2013</p> <p>Pursuant to the <i>Approval of Cross-County Operation of Quanzhou Huixin Micro-credit Co., Ltd.</i> (泉州市金融工作局關於同意泉州市鯉城區匯鑫小額貸款有限公司跨縣域經營的批覆) issued by Quanzhou Financial Affairs Bureau on 30 April 2014, we were permitted to operate our business and offer our loan services within Licheng District, Nan'an City, Jinjiang City and Luojiang District, which are subordinated administrative districts of Quanzhou City</p> <p>Our Predecessor Company was converted into a joint stock limited liability company and renamed as 泉州匯鑫小額貸款股份有限公司 (Quanzhou Huixin Micro-credit Co., Ltd.) on 18 August 2014</p> <p>Our Company was awarded as Grade A (outstanding) in the 2014 classification of micro-credit companies of Quanzhou City, Fujian Province</p>
2015	<p>The Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing from banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources to our net capital up to 100%.</p> <p>Our Company was recognized as Key Enterprise by the government of Licheng District of Quanzhou City, Fujian Province</p> <p>Our Predecessor Company was accredited A+ by Fujian Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司福建分公司) relating to its credit during the year of 2014</p>
2016	<p>Our Company was recognized as Key Enterprise by the government of Licheng District of Quanzhou City, Fujian Province</p> <p>Our Company was accredited A+ by Fujian Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司福建分公司) relating to our credit during the year of 2015</p>

HISTORY AND DEVELOPMENT

OUR CORPORATE DEVELOPMENT

The following describes the corporate history of our Company.

Our Company

Our history traced back to the establishment of our Predecessor Company and commencement of our business of offering short-term financing solutions in January 2010. Our Predecessor Company, 泉州市鯉城區匯鑫小額貸款有限公司 (Quanzhou Licheng District Huixin Microcredit Co., Ltd.) was established in Quanzhou City, the PRC as a limited liability company with a registered capital of RMB300,000,000 under the *PRC Company Law* on 8 January 2010 by Fujian Septwolves Group, Fujian Xiyuan, Jinjiang Henglong, Quanzhou Haoxiang, Quanzhou Xingyuan, Cai Yuxiu (蔡玉秀), Quanzhou Yuanpeng, Xie Anju (謝安居), Quanzhou Jianyuan, Dai Guoliang (戴國良), Jinjiang Shuncheng, Jinjiang Xinhong and Shishi Yingfeng using their own funds. For details of Fujian Septwolves Group, please refer to the section headed “Relationship with Substantial Shareholders.” The following table sets forth the shareholding structure of our Predecessor Company upon its establishment:

<u>Name of Shareholders</u>	<u>Approximate shareholding percentage</u>	<u>Independent Third Party (other than being a Shareholder) or not at the relevant time?</u>
Fujian Septwolves Group	20%	owned by Mr. Zhou Yongwei (our executive Director) and Ms. Chen Pengling, his spouse, together as to 35% and his brothers as to 60% and Mr. Hong Guorong (an Independent Third Party) as to 5%
Fujian Xiyuan	10%	owned by Mr. Wang Wenbin (our non-executive Director) as to 51% and his brothers as to 49%
Jinjiang Henglong	10%	owned by Mr. Zeng Jiayi (our former director) as to 95% and Mr. Wu Jianchang (吳建昌) (an Independent Third Party) as to 5%
Quanzhou Haoxiang	10%	owned by Fujian Haoxiang Gardening as to 61.08%, by Japanese Shengshi as to 34.05% and by Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited) as to 4.87%. Fujian Haoxiang Gardening is owned as to 26.67% by Ms. Jiang Qinzhen (蔣琴珍), who is the spouse of Mr. Jiang Zhipeng (our former director), 53.33% by the brother of Ms. Jiang Qinzhen, and 10% by the father of Ms. Jiang Qinzhen
Quanzhou Xingyuan	8%	ultimately 100% owned by Mr. Ng Kar Cheong (黃加種), who is the father of Mr. Ng Seng Chuan (our Supervisor)

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<u>Name of Shareholders</u>	<u>Approximate shareholding percentage</u>	<u>Independent Third Party (other than being a Shareholder) or not at the relevant time?</u>
Cai Yuxiu	8%	Yes
Quanzhou Yuanpeng	7%	Yes
Xie Anju	7%	Yes
Quanzhou Jianyuan	6%	owned by Mr. Ng Hong Hung (our former supervisor) as to 90% and his uncle as to 10%
Dai Guoliang	5%	our former director
Jinjiang Shuncheng	3%	Yes
Jinjiang Xinhong	3%	Yes
Shishi Yingfeng	3%	Yes

On 20 November 2012, Quanzhou Xingyuan entered into a share transfer agreement with Quanzhou Anping pursuant to which Quanzhou Xingyuan agreed to transfer its 8% equity interest in our Predecessor Company to Quanzhou Anping for a consideration of RMB24,000,000 which was determined with reference to the registered capital of our Predecessor Company at the time of transfer. On 26 July 2013, Dai Guoliang entered into a share transfer agreement with Fujian Septwolves Group pursuant to which Dai Guoliang agreed to transfer his 5% equity interest in our Predecessor Company to Fujian Septwolves Group for a consideration of RMB15,000,000 which was determined with reference to the registered capital of our Predecessor Company at the time of transfer. On 11 November 2013, Cai Yuxiu entered into a share transfer agreement with Xiamen Gaoxinhong pursuant to which Cai Yuxiu agreed to transfer her 8% equity interest in our Predecessor Company to Xiamen Gaoxinhong for a consideration of RMB30,320,000 which was determined with reference to the aggregate value of the net asset and distributable profit of the Company as at 31 October 2013. The following table sets forth the shareholding structure of our Predecessor Company upon completion of the above share transfers:

<u>Name of Shareholders</u>	<u>Approximate shareholding percentage</u>	<u>Independent Third Party (other than being a Shareholder) or not at the relevant time?</u>
Fujian Septwolves Group	25%	owned by Mr. Zhou Yongwei (our executive Director) and Ms. Chen Pengling, his spouse, together as to 35% and his brothers as to 60% and Mr. Hong Guorong (an Independent Third Party) as to 5%
Fujian Xiyuan	10%	owned by Mr. Wang Wenbin (our non-executive Director) as to 51% and his brothers as to 49%

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<u>Name of Shareholders</u>	<u>Approximate shareholding percentage</u>	<u>Independent Third Party (other than being a Shareholder) or not at the relevant time?</u>
Jinjiang Henglong	10%	owned by Mr. Zeng Jiayi (our former director) as to 95% and Mr. Wu Jianchang (吳建昌) (an Independent Third Party) as to 5%
Quanzhou Haoxiang	10%	owned by Fujian Haoxiang Gardening as to 61.08%, by Japanese Shengshi as to 34.05% and by Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited) as to 4.87%. Fujian Haoxiang Gardening is owned as to 26.67% by Ms. Jiang Qinzhen, who is the spouse of Mr. Jiang Zhipeng (our former director), 53.33% by the brother of Ms. Jiang Qinzhen, and 10% by the father of Ms. Jiang Qinzhen
Quanzhou Anping	8%	100% owned by Sand Beach. Sand Beach is 100% owned by Xing Ying Investments Hong Kong Limited, which is in turn 100% owned by Mr. Ng Kar Cheong, who is the father of Mr. Ng Seng Chuan (our Supervisor)
Xiamen Gaoxinhong	8%	Yes
Quanzhou Yuanpeng	7%	Yes
Xie Anju	7%	Yes
Quanzhou Jianyuan	6%	owned by Mr. Ng Hong Hung (our former supervisor) as to 90% and his uncle as to 10%
Jinjiang Shuncheng	3%	Yes
Jinjiang Xinhong	3%	Yes
Shishi Yingfeng	3%	Yes

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On 31 December 2013, the registered capital of our Predecessor Company was increased from RMB300,000,000 to RMB500,000,000 and was fully paid up and such increase of registered capital was registered with the competent AIC on 29 January 2014. The following table sets forth the shareholding structure of our Predecessor Company upon completion of the capital increase:

<u>Name of Shareholders</u>	<u>Approximate shareholding percentage</u>	<u>Independent Third Party (other than being a Shareholder) or not at the relevant time?</u>
Fujian Septwolves Group	25.91%	owned by Mr. Zhou Yongwei (our executive Director) and Ms. Chen Pengling, his spouse, together as to 35.77% and his brothers as to 61.32% and Mr. Hong Guorong (an Independent Third Party) as to 2.91%
Fujian Xiyuan	10%	owned by Mr. Wang Wenbin (our non-executive Director) as to 51% and his brothers as to 49%
Jinjiang Henglong	10%	owned by Mr. Zeng Jiayi (our former director) as to 95% and Mr. Wu Jianchang (吳建昌) (an Independent Third Party) as to 5%
Quanzhou Haoxiang	10%	owned by Fujian Haoxiang Gardening as to 61.08%, by Japanese Shengshi as to 34.05% and by Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited) as to 4.87%. Fujian Haoxiang Gardening is owned as to 26.67% by Ms. Jiang Qinzhen, who is the spouse of Mr. Jiang Zhipeng (our former director), 53.33% by the brother of Ms. Jiang Qinzhen, and 10% by the father of Ms. Jiang Qinzhen
Xiamen Gaoxinhong	8.29%	Yes
Quanzhou Anping	8%	100% owned by Sand Beach. Sand Beach is 100% owned by Xing Ying Investments Hong Kong Limited, which is in turn 100% owned by Mr. Ng Kar Cheong, who is the father of Mr. Ng Seng Chuan (our Supervisor)
Quanzhou Yuanpeng	7.26%	Yes
Xie Anju	7.26%	Yes
Quanzhou Jianyuan	4.18%	owned by Mr. Ng Hong Hung (our former supervisor) as to 90% and his uncle as to 10%

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Name of Shareholders	Approximate shareholding percentage	Independent Third Party (other than being a Shareholder) or not at the relevant time?
Shishi Yingfeng	3.10%	Yes
Jinjiang Shuncheng	3%	Yes
Jinjiang Xinhong	3%	Yes

On 10 July 2014, the Shareholders of our Company (also being the Promoters) as set out in the table below entered into a Promoters' agreement, pursuant to which each of them agreed to convert our Predecessor Company into a joint stock limited company in the PRC with a registered share capital of RMB500,000,000 divided into 500,000,000 Domestic Shares of a par value of RMB1.00 each. On 18 August 2014, our Predecessor Company was converted into a joint stock limited company and renamed as 泉州匯鑫小額貸款股份有限公司 (Quanzhou Huixin Micro-credit Co., Ltd.), namely our Company. The following table sets forth the shareholding structure of our Company immediately after completion of the conversion:

Name of Promoters	Approximate shareholding percentage	Independent Third Party (other than being a Shareholder) or not at the relevant time?
Fujian Septwolves Group	25.91%	owned by Mr. Zhou Yongwei (our executive Director) and Ms. Chen Pengling, his spouse, together as to 35.77% and his brothers as to 61.32% and Mr. Hong Guorong (an Independent Third Party) as to 2.91%
Fujian Xiyuan	10%	owned by Mr. Wang Wenbin (our non-executive Director) as to 51% and his brothers as to 49%
Jinjiang Henglong	10%	owned by Mr. Zeng Jiayi (our former director) as to 95% and Mr. Wu Jianchang (吳建昌) (an Independent Third Party) as to 5%
Quanzhou Haoxiang	10%	owned by Fujian Haoxiang Gardening as to 61.08%, by Japanese Shengshi as to 34.05% and by Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited) as to 4.87%. Fujian Haoxiang Gardening is owned as to 26.67% by Ms. Jiang Qinzhen, who is the spouse of Mr. Jiang Zhipeng (our former director), 53.33% by the brother of Ms. Jiang Qinzhen, and 10% by the father of Ms. Jiang Qinzhen

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<u>Name of Promoters</u>	<u>Approximate shareholding percentage</u>	<u>Independent Third Party (other than being a Shareholder) or not at the relevant time?</u>
Xiamen Gaoxinhong	8.29%	Yes
Quanzhou Anping	8%	100% owned by Sand Beach. Sand Beach is 100% owned by Xing Ying Investments Hong Kong Limited, which is in turn 100% owned by Mr. Ng Kar Cheong, who is the father of Mr. Ng Seng Chuan (our Supervisor)
Quanzhou Yuanpeng	7.26%	Yes
Xie Anju	7.26%	Yes
Quanzhou Jianyuan	4.18%	owned by Mr. Ng Hong Hung (our former supervisor) as to 90% and his uncle as to 10%
Shishi Yingfeng	3.10%	Yes
Jinjiang Shuncheng	3%	Yes
Jinjiang Xinhong	3%	Yes

Our Company's registered capital of RMB500,000,000 had been fully paid up. Our Company does not have any subsidiary.

The consideration for each of the abovementioned share transfers had been properly settled. As advised by the PRC Legal Advisers, each of the abovementioned conversion into a joint stock limited company and changes in the shareholding structure of our Company was legally and properly completed and complied with all applicable laws and regulations of the PRC, and as of the Latest Practicable Date we have obtained all the material approvals, permits, licenses, authorizations and consents from the relevant PRC governmental authorities with respect to such changes and such approvals, permits, licenses, authorizations and consents are valid, current, subsisting and not revoked.

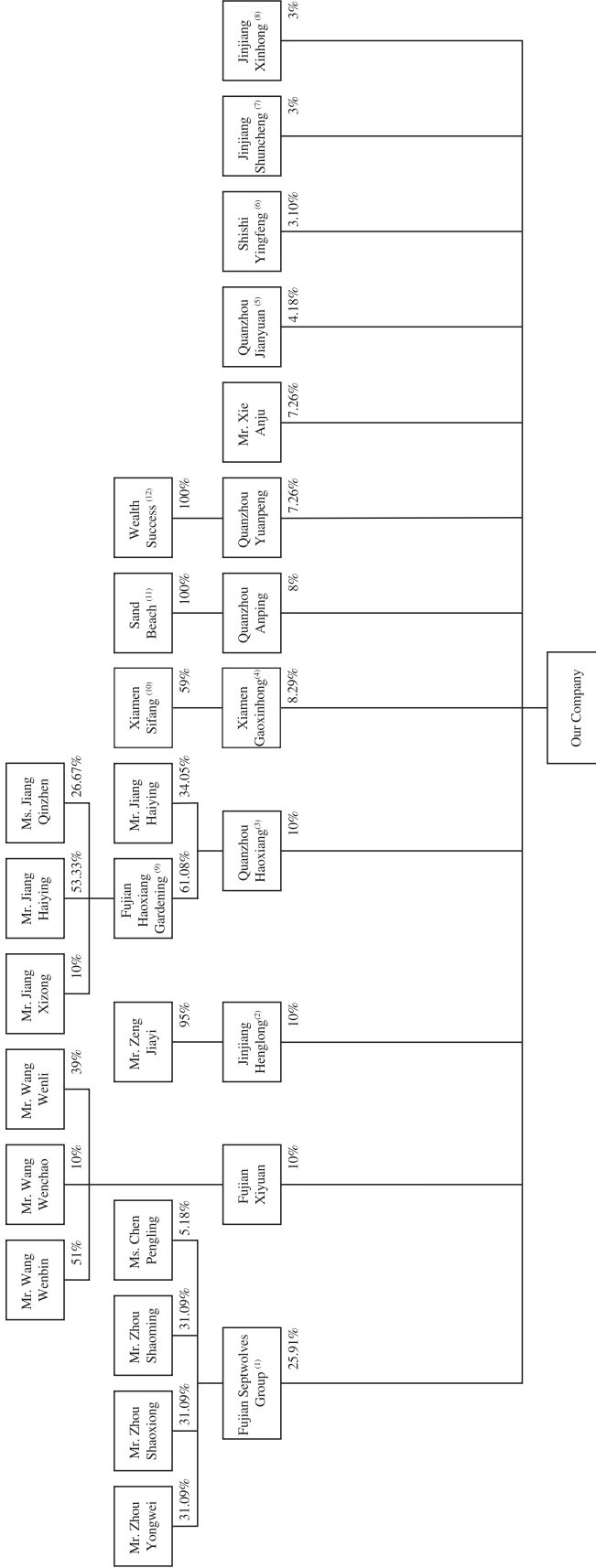
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OUR CORPORATE STRUCTURE

Prior to the Global Offering

As at the Latest Practicable Date, our Company had issued 500,000,000 Domestic Shares and had a registered share capital of RMB500,000,000. The registered share capital is expected to increase to RMB680,000,000, comprising 500,000,000 Domestic Shares and 180,000,000 H Shares upon the Listing (assuming Over-allotment Option is not exercised).

The following chart sets forth our corporate structure as at the Latest Practicable Date, immediately prior to the completion of the Global Offering:



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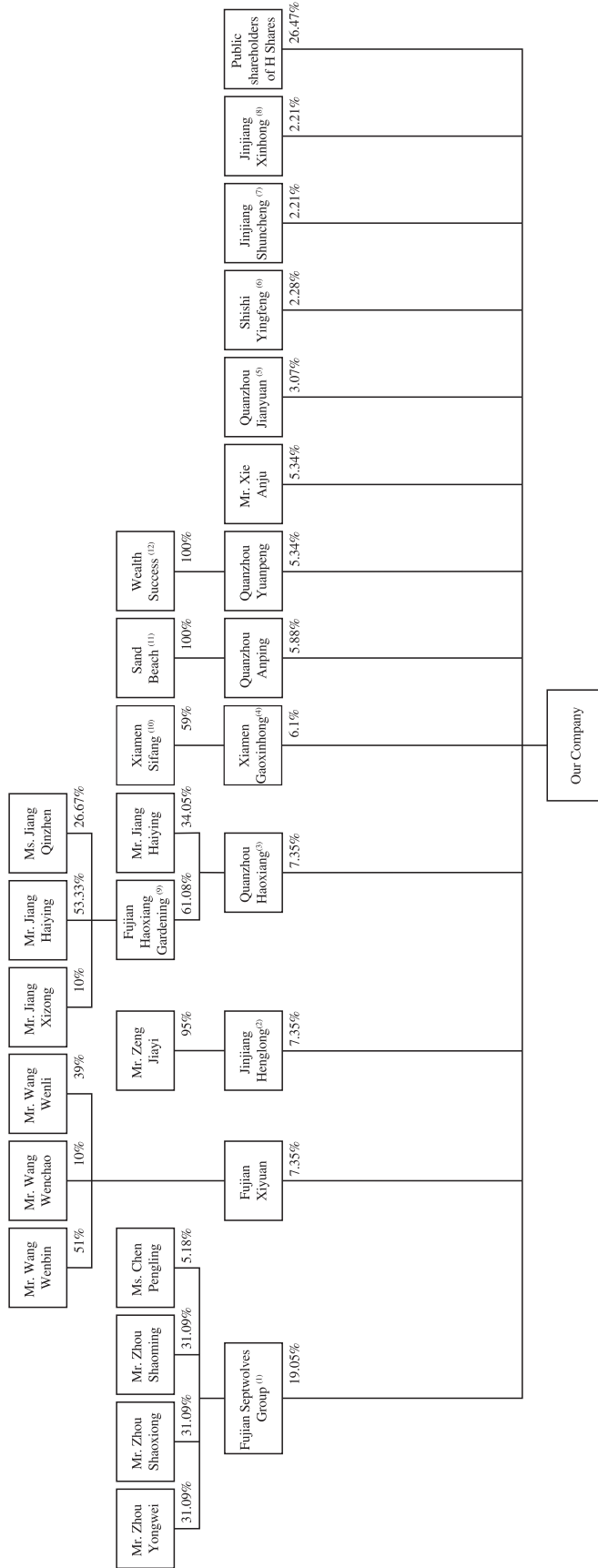
Notes:

- (1) The remaining 1.55% equity interest of Fujian Septwolves Group was owned by Mr. Hong Guorong (洪國榮), an Independent Third Party.
- (2) The remaining 5% equity interest of Jinjiang Henglong was owned by Mr. Wu Jianchang (吳建昌), an Independent Third Party.
- (3) The remaining 4.87% equity interest of Quanzhou Haoxiang was owned by 福建省惠安豪達建設有限公司 (Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited)), an Independent Third Party.
- (4) The remaining 41% equity interest of Xiamen Gaoxinhong was owned as to 23% by Ms. Zhou Zehui (周澤惠), an Independent Third Party and 18% by Ms. Wu Changfeng (伍長鳳), an Independent Third Party.
- (5) The equity interest of Quanzhou Jianyuan was owned as to 90% by Mr. Ng Hong Hung (吳杭雄), our former supervisor and 10% by Mr. Wu Weijun (吳維均), an Independent Third Party.
- (6) The equity interest of Shishi Yingfeng was owned as to 100% by Mr. Huang Boni (黃波泥), an Independent Third Party.
- (7) The equity interest of Jinjiang Shuncheng was owned as to 100% by Ms. Wu Xiuan (吳秀安), an Independent Third Party.
- (8) The equity interest of Jinjiang Xinhong was owned as to 100% by Ms. Lin Lipian (林麗片), an Independent Third Party.
- (9) The remaining 10% equity interest of Fujian Haoxiang Gardening was owned by Mr. Liu Guowen (劉國文), an Independent Third Party.
- (10) The equity interest of Xiamen Sifang was owned as to 95% by Ms. Zhou Zehui (周澤惠), an Independent Third Party and 5% by Mr. Su Guangyi (蘇廣益), an Independent Third Party.
- (11) The equity interest of Sand Beach was owned as to 100% by Xing Ying Investments Hong Kong Limited, which is in turn owned as to 100% by Mr. Ng Kar Cheong, the father of Mr. Ng Seng Chuan (our Supervisor).
- (12) The equity interest of Wealth Success is 100% owned by Ms. Hong Jingxiao (洪靜曉), an Independent Third Party.

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Immediately Following Completion of the Global Offering

The following chart sets forth our corporate structure immediately following completion of the Global Offering, assuming no exercise of the Over-allotment Option and no change in shareholding by each of our Shareholders listed below subsequent to the Latest Practicable Date:



For the shareholding of each corporate Shareholder, please refer to the notes of our corporate structure chart immediately prior to completion of the Global Offering.

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You should read this Prospectus in its entirety before you decide to invest in our Offer Shares, and you should not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from “Appendix I — Accountants’ Report.” All market statistics quoted in this Prospectus unless otherwise specified, are according to an industry report issued by Ipsos. For the qualification of Ipsos as well as details of the industry report, please refer to “Industry Overview” of this Prospectus.

OVERVIEW

Based in Quanzhou City, we are the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, according to *Ipsos*. 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 primarily offer short-term credit-based loans, which generally had maturity profiles of up to six months and ranged in size from RMB1.0 million to RMB10.0 million during the Track Record Period. To a lesser degree, we also provide collateral-backed loans. We provide two types of loans, namely, revolving loans and term loans, to our customers. As of 31 March 2016, we had a registered capital of RMB500.0 million. Our business scale has expanded rapidly since our inception in January 2010, and we have built a solid customer base in line with the growth in our business scale. During the Track Record Period, we had a portfolio of over 600 different customers.

The GDP of Quanzhou City amounted to approximately RMB613.8 billion in 2015, accounting for approximately one-fourth of the GDP of Fujian Province and ranking Quanzhou City at the top among all administrative divisions within Fujian Province. We had a market share of approximately 7.2% in Quanzhou City’s microfinance market in terms of principal amount of outstanding loans as of 31 December 2015, according to *Ipsos*. From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, and provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. Under the *Pilot Measures* and in recognition of our capital base and sound operations, on 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan’an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. As the 23rd largest metropolis in China in 2015 in terms of GDP according to *Ipsos*, Quanzhou City is home to a significant number of private manufacturing and services companies and has seen strong continued growth in the number of SMEs and microenterprises. Quanzhou City has also seen a continued rise in per capita GDP, which increased from RMB43,959.0 to RMB72,422.0 from 2010 to 2015, representing a CAGR of 10.5%. In 2012, the State Council approved the establishment of a pilot financial reform zone in Quanzhou City, making Quanzhou City the third pilot financial reform zone in China. Fujian provincial government subsequently implemented a series of financial reform policies and measures aimed at developing and cultivating the local financial services sector and channeling private capital to SMEs and local microenterprises. Moreover, in 2014, the NDRC 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. Our location in Quanzhou City, scale of operations, in-depth knowledge

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of the local market and credit environment, and strong reputation as a preferred provider of solutions for the short-term financing needs of entrepreneurial individuals, SMEs and microenterprises in Quanzhou City have enabled us to benefit from a number of preferential policies under these reform programs.

Our strong shareholder base, which is led by Fujian Septwolves Group and includes a number of leading enterprises based in Fujian Province, has contributed significantly to our stable growth and sound business operations. Leveraging our successful track record, the support of our Shareholders and our access to capital resources, we were able to obtain financing from banks, such as the China Development Bank, during the Track Record Period, which further enhanced our capital sufficiency and financial strength. In 2012, 2013, 2014 and 2015, we received an “A+” corporate rating from the Fujian Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司福建分公司), a credit rating agency designated by China Development Bank. Pursuant to the *Interim Measures*, certain microfinance companies that have sound and compliant operations and have satisfied the evaluation criteria established by relevant authorities are permitted to raise their ratio of financing obtained from banking financial institutions to net capital up to 100%. In August 2015, in recognition of our sound and compliant operations since our incorporation, the Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing from banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources to our net capital up to 100%. We intend to obtain additional borrowings from banking financial institutions and enlarge our capital base. We may also obtain borrowings through Haixia Equity Exchange and issue corporate bonds or other debt instruments after the Listing to diversify our funding sources, optimize our financial leverage and lower our overall financing costs. We believe that, by maintaining our strong capital base, we have been and will continue to be able to offer diverse loan products to retain existing customers and capture new business opportunities in the microfinance market.

We are committed to providing financing solutions that accommodate our customers’ funding requirements on short notice without compromising the integrity of our internal risk controls. To continue to ensure the quality of our loan portfolio, we have implemented a multi-level loan assessment and approval process according to loan size and transaction type to offer our customers suitable loan products and interest rates based on their respective credit profiles and historical transaction records. We also adhere to a strict policy of separating the investigation and evaluation of loan applications or risk assessment process from the approval of loans, and conduct regular post-loan grant reviews to monitor our customers’ interest payment patterns, as well as their business operations or collateral. We believe that the risk management system we have in place is effective in reducing our exposure to the various quantifiable risks inherent in our operations, and we continue to enhance our risk control procedures as part of our ongoing efforts to manage these risks as well as to maintain our high-quality portfolio of customers. As a result, our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016.

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We experienced steady growth during the Track Record Period. Our net loans receivable, being our gross loans receivable deducting the allowance for impairment losses, was RMB526.3 million, RMB685.4 million, RMB692.1 million and RMB753.9 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. Our net interest income was RMB68.4 million, RMB125.8 million and RMB130.1 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our net interest income was RMB32.4 million and RMB34.8 million for the three months ended 31 March 2015 and 2016, respectively. Our net profit, being our net profit and total comprehensive income, was RMB41.1 million, RMB73.5 million and RMB75.3 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our net profit was RMB19.2 million and RMB20.3 million for the three months ended 31 March 2015 and 2016, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following strengths distinguish us from our competitors:

We are the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, primarily dedicated to providing entrepreneurial individuals, SMEs and microenterprises with quick access to short-term financing.

Based in Quanzhou City, we are the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, according to *Ipsos*, primarily serving entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries. From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, and provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. Under the *Pilot Measures* and in recognition of our capital base and sound operations, on 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. We are dedicated to serving local customers by offering them financing with flexible terms through quick loan assessments and approval processes without compromising the integrity of our internal risk management. Our in-depth knowledge of the local market and credit environment, coupled with our long-term commitment to serve the Quanzhou City market, has enabled us to identify and build a solid customer base that, in line with the growth in our business scale, has expanded rapidly since our inception in January 2010. During the Track Record Period, we had a portfolio of over 600 different customers. Our net loans receivable, being our gross loans receivable deducting the allowance for impairment losses, was RMB526.3 million, RMB685.4 million, RMB692.1 million and RMB753.9 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. According to *Ipsos*, we had a market share of approximately 7.2% in the microfinance market in Quanzhou City in terms of principal amount of outstanding loans as of 31 December 2015.

During the Track Record Period, we focused our business development on offering credit-based financing and cultivating long-term and enduring relationships with local customers. We believe that our focus on meeting the financing needs of entrepreneurial individuals, SMEs and microenterprises in Quanzhou City has enabled us to develop a solid understanding of the financing needs of our target customers, their business operations and the overall credit environment. We believe that this

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specialization in the local market, coupled with our leading position, steady growth since inception and efficient service offerings, has made us a preferred provider of solutions for the credit-based short-term financing needs of these target customers.

We have a strong shareholder base, substantial financial strengths and a sound credit rating.

We had the second largest registered capital among microfinance companies in Fujian Province as of 31 December 2015. Our Existing Shareholders, led by Fujian Septwolves Group, include many highly regarded, leading enterprises that are based in Fujian Province. Their objective of gaining value through long-term and sustainable investments in the Company rather than on short-term returns has contributed to our stable growth and sound business operations. As of 31 March 2016, we had a share capital of RMB500.0 million. Leveraging our record of success since our inception and the reputation of our Shareholders, we were able to obtain financing from banks, such as the China Development Bank, during the Track Record Period, which further enhanced our capital sufficiency and financial strength. Our bank borrowings bore interest rates ranging from as low as 105% to 120% of the prevailing PBOC benchmark lending rate during the Track Record Period, which enabled us to optimize our financial leverage with favorable terms. By maintaining our strong capital base, we have been and will continue to be able to offer diverse loan services to retain existing customers and capture new business opportunities in the microfinance market.

In addition, we received an “A+” corporate rating for four consecutive years from 2012 to 2015 from the Fujian Branch of Lianhe Credit Information Service Co., Ltd. (聯合信用管理有限公司福建分公司), a credit rating agency designated by China Development Bank. The evaluation for such credit rating had taken into consideration of the risks relating to our operations, outstanding loans and funding as well as our capital sufficiency. We believe that our strong capital base, proven stable business growth and sound credit rating have enabled us to differentiate ourselves from other microfinance companies in Fujian Province.

We are located in a pilot financial reform zone and benefit from preferential government policies.

As the 23rd largest metropolis in China in 2015 in terms of GDP according to *Ipsos*, Quanzhou City is home to a significant number of private manufacturing and services companies and has seen strong continued growth in the number of SMEs and microenterprises. According to *Ipsos*, the per capita GDP of Quanzhou City increased from RMB43,959.0 to RMB72,422.0 from 2010 to 2015, representing a CAGR of 10.5%. The GDP of Quanzhou City amounted to approximately RMB613.8 billion in 2015, accounting for approximately one-fourth of the GDP of Fujian Province and ranking Quanzhou City at the top among the administrative divisions within Fujian Province. Meanwhile, the ratio of principal amount of outstanding loans to GDP of Quanzhou City in 2015 was approximately 88.5%, which was lower than the average ratio of approximately 146.8% in China, which we believe is an indication of the potential for growth of Quanzhou City’s financial services industry. In 2012, the State Council approved the establishment of a pilot financial reform zone in Quanzhou City to form a diversified, open and dynamic financial system to support the development of local enterprises, making Quanzhou City the third pilot financial reform zone in China. The Fujian provincial government subsequently implemented a series of financial reform policies and measures with the aim of developing and cultivating the local financial services sector, channeling private capital to support the financing needs of SMEs and microenterprises. In April 2014, the NDRC designated Quanzhou City as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the

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financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. As a result of its strategic designation as a pilot financial reform zone, Quanzhou City has attracted a large number of enterprises from outside the city to establish representative offices within Quanzhou City in order to develop business locally.

Our location in Quanzhou City, scale of operations, in-depth knowledge of the local market and credit environment, and strong reputation as a preferred provider of credit-based short-term financing solutions for entrepreneurial individuals, SMEs and microenterprises in Quanzhou City have enabled us to benefit from the *Pilot Measures*. Under the *Pilot Measures* and in recognition of our capital base and sound operations, on 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. We believe that, by taking advantage of the preferential policies, we will be able to achieve successful business growth and better serve our existing and new customers.

We adopt sound and effective risk management practices and are dedicated to enhancing our risk control procedures year by year.

Risk management is critical to the success of our business, which primarily consists of credit-based financings. Since our inception, we have gradually improved and enhanced our risk management and control measures. As a result, our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016.

We have implemented a comprehensive and effective risk management system with stringent procedures and measures in place, including multi-level loan assessments and approval processes according to loan size and transaction type, to offer our customers suitable loan products and interest rates based on their respective credit profiles and historical transaction records. Meanwhile, given our flat management structure and our knowledge of the local market as well as our focus on the operating quality of our customers' businesses, our risk management and operating procedures are more efficient compared to the procedures of commercial banks and other traditional financial institutions. This has enabled us to respond to the financing needs of our customers in a timely manner. Our business managers are responsible for performing an initial review of the application materials submitted by customers, verifying the facts therein, assessing the creditworthiness of such customers and their respective guarantors, and appraising the value of the collateral. One of our risk management managers or a designated employee conducts parallel risk assessments. The final review and approval for loan applications will be carried out by our general manager, loan assessment committee (貸審會), our Chairman or the Board, respectively, depending on the loan size and transaction type. By separating the investigation and evaluation of loan applications or risk assessment process from the approval of loans, we have been able to ensure the effectiveness of our risk management and risk control efforts. We generally conduct regular post-loan grant reviews to monitor our customers' financial conditions and the sustainability of their business operations, changes in the guarantors' financial conditions or the value of collateral. A designated project manager from our business department will typically pay a personal visit to any customer that we identify as having a higher credit risk than ordinary customers in order to re-evaluate the creditworthiness of such customer and submit reports to our risk management department.

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We believe that the risk management system we have in place is effective in reducing our exposure to the various quantifiable risks inherent in our operations, and we continue to enhance our risk control procedures as part of our ongoing efforts to manage these risks as well as to maintain our high-quality portfolio of customers and minimize our exposure to losses even in the event of default by our customers.

Our experienced management team and experienced personnel have an in-depth industry knowledge that ensures the successful development of our business.

Our experienced management team is fundamental to our success. We are led by a team of highly experienced professionals who collectively have an average experience of approximately ten years in the banking, financing and investment industries, specifically in the areas of risk management, financing, investment, business operations and marketing. Mr. Zhou Yongwei, our Chairman, who has an experience of approximately 27 years in financing and investment industries, is a highly-regarded entrepreneur in Fujian Province and established Fujian Septwolves Group in 2002. Mr. Wu Zhirui, our general manager and executive Director, has enterprise management experience of approximately 15 years. We believe that our senior management possess the leadership, industry knowledge and in-depth understanding of the financing markets in Quanzhou City that are required to formulate sound business strategies, anticipate and respond to changes in market conditions and the regulatory environment, and ensure our future success. We believe our management team, with their diverse backgrounds and experiences, are able to lead our business in accordance with international corporate governance standards.

Our employees regularly receive professional training covering various subjects including PRC macroeconomic and market conditions, analysis of our strategies and microfinance industry, financial management and sales management, financing and accounting and relevant laws and regulations. Moreover, a majority of our business managers have worked in sizable commercial banks or other financial institutions, possess extensive experience in business, finance and risk management, and have been with us since our inception. Our senior management has played a key role in fostering a work environment that promotes responsibility and achievement. Our performance-driven and motivated corporate culture offers our employees opportunities for career development and, moreover, encourages them to continuously provide customers with high quality services as well as to source new business. We believe that our ability to retain professional and trustworthy personnel has also allowed us to maintain the high standards of our risk management system.

OUR BUSINESS STRATEGIES

Our principal goal is to become a leading microfinance company in China. We aim to increase our market share and strengthen our positioning in the microfinance industry by pursuing the following key strategies:

To achieve our goal, we intend to further leverage our existing competitive strengths and pursue the following business strategies:

Further enlarge our capital base and diversify our funding sources

According to the CBRC, the general sources of funding for most microfinance companies are relatively limited, and are predominantly from private investments such as by parent companies or

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through borrowings from banking financial institutions. In August 2015, we successfully obtained permission from the Quanzhou Financial Affairs Bureau to obtain financing through two more sources other than financing from banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments, as well as to raise our ratio of financing obtained from these three sources to our net capital up to 100%. As a result, our leverage ratio is permitted to be up to 2.0 times, which is significantly higher than that of our local competitors. We plan to obtain borrowings through Haixia Equity Exchange and issue corporate bonds or other debt instruments after the Listing to diversify our funding sources, optimize financial leverage and lower our financing costs. With our strong capital base and credit lines as well as other financing alternatives, we will be able to enhance our financial strengths and further increase our business scale and outreach to serve more customers and provide our products at more competitive interest rates.

Due to our limited sources of financing, the scale of our business and our lending capacity is, to a large extent, determined by the amount of our share capital. Upon the completion of the Global Offering, we expect that our share capital will be not less than RMB680.0 million. Subsequent to the increase in our share capital, we intend to obtain additional borrowings from banking financial institutions and enlarge our capital base.

Expand our product offerings and customer base

We believe that entrepreneurial individuals, SMEs and microenterprises in Quanzhou City have been underserved in China's banking system due to the limited availability of financing support from traditional banks and other financial institutions as well as products and services that can be tailored to their needs. We intend to further develop and offer a wider variety of credit-based financial solutions to retain existing customers as well as to attract new customers. We are exploring the possibility of developing more flexible short-term credit-based financing services to adapt them to our customers' operating cycles, incidental "credit-gap" and cash flow mismatches. We may provide our products and services at more favorable interest rates by diversifying our financing alternatives, decreasing our average financing costs and increasing our Shareholders' return on equity.

We believe that we will be able to capitalize on the intrinsic value of our brand, capital base, products and services to increase our market penetration and capture significant market opportunities in the microfinance sector as China's financial market and regulatory environment continue to develop and mature.

Expand the geographical coverage of our business

We believe that our continued success depends to a significant degree on our ability to expand our geographic coverage, as this would enable us to reduce our concentration and local economic risk as we grow our business scale. We continue to evaluate opportunities to leverage our industry expertise and selectively extend our geographic reach.

Pursuant to the *Pilot Measures*, subject to further approval, a microfinance company with paid-in/share capital of RMB1.0 billion or more may expand their operations into more than three districts other than its registered district. While we will continue to penetrate the local market where we are licensed to operate our business, we plan to further increase our share capital and subject to requisite government approvals, expand our business presence in Quanzhou City and, subject to promulgation of new government policies, gradually extend our coverage to the major developed regions in Fujian Province.

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We plan to replicate our existing business model in future markets. We will recruit local staff to enhance our understanding of the local business environment and gradually adapt to the credit and regulatory environments when we enter into a new market. Meanwhile, we will continue to leverage the expertise and know-how gained from our experience in the microfinance industry to integrate our businesses in different regions and further improve our operating efficiency.

Seek opportunities for strategic acquisitions and investments

As part of our expansion strategy, we plan to explore opportunities for acquisitive growth within Fujian's financial services sector to become a leading microfinance company in Fujian Province. We believe that our experience in the microfinance industry and knowledge of the Quanzhou City market have provided us with a keen understanding of industry trends, which will assist our decision-making with respect to potential acquisitions and enable us to capture market opportunities as they arise. Taking into account our existing products and customer portfolios, business scope and the prevailing market conditions, we intend to carefully identify potential acquisition targets that will complement our product offerings and enable us to further expand our market and geographical presence in Fujian Province. In order to pursue acquisitions in a prudent manner, we will consider, evaluate and balance a number of factors, including but not limited to:

- a target's licensed geographic area(s) of operation in Fujian Province;
- whether the acquisition of a target would result in any overlapping geographic coverage or competition issues relating to any of the Finance Businesses;
- a target's total registered capital, business performance and profitability;
- a target's compliance with applicable PRC laws and regulations, including whether it has obtained all the relevant licenses, permits and approvals from the competent governing authorities;
- a target's existing risk management and evaluation procedures;
- whether the acquisition of a target would complement our existing business operations, facilitate our expansion plans and accelerate our overall growth; and
- the potential synergies that can be achieved through the acquisition.

As of the Latest Practicable Date, we had not identified any acquisition target and had not entered into any definitive agreement with respect to any acquisition. We are also seeking opportunities for investment or cooperation with third party credit information service providers to broaden our customer base, lower our operational costs and further strengthen our risk management system.

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Enhance our corporate governance and strengthen our risk management efforts and internal controls

We are committed to maintaining comprehensive risk management and internal control systems that enhance our overall strategy and long-term strategic position while addressing various quantifiable risks, including credit risks, market risks, operational risks, liquidity risks, strategic risks and reputational risks. To pursue sustainable development at a reasonable risk level, we plan to:

- expand and improve our risk management system and structure, enhance our portfolio management and strengthen risk management for target customers to enhance our proactive risk management capability and minimize our risks;
- enhance our organizational structure, policies and procedures of our internal control and ensure its independence;
- promote product innovation by following the principles of risk control, cost consideration, increased transparency and sufficient risk compensation capability;
- widen the application of our risk management policies to cover our new loan products for SMEs and microenterprises; and
- implement a well-integrated information technology system providing a centralized and real-time platform for our business operations and accounting system to enhance our risk management and operating efficiency.

OUR LOAN BUSINESS

During the Track Record Period, we offered different types of loans to our customers in order to meet their short-term financing needs. We are dedicated to serving local customers, primarily entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries. From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, Fujian Province, and provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. On 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. Given our flat management structure and our knowledge of the local market as well as our focus on the operating quality of our customers' businesses, our risk management and operating procedures are more efficient compared to the procedures of commercial banks and other traditional financial institutions. This has enabled us to respond to the financing needs of our customers in a timely manner. We offer financing with flexible terms through quick loan assessments and approval processes to ensure our customers' liquidity throughout their operating cycles. Our loans range in size from RMB0.5 million to RMB25.0 million based on our risk tolerance and return requirements. Our source of income is mainly the interest that we receive on loans that we extend to our customers.

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We recorded steady growth of our loan business during the Track Record Period. Our net loans receivable, being our gross loans receivable deducting the allowance for impairment losses, was RMB526.3 million, RMB685.4 million, RMB692.1 million and RMB753.9 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. The balance of our gross loans receivable was RMB575.6 million, RMB719.7 million, RMB708.9 million and RMB771.5 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. Our interest income was RMB78.5 million, RMB134.3 million and RMB135.9 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our interest income was RMB34.0 million and RMB36.2 million for the three months ended 31 March 2015 and 2016, respectively.

Our Capital Base

During the Track Record Period, we financed our operations primarily through a combination of share capital from our Shareholders and bank borrowings. According to the *Interim Measures*, with certain exceptions, the ratio of financing obtained from banking financial institutions to net capital for a microfinance company in Fujian Province is capped at 50%, unless otherwise approved by relevant authorities; for certain microfinance companies that have sound and compliant operations and have satisfied the evaluation criteria established by relevant authorities, the ratio of financing obtained from banking financial institutions to net capital of such microfinance companies may be raised up to 100%. In August 2015, in recognition of our sound and compliant operations since our incorporation, the Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing from banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources to our net capital up to 100%. As a result, our leverage ratio is permitted to be up to 2.0 times, which is significantly higher than that of our local competitors. As a result, the scale of our business is, to a large extent, determined by the amount of our share capital. Our registered capital at the inception of the Company was RMB300.0 million. We received a capital increase of RMB200.0 million in late December 2013, of which RMB152.0 million was from equity contributions and RMB48.0 million was from undistributed profits of the Company. On 29 January 2014, as approved by the Quanzhou Financial Affairs Bureau, we completed our capital increase and raised our registered capital to RMB500.0 million. As of 31 March 2016, we had a share capital of RMB500.0 million.

Leveraging our record of success since our inception and the reputation of our Shareholders, we were able to obtain financing from banks, such as the China Development Bank, during the Track Record Period. Our bank borrowings bore interest rates ranging from as low as 105% to 120% of the prevailing PBOC benchmark lending rate during the Track Record Period, which enabled us to optimize our financial leverage with favorable terms. We intend to obtain additional borrowings from banking financial institutions and enlarge our capital base. In addition, we may also obtain borrowings through Haixia Equity Exchange and issue corporate bonds or other debt instruments. With expanded credit lines, we will be able to further grow our business scale and serve more customers.

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The following table sets forth our paid-in/share capital, net capital, principal amount of outstanding loans and loan/net capital ratio as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
Paid-in/Share capital				
(RMB in millions) ⁽¹⁾	500.0	500.0	500.0	500.0
Net capital (RMB in millions) ⁽²⁾	535.5	583.9	629.1	624.4
Principal amount of outstanding loans				
(RMB in millions)	572.1	718.2	705.0	758.7
Loan/Net capital ratio ⁽³⁾	1.07x	1.23x	1.12x	1.22x

Notes:

- (1) We received a capital increase of RMB200.0 million in late December 2013 and completed the AIC registration for the capital increase on 29 January 2014.
- (2) Represents the aggregate of our paid-in/share capital, reserves and retained profits.
- (3) Represents the balance of the principal amount of our outstanding loans divided by our net capital.

Our Loan Services

We provide two types of loans, namely, revolving loans and term loans. For our revolving loans, we generally grant a credit line to our customers with a term of up to one year. We provide flexible terms for each drawdown within the credit line of a revolving loan, which ranges from ten days up to 12 months and with majority terms ranging from one to six months. Under certain circumstances, our revolving loans customers with good credit histories are permitted to make early repayment on the loan principal without being subject to a penalty, before the agreed drawdown period expires. We charge on such customers interest rates based on the actual tenure of each drawdown. For our term loans, we generally grant loans ranging from RMB1.0 million to RMB10.0 million to our customers with a term ranging from one to six months.

For marketing purposes, we offer our revolving loan and term loan financing services to customers under certain categories of loan products depending on the transaction structure and security provided by the borrowers. The following categories listed below are used strictly to market our various loan products and, unlike the technical categories under our loan portfolio by security, do not form the basis on which we charge interest rates on loans. Each of these marketing categories consist of loan products that are made up of any combination of loan types by security, such as credit loans, guaranteed loans and/or collateral-backed loans.

- *Revolving Credit Facility (循環貸)*: revolving loans with a credit line that we offer to entrepreneurial individuals, SMEs and microenterprises to meet their urgent financing needs due to cash flow mismatches and incidental cash requirements in their operating cycles. To qualify as our customers of revolving credit facility, such entrepreneurial individuals, SMEs and microenterprises must have stable business operations, continuous operating cash flows

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as well as a reasonable amount of bank loans. We may require guarantees provided by affiliate companies, direct/indirect controlling shareholder(s) or other related parties as security.

- *Joint-guaranteed Loan (聯保貸)*: loans that we offer to a group of entrepreneurial individuals, enterprises or other organizations and are jointly guaranteed by all the members of such group. The group must comprise at least three members who have stable business operations and each member of the group is jointly and severally liable for the loan repayments and interest accrued. Such loans are offered to meet our customers' financial needs in their agricultural, industrial and commercial businesses, including for working capital, the purchase of machinery and equipment or other purpose that is pre-approved by us. We grant such joint-guaranteed loans to our customers with a maximum amount not exceeding the lowest value of assets of the group members and the term of such loans generally does not exceed 12 months.
- *Targeted Payment Loan (定向貸)*: loans characterized by the restrictions on the use of funds for specific transactions and payments. The borrower must have an established business relationship with the receiver of payments, such as an upstream and downstream relationship within a supply chain. In addition, both the borrower and the receiver of payments must have stable operations and competitive products. The receiver must undertake to monitor the use of funds or to provide a guarantee for the loans. Targeted payment loans are used to finance payment and settlement of the trade payables of the borrower and the term of such loan is generally six months.
- *Collateralized Quick-access Loans (速貸通)*: collateral-backed loans that we offer to enterprises that provide collateral, including land use rights, building ownership rights or securities, pursuant to an expedited approval process with a term of generally up to 12 months.
- *Bridge Loans (過橋貸)*: loans that we offer to entrepreneurial individuals, SMEs and microenterprises to bridge their funding gap. To qualify as our bridge loan customers, the SMEs and microenterprises must have stable business operations and continuous operating cash flows. The term of bridge loans generally ranges from ten days to one month.

For details of the technical categories under our loan portfolio by security, which form the basis on which we set the interest rates on our loans, see “— Loan Portfolio — Loan Portfolio by Security.”

During the Track Record Period, we focused on offering credit-based financing. With an emphasis on information symmetry and leveraging our knowledge of the local market, we focus particularly on the operating quality of our customers' businesses and their cash flow and source of repayment through restructuring and examining of the financial information of our customers' businesses as well as investigating relevant management team. For our entrepreneurial individual customers, we generally require the customer's spouse, adult children or other family members, the business entities controlled by the customers and/or affiliates to act as guarantors. For our SME and microenterprise customers, we generally require the owner or direct/indirect controlling shareholder(s) of the SME or microenterprise and their family members to provide a personal guarantee. The borrowers and their guarantors are jointly and severally liable for the loan repayment and the interest accrued. However, depending on our credit evaluation or post-loan grant reviews, we maintain the flexibility to accept collateral provided by

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the borrowers or guarantors as part of the security arrangement on a case-by-case basis. We may agree on a lower interest rate or longer maturity or greater principal for a loan depending on the use of proceeds, funding source of repayment as well as the credit of guarantors and other security arrangement.

During the Track Record Period, we extended a small number of credit loans, which are neither secured by collateral nor backed by any guarantee, to our customers under certain circumstances. We may grant credit loans to certain customers if, based on our credit evaluation and due diligence findings, we determine these customers have adequately demonstrated that their businesses have stable revenue streams or relatively low leverage ratios. However, our ability to recover repayments from our credit loan customers is limited if such customers default. See “Risk Factors — Risks Relating to Our Business and Industry — We mainly rely on the creditworthiness of our customers and/or their guarantors, rather than on collateral, which may limit our ability to recover payments from defaulting customers.”

Geographical Coverage

From the commencement of our operations on 8 January 2010 until 30 April 2014, during the trial pilot period authorized by the competent authority, we were licensed to base our operations in Licheng District of Quanzhou City and permitted to provide our loan services to the SMEs and microenterprises with a business presence, as well as individuals who reside, in any area within Quanzhou City. Consequently, from 8 January 2010 to 30 April 2014, we complied with the trial pilot period restrictions and limited our operations within Quanzhou City.

Following the promulgation of the *Pilot Measures* on 31 March 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan’an City, Jinjiang City, Luojiang District and Licheng District of Quanzhou City, with effect from 30 April 2014. As a consequence, and upon the Quanzhou Financial Affairs Bureau’s express geographic delineation, we thereafter granted loans only to customers within these four permitted areas and we continued to limit our operations to such permitted areas as of the Latest Practicable Date.

As a leading microfinance company in Fujian Province, we adhere to all relevant regulations on geographic coverage to which we are subject. While the applicable restrictions on licensed geographic coverage changed over the past few years as rules governing the microfinance industry continued to evolve in accordance with developing measures, such as the *Pilot Measures*, we operated our business and provided loan services in compliance with the relevant geographic restrictions applicable to us at all times since our inception, throughout the Track Record Period and up to the Latest Practicable Date. In addition, since our inception and up to the Latest Practicable Date, we have not been subject to any enforcement actions, regulatory warnings, fines or other administrative penalties from any regulatory authority in connection with the geographical coverage of our operations.

Interest Rate

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. For the years

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ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the average effective interest rate per annum on our performing loans was 17.71%, 20.71%, 19.00% and 20.26%, respectively.

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 PBOC benchmark lending rate, pursuant to the *Interim Measures*. The maximum loan interest rate was four times of the prevailing PBOC Benchmark Rate pursuant to the *Interim Measures* and with reference to *Certain Opinions on the Court's Trial for Lending Cases* (關於人民法院審理借貸案件的若干意見) promulgated by the Supreme People's Court (最高人民法院) on 13 August 1991 and replaced by the *Private Lending Judicial Interpretations* on 1 September 2015. The *Private Lending Judicial Interpretations* provide that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts. The loan agreements entered into with our customers expressly provide that the interest we receive will be subject to the applicable laws, rules and court orders that may be changed from time to time.

Future Business Expansion

As part of our business expansion, we plan to further enlarge our capital base and diversify our funding sources, as well as to optimize our financial leverage to the extent permissible under relevant laws and regulations and approvals. In addition, we will introduce more products with competitive interest rates to cater to different needs of customers upon the increase of our financial leverage. In order to optimize our overall customer portfolio and expand our core customer base among entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries, we intend to further develop and offer a wider variety of credit-based financial solutions to retain existing customers as well as to attract new customers. In addition, we plan to continue to penetrate the local market and expand our business presence in Quanzhou City. To further expand our operations and subject to requisite government approvals, we plan to gradually extend our coverage to the major developed regions in Fujian Province in the long term.

LOAN PORTFOLIO

The principal amount of our outstanding loans increased steadily from 2013 to 2015, primarily due to our enlarged share capital. As of 31 December 2013, 2014 and 2015 and 31 March 2016, the principal amount of outstanding loans was RMB572.1 million, RMB718.2 million, RMB705.0 million and RMB758.7 million, respectively.

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Revolving Loans and Term Loans

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

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Revolving loans	370,826	64.8	341,110	47.5	424,178	60.2	468,438	61.7
Term loans	<u>201,232</u>	<u>35.2</u>	<u>377,110</u>	<u>52.5</u>	<u>280,840</u>	<u>39.8</u>	<u>290,260</u>	<u>38.3</u>
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, we granted 232, 391, 395 and 115 new loans, respectively, among which 112, 187, 194 and 88 were new revolving loans and 120, 204, 201 and 27 were new term loans, respectively.

Loan Portfolio by Security

During the Track Record Period, we focused on providing credit-based financing solutions and, as a result, a substantial majority of our loans were not secured by collateral. However, a substantial portion of our outstanding loans was backed by guarantees as a form of security.

Based on the security provided, we classify our loans into the following categories:

- *Credit loans:* loans based solely on the credit rating of the borrower;
- *Guaranteed loans:* loans backed by guarantors but not secured by any collateral;
- *Collateral-backed loans:*
 - *With guarantee:* loans backed by guarantors as well as secured in whole or in part by way of: (i) a mortgage on land use rights, building ownership rights and/or equipment; and (ii) a pledge on shares.
 - *Without guarantee:* loans not backed by guarantee but secured in whole or in part by collateral.

Prior to releasing our funds with respect to a loan secured by collateral, we ensure that the loan-to-value ratios do not exceed the fixed maximum ratios that we will accept for any loan to be approved. We also register our security interest in the collateral with the relevant government authority.

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The following table sets forth our loan portfolio by security as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Credit loans	10,000	1.7	—	—	30,000	4.3	30,000	4.0
Guaranteed loans	554,278	96.9	645,640	89.9	474,708	67.3	502,198	66.2
Collateral-backed loans								
— with guarantee	7,780	1.4	60,580	8.4	185,310	26.3	211,500	27.8
— without guarantee	—	—	12,000	1.7	15,000	2.1	15,000	2.0
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>

The following table sets forth a range of the annual interest rates that we charged our customers for each of the periods indicated:

	Year ended 31 December						Three months ended 31 March	
	2013		2014		2015		2016	
	%(Min)	%(Max)	%(Min)	%(Max)	%(Min)	%(Max)	%(Min)	%(Max)
Range of the annual interest rates:								
Credit loans	12.0	22.2	—	—	18.0	19.2	18.0	19.2
Guaranteed loans	9.6	24.0	9.6	24.0	15.6	24.0	14.4	24.0
Collateral-backed loans								
— with guarantee	21.6	24.0	21.6	24.0	14.4	24.0	17.4	24.0
— without guarantee	—	—	22.2	22.2	18.0	22.2	18.0	18.0

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During the Track Record Period, the collateral obtained by our Company consisted of land use rights, building ownership rights, equipment and shares. The following table sets forth the details of the loan-to-value ratios of our collateral-backed loans for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2013	2014	2015	2016
	%	%	%	%
Range of the loan-to-value ratio⁽¹⁾:				
<i>By type of security:</i>				
Collateral-backed loans with guarantee	50.0–65.0	50.0–67.9	25.0–83.3	38.6–80.0
Collateral-backed loans without guarantee	N/A	66.7	30.0–66.7	38.5
<i>By nature of collateral:</i>				
Land use rights	N/A	N/A	42.8	42.8
Building ownership rights	50.0–65.0	50.0–67.9	25.0–69.4	38.5–77.6
Equipment	N/A	N/A	66.7	N/A
<i>By nature of pledge:</i>				
Equity shares	N/A	50.0–66.7	38.6–83.3	38.6–80.0

Note:

- (1) Represents the credit line amount we granted to our customers when accepting their loan application divided by the market value of the collateral assessed by our project manager at the time of acceptance of the loan application, multiplied by 100%.

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The following table sets forth the latest market value analyses of our collateral-backed loans as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	%	%	%	%
Range of the ratios of principal amount of each collateral-backed loan to the latest market value of such collateral⁽¹⁾:				
<i>By nature of collateral:</i>				
Land use rights	N/A	N/A	10.7	N/A
Building ownership rights	47.6–63.1	46.7–66.7	38.5–69.4	38.5–69.4
Equipment	N/A	N/A	66.7	N/A
<i>By nature of pledge:</i>				
Equity shares	N/A	50.0–66.7	15.5–80.0	30.9–80.0
Latest market value of collateral relative to principal amount of each loan backed by such collateral				
	Higher	Higher	Higher	Higher
Average ratios of principal amount of collateral-backed loans to the latest market value of such collateral⁽²⁾				
	51.9	56.2	42.6	44.5

Notes:

- (1) Represents the balance of the principal amount of each collateral-backed loan as of the year/period end divided by the market value of such collateral at year/period end, multiplied by 100%.
- (2) Represents the balance of the total principal amount of collateral-backed loans as of the year/period end divided by the market value of such collateral at year/period end, multiplied by 100%.

As part of our risk management procedures, we maintain the loan-to-value ratios for our collateral-backed loans within a range that falls below the fixed maximum ratios that we will accept for any loan approval, which is 85.0% for collateral-backed loans with guarantee and 70.0% for collateral-backed loans without guarantee. To manage the loan-to-value ratio, we review the asset appraisal reports prepared by our project managers, assess the creditworthiness of our customers and/or their guarantors during the application process, and monitor the market value of collateral regularly. As a result of our ongoing risk assessment, we have been able to maintain relatively low ratios between the principal amount of collateral-backed loans and the latest market value of such collateral, which were 51.9%, 56.2%, 42.6% and 44.5% as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively.

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The following table sets forth details of the outstanding balance of collateral-backed loans by collateral type as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
By nature of collateral				
Land use rights	—	—	2,000	—
Building ownership rights	7,780	30,580	42,410	40,500
Equipment	—	—	20,000	—
By nature of pledge				
Equity shares	—	42,000	135,900	186,000
Total	<u>7,780</u>	<u>72,580</u>	<u>200,310</u>	<u>226,500</u>

The following table sets forth the number of customers that we granted collateral-backed loans to by type of collateral for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2013	2014	2015	2016
	By nature of collateral			
Land use rights	—	—	2	2
Building ownership rights	2	5	16	10
Equipment	—	—	4	—
By nature of pledge				
Equity shares	—	8	40	31
Total	<u>2</u>	<u>13</u>	<u>62</u>	<u>43</u>

Loan Portfolio by Industry

During the Track Record Period, our customers were mainly entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries. The following table sets forth our loan portfolio by industry as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Manufacturing	342,000	59.8	449,010	62.5	459,908	65.2	463,388	61.1
Wholesale and retail	111,400	19.5	133,930	18.6	125,860	17.9	168,210	22.2
Utilities and commercial services	53,252	9.3	46,000	6.4	30,750	4.4	47,100	6.2
Agricultural	28,380	4.9	11,580	1.6	1,500	0.2	—	—
Transportation, warehousing and postal services	15,000	2.6	22,700	3.2	5,000	0.7	—	—
Others ⁽¹⁾	22,026	3.9	55,000	7.7	82,000	11.6	80,000	10.5
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>

Note:

(1) Include the financial, real estates, hospitality and restaurant, and construction industries.

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The following table sets forth a breakdown of our loans granted to customers in the manufacturing industry by types of activities as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Education, arts and crafts, sports and entertainment products	35,500	10.4	134,200	29.9	116,500	25.3	121,500	26.2
General purpose machinery manufacturing	44,000	12.9	56,080	12.5	78,300	17.0	70,300	15.2
Liquors, beverages and refined teas	—	—	42,000	9.4	50,000	10.9	50,000	10.8
Chemical fibers	82,000	24.0	56,500	12.6	37,038	8.1	36,718	7.9
Foods ⁽¹⁾⁽²⁾	15,000	4.4	33,000	7.3	30,000	6.5	30,000	6.5
Electrical machinery and equipment ⁽¹⁾⁽³⁾	2,000	0.6	10,000	2.2	25,000	5.4	25,000	5.4
Automobiles	12,900	3.8	8,900	2.0	22,340	4.9	20,840	4.5
Textiles and apparel ⁽¹⁾⁽⁴⁾	58,500	17.0	22,000	4.9	20,000	4.4	20,000	4.3
Paper and paper products	15,000	4.4	15,000	3.3	—	—	—	—
Furniture manufacturing	25,000	7.3	12,000	2.7	9,300	2.0	18,200	3.9
Non-metallic mineral product manufacturing	15,000	4.4	33,000	7.3	17,000	3.7	17,000	3.7
Others ⁽⁵⁾	37,100	10.8	26,330	5.9	54,430	11.8	53,830	11.6
Total	342,000	100.0	449,010	100.0	459,908	100.0	463,388	100.0

Notes:

- (1) According to *Ipsos*, certain sectors in these industries experienced overcapacity in 2015. Overcapacity in any of the industries in which our customers operate could have a negative impact on their businesses, which in turn could adversely affect their ability to repay their loans in a timely manner or even cause them to default on their loans. For a discussion of the relevant risks, see “Risk Factors — Risks Relating to Our Business and Industry — We lack business diversification and our future income is more susceptible to fluctuations than a more diversified financial services company.” We apply similar credit and risk assessment procedures and criteria for loans that involve higher risks as we do for all of our other loans and follow the principles of our credit risk management to manage risks associated with such loans. When we conduct post-loan grant reviews of our customers, we focus our review and evaluation on factors that include our customers’ use of funds, the business operations of our customers and the industries and markets in which our customers operate. Depending on the loan size, the inspection report and proposed follow-up measures relating to loans that involve higher risks must be submitted to our Chairman, the Board of Directors or Shareholders’ meeting (as the case may be) for record or approval. For details, see “— Risk Management — Credit Risk Management — Post-loan grant review.”
- (2) According to the *Quanzhou Development and Reform Commission* and the *Ipsos Report*, the seasonings fermented products sector, vegetables, fruits and nuts processing sector, and aquatic product processing sector in the foods industry experienced overcapacity in 2015.
- (3) According to the *Quanzhou Development and Reform Commission* and the *Ipsos Report*, the lighting fixtures manufacturing sector and battery manufacturing sector in the electrical machinery and equipment industry experienced overcapacity in 2015.
- (4) According to the *Quanzhou Development and Reform Commission* and the *Ipsos Report*, the silk and fabric textiles sector in the textiles and apparel industry experienced overcapacity in 2015.

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- (5) Includes waste resources integrated utilization industry; special-purpose equipment manufacturing; professional equipment manufacturing; metalwork manufacturing; rubber and plastics products manufacturing; leather, fur, feather products and footwear manufacturing; agriculture and sideline products processing; and other manufacturing industries.

As of 31 December 2013, 2014 and 2015 and 31 March 2016, 54.2%, 85.5%, 85.9% and 88.6% of the total principal amount of our outstanding loans granted to customers from the manufacturing industry, respectively, were granted to individual customers, and 45.8%, 14.5%, 14.1% and 11.4% of the total principal amount of our outstanding loans granted to customers from the manufacturing industry, respectively, were granted to enterprise customers.

We are primarily dedicated to providing practical and flexible short-term financing solutions to local entrepreneurial individuals, SMEs and microenterprises, whose financial needs have largely been underserved by China's banking system. Considering that (i) the number of our customers in the manufacturing industry who operate in sectors that have experienced overcapacity is limited, (ii) we closely monitor the operations and financial condition of new and existing customers through extensive due diligence and ongoing reviews to identify financially sound customers and screen high risk customers, and (iii) we have an experienced management team as well as other personnel who possess the in-depth industry knowledge that enables us to manage risks relating to sector overcapacity, our Directors are of the view that overcapacity in certain sectors of the manufacturing industry have not, and will not, have a material adverse effect on our business, financial condition and results of operations. Our Directors further believe that the risks associated with our loans are manageable through our credit and risk management procedures.

Maturity Profile of Loan Portfolio

To minimize our risk exposure, we mainly provide short-term loans to customers, which are loans with terms that range from ten days to one year. A majority of the loans we grant are due within six months. The term of each drawdown of revolving loans is specified in the drawdown application and that of term loans is specified in the loan contract. Our customers are required to obtain our permission prior to making early repayment on the loan principal.

The following table sets forth the maturity profile of our loans as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
Past due	67,558	11.8 ⁽¹⁾	42,760	6.0 ⁽¹⁾	16,390	2.3 ⁽¹⁾	16,090	2.1 ⁽¹⁾
Due within three months	311,200	54.4	402,360	56.0	395,780	56.1	459,090	60.5
Due between three months and six months	117,300	20.5	91,000	12.7	111,990	15.9	118,360	15.6
Due between six months and one year	76,000	13.3	182,100	25.3	59,140	8.4	63,460	8.4
Due over one year	—	—	—	—	121,718 ⁽²⁾	17.3	101,698 ⁽²⁾	13.4
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>

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Notes:

- (1) The percentage equals to the default ratio as of the respective dates during the Track Record Period, representing the balance of principal amount of past due loans divided by the total principal amount of our outstanding loans.
- (2) Represents primarily new loans that were granted with terms of more than one year (but in no event with terms of more than two years) since 2015. In order to enhance our competitiveness, since 2015, we began to provide such loans to certain customers who had demonstrated their stable operations and sound financial health. These customers are entitled to loans with terms ranging from one year to two years and principal amount ranging from RMB2.0 million to RMB5.0 million in 2015. As of the Latest Practicable Date, all of the new loans granted with terms of more than one year were used by our customers to finance their business projects. Such projects comprised (i) the purchase of new production equipment and machinery, as well as the addition of new production lines, (ii) the construction or expansion of production facilities, and (iii) technology upgrades to increase automation of equipment and to upgrade software. In addition to new loans granted with terms of more than one year, our loans due over one year as of 31 March 2016 also included one extension loan granted to a customer who used such loan to finance the expansion of existing production facilities. We apply similar credit and risk assessment procedures and criteria for such loans as we do for all of our other loans, except that we also request such customers to provide information on the type of project or activity that the funds will be used to finance. See “— Risk Management — Credit Risk Management — Loan granting” for more details. Other than the longer period of the loan terms and the additional information that must be provided, new loans with terms of more than one year and extension loans have the same features as all of our other loans.

The following table sets forth details of our loans with terms of more than one year as of the dates indicated:

	As of 31 December		As of 31 March	
	2015		2016	
	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:				
<i>By types of activities of our customers from manufacturing industry:</i>				
Education, arts and crafts, sports and entertainment products	50,000	41.1	50,000	49.1
General purpose machinery manufacturing	25,000	20.5	25,000	24.6
Liquors, beverages and refined teas	25,000	20.5	25,000	24.6
Chemical fibers	<u>21,718</u>	<u>17.9</u>	<u>1,698</u>	<u>1.7</u>
<i>By types of security:</i>				
Guaranteed loans	101,718	84.0	101,698	100.0
Collateral-backed loans with guarantee	<u>20,000</u>	<u>16.0</u>	<u>—</u>	<u>—</u>
<i>By nature of loan:</i>				
New loans	120,000	99.0	100,000	98.3
Extension loan	<u>1,718</u>	<u>1.0</u>	<u>1,698</u>	<u>1.7</u>
Total principal amount of outstanding loans	<u>121,718</u>	<u>100.0</u>	<u>101,698</u>	<u>100.0</u>

Since 2015, in order to respond to the financing needs of some of our customers, at the specific request of such customers, we granted new loans with terms of more than one year (but in no event with terms of more than two years) to certain customers who had demonstrated their stable operations and

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sound financial health. Because the provision of such longer term loans is not the focus of our business, we did not, and do not intend to, introduce or market loans with longer terms to customers on our own initiative. We apply similar credit and risk assessment procedures and criteria for such loans as we do for all of our other loans and follow the same credit risk management procedures to manage risks associated with such loans. Although these longer term loans did not expose us to material risks, we intend to manage the provision of such loans by monitoring the scale of such loans and ensuring the total principal amount of longer term loans does not exceed 20% of the total principal amount of our outstanding loans when approving new loans to our customers.

During the Track Record Period, at the request of certain existing customers who had a demonstrated history of stable operations and sound financial health, we agreed to extend the period of the loan terms on existing loans that had been granted to such customers. While we will continue to consider requests from existing customers for the extension of loan terms subject to our due diligence and credit reviews of such customers and on a case-by-case basis, as part of our risk management procedures, with effect from May 2016, we have limited the granting of extensions of loan payment terms such that any customer that qualifies for an extended payment term will only be able to apply for a one-time extension for each loan that is granted to such customer, and we also restrict the extended payment period to ensure that such period will not exceed one year.

The annual interest rates that we charged for a substantial majority of loans with a term of more than one year for the year ended 31 December 2015 and the three months ended 31 March 2016 ranged from 14.4% to 18.0%. Among such loans, three loans with an aggregate amount of RMB1.7 million were due to the extension of pre-existing loans.

Past due loans

As of 31 December 2013, 2014 and 2015 and 31 March 2016, the number of our past due loans was 19, 16, eight and eight, respectively. The following table sets forth the breakdown of the number of our past due loans as of the dates indicated:

	<u>As of 31 December</u>			<u>As of 31 March</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Past due loans existing as of the end				
of preceding year	15	5	4	8
New past due loans incurred				
in the year/period	<u>4</u>	<u>11</u>	<u>4</u>	<u>0</u>
Total	<u>19</u>	<u>16</u>	<u>8</u>	<u>8</u>

We had 19 past due loans with an aggregate amount of RMB67.6 million as of 31 December 2013. As of 31 December 2014, RMB37.6 million of the principal amount of these past due loans as of 31 December 2013 had been settled. As of 31 December 2015, RMB41.2 million of the principal amount of these past due loans as of 31 December 2013 had been settled. As of 31 March 2016, RMB41.5 million of the principal amount of these past due loans as of 31 December 2013 had been settled. As of 31 March 2016, the remaining portion of principal amount of past due loans as of 31 December 2013 was RMB2.0 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2013 was RMB0.3 million.

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We had 16 past due loans with an aggregate amount of RMB42.8 million as of 31 December 2014. As of 31 December 2015, RMB3.6 million of the principal amount of these past due loans as of 31 December 2014 had been settled. As of 31 March 2016, RMB3.9 million of the principal amount of these past due loans as of 31 December 2014 had been settled. As of 31 March 2016, the remaining portion of principal amount of past due loans as of 31 December 2014 was RMB3.1 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2014 was RMB0.7 million.

We had eight past due loans with an aggregate amount of RMB16.4 million as of 31 December 2015. We disposed of impaired loans with an aggregate principal amount of RMB63.8 million to an independent licensed trust company through Haixia Equity Exchange at the price of RMB39.0 million in 2015. For more information, see “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Other income and gains, net.” As of 31 March 2016, RMB0.3 million of the principal amount of these past due loans as of 31 December 2015 had been settled. As of 31 March 2016, the remaining portion of principal amount of past due loans as of 31 December 2015 was RMB16.1 million and the allowance for impairment losses for the remaining portion of past due loans as of 31 December 2015 was RMB3.7 million.

As of 31 March 2016, we had eight past due loans with an aggregate amount of RMB16.1 million, and our allowance for impairment losses for these past due loans as of the same date was RMB3.7 million.

The principal amount of our past due loans was RMB67.6 million, RMB42.8 million, RMB16.4 million and RMB16.1 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively, accounting for 11.8%, 6.0%, 2.3% and 2.1% of the total principal amount of our outstanding loans as of the same dates. As of 31 December 2014 and 2015 and 31 March 2016, RMB6.3 million, RMB1.1 million and RMB1.1 million of our past due loans were loans with extended payment terms (either once or twice), accounting for 14.8%, 6.9% and 7.0% of the total principal amount of our past due loans, respectively. Our past due loans as of 31 December 2013 did not include any extension loans. As of 31 December 2014, we had three past due loans with payment terms extended once amounting to RMB5.8 million and one past due loan with payment terms extended twice amounting to RMB0.5 million, accounting for 13.6% and 1.2% of the total principal amount of our past due loans as of the same date, respectively. As of 31 December 2015, we had one past due loan with payment terms extended once amounting to RMB0.6 million and one past due loan with payment terms extended twice amounting to RMB0.5 million, accounting for 3.8% and 3.1% of the total principal amount of our past due loans as of the same date, respectively. As of 31 March 2016, we had one past due loan with terms extended once amounting to RMB0.6 million and one past due loan with terms extended twice amounting to RMB0.5 million, accounting for 3.9% and 3.1% of the total principal amount of our past due loans as of the same date, respectively.

The principal amount of our past due loans decreased over the Track Record Period mainly because: (i) we focused increasingly on serving customers with stronger repayment ability in 2014 and 2015; (ii) we were subsequently able to collect past due loans from our customers in 2014 and 2015; and (iii) we enhanced our credit risk management procedures, which lowered the amount of our past due loans over the Track Record Period. Because the foregoing reasons primarily contributed to the decrease

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in our past due loans and as we do not proactively offer our customers any extensions on the terms of their loans, our Directors and the Sole Sponsor are of the view that such decrease in past due loans over the Track Record Period was not a result of any term extension that we granted to customers.

Our default ratio decreased during the Track Record Period. As of 31 December 2013, 2014 and 2015 and 31 March 2016, our default ratio was 11.8%, 6.0%, 2.3%, and 2.1%, respectively. Such decreases over the Track Record Period were primarily due to our enhanced credit risk management procedures and our disposal of impaired loans with an aggregate principal amount of RMB63.8 million in 2015. Such decreases were not a result of our changing principal amount of outstanding loans or the extensions of payment terms we granted to our customers during the Track Record Period. See “— Loan term extension” for more details on our extension loans.

Loan term extension

Subject to our discretion, a customer may apply to extend the payment term of such customer’s loan before the loan reaches maturity. Loans that have already matured or are past due will not be considered for any term extension. Moreover, as part of our risk management procedures, with effect from May 2016, we have limited the granting of extensions of loan payment terms such that any customer that qualifies for an extended payment term will only be able to apply for a one-time extension for each loan that is granted to such customer, and we also restrict the extended payment period to ensure that such period will not exceed one year. We generally only agree to extend the payment term to those customers who have applied for an extension because of their need to manage their short-term liquidity due to unforeseen changes in their business operations. Upon receiving a customer’s request for a term extension, we perform due diligence to ascertain the reasons behind such request, including by conducting on-site visits and reviewing files and records, before we grant any extension on the term of a loan. We adopt similar standards and approval processes for the extension of loan terms as we do for new loan applications. For more information on loan term extension, see “— Risk Management — Credit Risk Management — Loan extension.” As of 31 December 2013, 2014 and 2015 and 31 March 2016, we had 15, 14, 25 and 12 extension loans, the total principal amount of which was RMB41.3 million, RMB26.4 million, RMB30.3 million and RMB45.0 million, respectively, accounting for 7.2%, 3.7%, 4.3% and 5.9% of the total principal amount of our outstanding loans as of the same dates, respectively. The following table sets forth the number and the total principal amount of our extension loans for the periods indicated:

	Year ended 31 December						Three months ended 31 March	
	2013		2014		2015		2016	
	Number	RMB’000	Number	RMB’000	Number	RMB’000	Number	RMB’000
Extended once	36	110,200	87	271,000	46	96,200	12	45,000
Extended twice	1	500	—	—	2	3,000	—	—
Total	37	110,700	87	271,000	48	99,200	12	45,000

The total principal amount of our extension loans increased from RMB110.7 million for the year ended 31 December 2013 to RMB271.0 million for the year ended 31 December 2014, and decreased to RMB99.2 million for the year ended 31 December 2015. For the three months ended 31 March 2016, the total principal amount of our extension loans was RMB45.0 million. Such fluctuation, which was in

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line with the fluctuation of number of customers to whom we granted extension loans during the Track Record Period, did not result in decreasing default ratio over the same period. See “— Past due loans” for more details on our past due loans.

Loan Portfolio by Exposure Size

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

	As of 31 December									As of 31 March		
	2013			2014			2015			2016		
	Number of borrowers ⁽¹⁾	RMB'000	% ⁽²⁾	Number of borrowers ⁽¹⁾	RMB'000	% ⁽²⁾	Number of borrowers ⁽¹⁾	RMB'000	% ⁽²⁾	Number of borrowers ⁽¹⁾	RMB'000	% ⁽²⁾
Principal amount of outstanding loans:												
Up to RMB1.0 million	9	5,452	1.0	25	20,680	2.9	24	16,940	2.4	19	13,040	1.7
Over RMB1.0 million to RMB3.0 million (inclusive)	29	71,526	12.5	53	123,160	17.2	32	68,898	9.8	22	43,008	5.7
Over RMB3.0 million to RMB5.0 million (inclusive)	40	189,580	33.1	84	406,580	56.6	112	502,280	71.2	120	552,650	72.8
Over RMB5.0 million to RMB10.0 million (inclusive)	24	215,500	37.7	8	71,400	9.9	10	86,900	12.3	13	110,000	14.5
Over RMB10.0 million	6	90,000	15.7	7	96,400	13.4	2	30,000	4.3	2	40,000	5.3
Total	108	572,058	100.0	177	718,220	100.0	180	705,018	100.0	176	758,698	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.

As of 31 December 2013, 2014 and 2015 and 31 March 2016, 46.6%, 76.7%, 83.4% and 80.2% of the principal amount of our outstanding loans were up to RMB5.0 million, respectively. We have implemented a series of loan assessments and approval processes and risk management systems to ensure effective risk control and minimize our risk exposure. See “— Business Process” and “— Risk Management” for more details.

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Loan Portfolio by Customer Type

The following table sets forth the breakdown of our loans to new or repeat customers as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Principal amount of outstanding loans:								
New customers ⁽¹⁾	267,900	46.8	503,660	70.1	408,794	58.0	15,500	2.0
Repeat customers ⁽²⁾	<u>304,158</u>	<u>53.2</u>	<u>214,560</u>	<u>29.9</u>	<u>296,224</u>	<u>42.0</u>	<u>743,198</u>	<u>98.0</u>
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>

Notes:

- (1) Represents the loans granted to our customers for the first time.
- (2) Represents the loans granted to existing customers who have previously obtained loans from us. The review, assessment and approval process conducted for each new loan granted to a repeat customer is the same as the process for loans granted to a new customer.

The repayment ability of a borrower is an essential element in our due diligence process when we consider whether to grant loans to customers. As a result, we may grant our repeat customers new loans without requiring them to make full repayment of their existing loans, as long as we determine that such customers have an ability to repay both of their existing loans and new loans based on our due diligence reviews, including the assessment of the creditworthiness of such customers and/or their guarantors as well as the valuation of collateral, if applicable.

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Our business process involves the acceptance of loan applications, conducting due diligence, assessments and approvals, the granting of loans, and post-loan grant reviews and collections. For details on our risk management and risk control policies and measures in association with our business, see “— Risk Management.”

Loan Application

Our business process begins with a loan applicant’s submission of a loan application, supplemented by information we require relating to such application. For example, an enterprise applicant must provide its basic corporate information to us, including its business license, articles of association, tax certificates, asset appraisal report and board resolution or other appropriate authorization regarding the loan application. We also require the applicants who apply for revolving loans to provide additional documentation, such as bank statements and material business contracts. In the loan application, the proposed size, term and use of the loan, whether the loan will be guaranteed or secured, and capability and fund sources of repayment must also be specified.

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Initial Review and Due Diligence

Our business department will conduct an initial review of the loan application and consider whether to accept a customer's application pursuant to our application acceptance procedure. Upon the receipt of a loan application, our business department will designate two teams of business managers, while one team is designated as the project manager, to conduct customer due diligence in a loan application. The business managers will then: (i) collect business and financial information from the customer; (ii) conduct on-site visits; and (iii) verify the facts provided by the customer. For customers who provide collateral, we also conduct on-site visits to inspect the collateral and evaluate the value of the collateral. Leveraging our knowledge of the local market, we focus particularly on the operating quality of our customers' businesses and their cash flow and source of repayment through restructuring and examining of the financial information provided by the customer, investigating the management team of our customers or their companies, and searching relevant records of bank credit and disputes. One of our risk management managers or a designated employee will conduct parallel risk assessments for a loan application. To proceed with the internal assessment and approval process, our business department and risk management department will prepare the due diligence report and the risk assessment report, respectively.

Most financing requests that cannot meet basic eligibility requirements are screened out by our business department in the initial customer acceptance process, and will not be further processed. Our business managers have improved their ability to pre-screen potential customers by regular training.

Assessment and Approval of Loans

Once a loan application passes the review of our business department and risk management department, a loan assessment meeting will be held. At the loan assessment meeting, the project manager from our business department will present the loan applications and relevant information and make a proposal for granting of loans, and our risk management managers will present the risks involved in such loan application. The other business manager, who conducts independent due diligence investigation on the loan application, as well as our staff in the business and risk management department, will also attend the loan assessment meeting. Depending on the loan size and transaction type, the loan applications will be subject to a final assessment and approval by our general manager, loan assessment committee, our Chairman or the Board of Directors, respectively. See “— Risk Management — Credit Risk Management — Assessment and approval.” It typically takes us less than 30 days to complete the assessment and approval process for a loan application.

We also determine the terms and conditions of a loan contract, such as pricing, principal amount, term of loan and payment terms, during the approval process.

Loan Granting

Once a loan application is approved through our assessment and approval process, our business department will prepare a loan contract and other relevant documentation, which are subject to the approval by the risk management department. We will then proceed with the signing of loan contracts and other documents, such as the guarantee, pledge or mortgage agreements. If any collateral is provided by the borrower, we will ask the borrower to register our security interest in such collateral with the relevant government authorities before we release the funds for drawdown.

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Revolving loan customers must submit a drawdown application when financing needs arise. Funds are released following the confirmation of various levels of our employees including our business department heads, risk management department head, financial manager and general manager. For term loans, we proceed with the release of funds upon the signing of loan contracts.

Post-loan Grant Review, Extension and Collection

We conduct periodic reviews of our loan portfolio to monitor the risks associated with loans. Our review and evaluation focus on: (i) customers' use of funds; (ii) the business operations of our customers as well as the industry and market in which the customers operate; (iii) the change of customers' assets, revenue and cash flows; (iv) the source of funds for repayment; and (v) other situations which may adversely affect the risk profile of loans.

In general, our customers are required to pay monthly interest on our loans and repay the principal amount of the loans upon the due date. Any loan with principal not repaid in full within seven days upon the due date will be considered as past due. However, subject to our discretion, our customers may apply for payment term extension of their respective loan before it becomes mature.

If our customers fail to pay interest on time, based on the length of overdue period, the project manager shall report to our risk management department and conduct on-site visit to collect the interest accrued with our risk management personnel. If our customers fail to repay the principal amount of their loans on the due date, our project manager shall report to our risk management department and contact our customers to remind them of their repayment obligations. We initiate a collection process when a customer defaults on a loan and our business and risk management departments will negotiate a repayment plan with such defaulting customer. If the defaulting customer fails to make repayments pursuant to the repayment plan or we are not able to reach an agreement with the defaulting customer, we will approach the guarantors to collect the overdue loans.

Depending on the risk profile of overdue loans, we may take necessary legal action, such as attaching the assets of our customers or the guarantors, freezing their bank accounts or foreclosure on the collateral by court order.

CUSTOMERS, SALES AND MARKETING

Our Customers

Our customers, which primarily include entrepreneurial individuals, SMEs and microenterprises in Quanzhou City, mainly operate in the manufacturing and services industries.

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The number of our customers increased during the Track Record Period due to our expanded business scale. For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, we served 233, 362, 384 and 220 customers, respectively. The following table sets forth an analysis of our source of customers for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2013	2014	2015	2016
	Number	Number	Number	Number
New customers	98	195	161	11
Repeat customers	135	167	223	209
Total	233	362	384	220

Due partly to our efforts in diversifying our portfolio in terms of customer type and industry, interest income from our largest customer decreased as a percentage of our total interest income during the Track Record Period, accounting for 4.0%, 3.0%, 2.2% and 1.8% of our total interest income for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, respectively. Interest income from our top five customers accounted for 15.9%, 11.2%, 8.6% and 8.0% of our total interest income for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, respectively.

Interest income from our top five customers combined accounted for less than 30% of our total interest income for each of the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016. These major customers over the Track Record Period comprised 13 customers (all of which are repeat customers), of which six customers were from the manufacturing industry, three customers were from the wholesale and retail industry, two customers were from construction industry, one customer was from the agriculture industry and one customer was from the rental and services industry. Major customers from the manufacturing industry consisted of two customers engaged in textiles and apparel manufacturing, two customers engaged in non-metallic mineral products manufacturing, one customer engaged in paper and paper products manufacturing, and one customer engaged in general purpose machinery manufacturing. See “Risk Factors — Risks Relating to Our Business and Industry — We lack business diversification and our future income is more susceptible to fluctuations than a more diversified financial services company.” Major customers from the wholesale and retail industry consisted of one customer engaged in the stone products wholesale business, one customer engaged in the textiles wholesale business and one customer engaged in the apparel, shoes and hats wholesale business. The major customer from the agriculture industry is engaged in the forestry business and the major customer from the rental and services industry is engaged in business services. Of the 11 major customers, eight are individuals from Licheng District, two are individuals from Jinjiang City, and one is a medium-scale enterprise from Jinjiang City. See “Risk Factors — Risks Relating to Our Business and Industry — As our current customers are entrepreneurial individuals, SMEs and microenterprises in four administrative districts of Quanzhou City, the credit risks that we are exposed to are greater than those faced by larger lenders.” and “Risk Factors — Risks Relating to Our Business and Industry — We may have limited information regarding the entrepreneurial individuals, SMEs and microenterprises to which we provide loans, and the quality of our credit evaluation may be compromised as a result.”

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Our Directors confirm that, as of the Latest Practicable Date, all of our top five customers were Independent Third Parties and none of our Directors, their associates or our Existing Shareholders holding more than 5% of our issued share capital, to the knowledge of our Directors, had any interest in any of our top five customers.

Sales and Marketing

We solicit our customers principally through our business department, advertisements and referrals.

Due to limitations imposed by in the *Interim Measures* and *Pilot Measures*, our sales and marketing activities during the Track Record Period were restricted to the region where we were permitted by license to operate.

Our sales and marketing team

Our business department, which is divided into four divisions, consists of our business managers and business department heads, all of whom are awarded bonuses based on their performance. As of the Latest Practicable Date, we had 16 employees in the business department. Our business managers are responsible for sourcing new customers and they conduct business development activities through visiting potential customers' sites at industry parks, phone calls and sales campaigns. In addition, our business managers also attend industry associations' events to promote our business and broaden our reach to potential customers. When connecting with a potential customer, our business managers analyze the main products and market, revenue, asset size, leverage ratio and potential financing needs of the business operated or owned by such customer to assess the quality of the customer.

Our business and marketing personnel receive regular trainings that focus on product awareness, sales and communications skills, economic law, risk management, financial investigation and analysis, professional ethics, and new developments in the financing industry as well as local economy. We do not pay commission to our sales and marketing personnel for business intake.

Advertisements

We advertise our financing services and products through a number of platforms to attract new customers. We advertise in newspapers, journals, industry association periodicals, airline magazines and billboards along highways and provide potential and existing customers with advertisement brochures when they visit our office.

Referrals

Due to our high-quality and professional customer services, referrals from existing customers constituted an important source for our business during the Track Record Period.

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PROVISIONING POLICIES AND ASSET QUALITY

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 CBRC. We make provisions for the anticipated level of 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 definition of each category of loans is set forth below:

- *Normal:* Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- *Special-mention:* Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- *Substandard:* Borrowers’ ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- *Doubtful:* Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
- *Loss:* Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The following table sets forth the breakdown of the total principal amount of our outstanding loans by category as of the dates indicated:

	As of 31 December						As of 31 March		
	2013		2014		2015		2016		
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%	
Normal	504,000	88.1	550,280	76.6	598,670	84.9	685,200	90.3	
Special-mention	500	0.1	123,380	17.2	89,958	12.8	55,108	7.3	
Impaired	Substandard	25,558	4.5	14,800	2.1	15,890	2.2	17,890	2.3
	Doubtful	20,000	3.5	29,760	4.1	500	0.1	500	0.1
	Loss	22,000	3.8	—	—	—	—	—	—
Total	<u>572,058</u>	<u>100.0</u>	<u>718,220</u>	<u>100.0</u>	<u>705,018</u>	<u>100.0</u>	<u>758,698</u>	<u>100.0</u>	

We assess impairment either collectively or individually as appropriate. We assess our loans for impairment at the end of each relevant period, determine a level of allowance, and recognize any related provisions using the concept of impairment under HKAS 39. See “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies, Judgments and Estimates — Impairment of financial assets carried at amortized cost” and Notes 3 and 27 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus.

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According to our accounting policies, if there is objective evidence that indicates the cash flow for a particular loan is expected to decrease, and the amount can be estimated, we record such loan as an impaired loan and recognize a relevant amount of impairment loss.

For “normal” and “special-mention” loans, given that they are not impaired, we make collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For “substandard,” “doubtful” and “loss” loans, the impairment losses are assessed individually by evaluating the loss that we expect to incur on the balance sheet date.

The following table sets forth a breakdown of the impaired loans by industry as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Wholesale and retail . . .	10,900	16.1	10,650	23.9	10,260	62.6	9,960	54.2
Manufacturing	14,500	21.5	17,830	40.0	5,630	34.4	7,930	43.1
Utilities and commercial services	17,752	26.3	3,500	7.8	500	3.0	500	2.7
Transportation, warehousing and postal services	—	—	10,000	22.5	—	—	—	—
Agriculture	13,380	19.8	2,580	5.8	—	—	—	—
Real estates	<u>11,026</u>	<u>16.3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total impaired loans								
by industry	<u>67,558</u>	<u>100.0</u>	<u>44,560</u>	<u>100.0</u>	<u>16,390</u>	<u>100.0</u>	<u>18,390</u>	<u>100.0</u>

Our impaired loans receivable was RMB67.6 million, RMB44.6 million, RMB16.4 million and RMB18.4 million, respectively, generally in line with our enhanced risk management and improved loan quality during the same periods. The largest industry to which our impaired loans related as of 31 December 2013, 2014 and 2015 and 31 March 2016 was the utilities and commercial services industry, manufacturing industry, wholesale and retail industry and wholesale and retail industry, respectively, which accounted for 26.3%, 40.0%, 62.6% and 54.2% of our total impaired loans, respectively. In addition, we had impaired loans of RMB11.0 million in relation to real estates industry as of 31 December 2013, which were fully recovered in 2014. We did not have impaired loans in relation to such industry as of 31 December 2014 and 2015 and 31 March 2016. Our impaired loans in relation to agriculture industry decreased from RMB13.4 million as of 31 December 2013 to RMB2.6 million as of 31 December 2014, which was attributable to our subsequent recovery of payments with an aggregate principal amount of RMB10.8 million in 2014. We did not have impaired loans in relation to such industry as of 31 December 2015 and 31 March 2016 because the remaining impaired loans of RMB2.6 million were disposed in 2015. We also had impaired loans of RMB10.0 million in relation to transportation, warehousing and postal services industry as of 31 December 2014, which were disposed in 2015. We did not have impaired loans in relation to such industry as of 31 December 2013 and 2015 and 31 March 2016.

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As the business performance and financial conditions of the enterprises in each industry were largely affected by the market conditions, such as changes in government policies, our impaired loans receivable from the customers in each industry fluctuated during the Track Record Period. However, we monitored the market condition of each industry when assessing the credit risk of our customers, in addition to our other credit risk assessment measures. As a result, notwithstanding the changing market conditions, our impaired loans receivable from each industry generally decreased for the years ended 31 December 2013, 2014 and 2015.

Manufacturing industry accounted for the second largest, the largest, the second largest and the largest industry to which our impaired loans related as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. As such, we set forth below a further breakdown of the impaired loans in the manufacturing industry by types of activities as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Manufacturing industry:								
Printing and record medium reproduction	—	—	—	—	3,000	53.3	3,000	37.8
Education, arts and crafts, sports and entertainment products	—	—	—	—	2,000	35.5	2,000	25.2
Leather, fur, feather products and footwear manufacturing	—	—	2,830	15.9	630	11.2	630	8.0
Paper and paper products	—	—	15,000	84.1	—	—	—	—
Automobiles	3,000	20.7	—	—	—	—	—	—
Electrical machinery and equipment ⁽¹⁾⁽²⁾	2,000	13.8	—	—	—	—	—	—
Textiles and apparel ⁽¹⁾⁽³⁾	500	3.4	—	—	—	—	—	—
Others ⁽⁴⁾	9,000	62.1	—	—	—	—	2,300	29.0
Total impaired loans in manufacturing industry	14,500	100.0	17,830	100.0	5,630	100.0	7,930	100.0

Notes:

- (1) According to *Ipsos*, certain sectors in these industries experienced overcapacity in 2015. Overcapacity in any of the industries in which our customers operate could have a negative impact on their businesses, which in turn could adversely affect their ability to repay their loans in a timely manner or even cause them to default on their loans. For a discussion of the relevant risks, see “Risk Factors — Risks Relating to Our Business and Industry — We lack business diversification and our future income is more susceptible to fluctuations than a more diversified financial services company.” We apply similar credit and risk assessment procedures and criteria for loans that involve higher risks as we do for all of our other loans and follow the principles of our credit risk management to manage risks associated with such loans. When we conduct post-loan grant reviews of our customers, we focus our review and evaluation on factors that include our customers’ use of funds, the business operations of our customers and the industries and markets in which our customers operate. Depending on the loan size, the inspection report and proposed follow-up measures relating to loans that involve higher risks must be submitted to our Chairman, the Board of Directors or Shareholders’ meeting (as the case may be) for record or approval. For details, see “— Risk Management — Credit Risk Management — Post-loan grant review.”

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- (2) According to the *Quanzhou Development and Reform Commission* and the Ipsos Report, the lighting fixtures manufacturing sector and battery manufacturing sector in the electrical machinery and equipment industry experienced overcapacity in 2015.
- (3) According to the *Quanzhou Development and Reform Commission* and the Ipsos Report, the silk and fabric textiles sector in the textiles and apparel industry experienced overcapacity in 2015.
- (4) Includes general purpose machinery manufacturing; liquors, beverages and refined teas; chemical fibers; foods; furniture manufacturing; non-metallic mineral product manufacturing; waste resources integrated utilization industry; special-purpose equipment manufacturing; professional equipment manufacturing; metalwork manufacturing; rubber and plastics products manufacturing; agriculture and sideline products processing; and other manufacturing industries.

As of 31 December 2013, 2014 and 2015 and 31 March 2016, 21.5%, 40.0%, 34.4% and 43.1% of our impaired loans receivable were granted to customers from the manufacturing industry. As the business performance and financial conditions of the enterprises in the manufacturing industry were largely affected by market conditions, such as industry overcapacity, our impaired loans receivable from customers in the manufacturing industry fluctuated during the Track Record Period. However, we monitored the market condition of each of the relevant activities in the manufacturing industry when assessing the credit risk of our customers, in addition to our other credit risk assessment measures. As a result, notwithstanding the changing market conditions, except for the paper and paper products industry, our impaired loans receivable from each business activity in the manufacturing industry generally decreased for the years ended 31 December 2013, 2014 and 2015. For details of our additional risk management measures on paper and paper products industry, see “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of Components of Results of Operations — Other income and gains, net.”

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

	As of/For the year ended December 31			As of/For the three months ended 31 March
	2013	2014	2015	2016
	(RMB’000, except for percentage)			
Impaired loan ratio ⁽¹⁾	11.7%	6.2%	2.3%	2.4%
Balance of impaired loans receivable	67,558	44,560	16,390	18,390
Balance of gross loans receivable	575,569	719,676	708,886	771,514
Allowance coverage ratio ⁽²⁾	72.9%	76.9%	102.2%	95.7%
Allowance for impairment losses ⁽³⁾	49,242	34,252	16,746	17,598
Balance of impaired loans receivable	67,558	44,560	16,390	18,390
Provision for impairment losses ratio ⁽⁴⁾	8.6%	4.8%	2.4%	2.3%
Loss ratio ⁽⁵⁾	4.4%	2.6%	6.9%	3.9%
Net charge of impairment allowance on loans receivable	3,489	3,455	9,431	1,417
Interest income	78,474	134,301	135,882	36,153
Net interest margin ⁽⁶⁾	12.4%	19.5%	18.3%	N/A ⁽⁸⁾
Charge-off ratio ⁽⁷⁾	0.7%	3.0%	0.0%	0.0%

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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.
- (6) Represents the net interest income divided by the average balance of the principal amount of our outstanding loans. The average balance of the principal amount of our outstanding loans represents the average of the balance of the principal amount of our outstanding loans at the previous year end and the current year end. Net interest margin measures the profitability of interest-bearing assets.
- (7) Represents the total write-offs during the period divided by the total principal amount of our outstanding loans at the year/period end. Charge-off ratio measures the gross credit loss of our loan portfolio.
- (8) Such ratio is not meaningful as it is not comparable to annual numbers. The net interest margin for the three months ended 31 March 2016 is 19.0%, on an annualized basis, representing the net interest income for the three months ended 31 March 2016 divided by the average balance of the principal amount of our outstanding loans, multiplied by four.

Our impaired loans receivable was RMB67.6 million, RMB44.6 million, RMB16.4 million and RMB18.4 million, respectively, generally in line with our enhanced risk management and higher loan quality during the same periods. In addition, as approved by the Quanzhou Financial Affairs Bureau, we disposed of impaired loans with an aggregate principal amount of RMB63.8 million to an independent licensed trust company through Haixia Equity Exchange at the price of RMB39.0 million in 2015. Our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016.

Our allowance coverage ratio increased from 72.9% as of 31 December 2013 to 76.9% as of 31 December 2014, and further increased to 102.2% as of 31 December 2015, primarily as a result of the decrease in our impaired loans receivable during the same periods. Our allowance coverage ratio decreased from 102.2% as of 31 December 2015 to 95.7% as of 31 March 2016, primarily due to the increase in our impaired loans receivable of RMB2.0 million as a result of our recategorization of the credit risk levels of two loans from "special-mention" to "substandard" for the three months ended 31 March 2016. We believe that our provisions for impairment losses were adequate.

Our provision for impairment losses ratio decreased from 8.6% as of 31 December 2013 to 4.8% as of 31 December 2014, and further to 2.4% as of 31 December 2015, primarily due to: (i) the significant increases in the balance of gross loans receivable during the same periods as a result of our business expansion; and (ii) the decreases in the allowance for impairment losses during the same periods mainly as a result of the increase in write-offs for the year ended 31 December 2014 and our disposal of impaired loans in 2015. Our provision for impairment losses ratio remained relatively stable with a slight decrease from 2.4% as of 31 December 2015 to 2.3% as of 31 March 2016. For more details, see Note 14 of Section II of the Accountants' Report attached as Appendix I to this Prospectus.

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Our net interest margin increased from 12.4% for the year ended 31 December 2013 to 19.5% for the year ended 31 December 2014, primarily due to: (i) the significant increase in our interest income for the year ended 31 December 2014 as a result of a capital increase of RMB200.0 million in late December 2013; (ii) the increase in average effective interest rate per annum charged on our performing loans; and (iii) the decrease in interest expense as a result of the decrease in effective interest rate on our interest-bearing bank borrowing. Our net interest margin remained stable with a slight decrease from 19.5% for the year ended 31 December 2014 to 18.3% for the year ended 31 December 2015.

Our charge-off ratio increased from 0.7% for the year ended 31 December 2013 to 3.0% for the year ended 31 December 2014, primarily due to the increase in write-offs for the year ended 31 December 2014. Such increase was primarily because incidents reflecting no realistic prospect of future recovery occurred in 2014 to three of our customers, whose loans were due in 2011 and had been categorized as loss for more than two years. We did not have any written-off loans for the year ended 31 December 2015 and the three months ended 31 March 2016.

In addition, our management also uses a loss ratio to monitor our financial results in relation to the impairment losses incurred. Our loss ratio for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 were 4.4%, 2.6%, 6.9% and 3.9%, respectively. Our Directors consider that our loss ratios were acceptable.

INFORMATION TECHNOLOGY

We believe that computerized information technology systems are critical to supporting our business process and strengthening our risk and financial management capacities. To manage our financial resources, we utilized U8 Financial Software (用友財務軟件) from 2010 to 2014, which enables us to record financial data, analyze our past financial performance, monitor our financial condition and plan our future business operations.

In addition, we fully implemented a Kingdee ERP system (金蝶企業管理軟件) in 2015 to further enhance our financial resources management and business operation management to support our expanded business. The Kingdee ERP system allows us to support our loan business process by encompassing the management of our sales and marketing activities, customer information, loan approval and granting processes, and loan portfolio monitoring and reporting. The system also allows real-time data flow and integration of information for our business operations and accounting system. We believe that the robust information management system helps us by enhancing the exchange of information among our various functional business units and improve our operating efficiency.

During the Track Record Period, we did not suffer any major information technology system failures or related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology system on which our operations significantly rely. For more information, see “Risk Factors — Risks Relating to Our Business and Industry — Our results of operations may be adversely affected if we experience failures in our information technology systems.”

COMPETITION

Since the CBRC and the PBOC promulgated the *Guiding Opinions* in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. The main entry barriers into the microfinance industry in China include relatively high minimum capital requirement and relatively high tax rates. In spite of this, according to *Ipsos*, the microfinance industry in Fujian Province, including in Quanzhou City, is expected to maintain steady growth in the future.

Competition within the microfinance industry in China and Fujian Province has become increasingly intense. According to *Ipsos*, there were 32 microfinance companies in Quanzhou City, 120 in Fujian Province and over 8,910 in China as of 31 December 2015. We are the largest licensed microfinance companies in Fujian Province in terms of 2015 revenue, according to *Ipsos*. During the Track Record Period, we served over 600 different customers.

We directly compete with the other 31 local microfinance companies in Quanzhou City. Other competitors include commercial banks, rural banks, private money lenders and wealthy individuals that lend to entrepreneurial individuals, SMEs and microenterprises in need of short-term financing. We compete primarily on the basis of:

- *our scale of, and ready access to, lending capital*: benefit from the well-established connection with local banks of one of our Substantial Shareholders, it is relatively easy for us to obtain credit facilities as an additional source of lending capital from banks compared to other local microfinance companies in Quanzhou City. For example, we were able to obtain credit facilities from banks, such as the China Development Bank, during the Track Record Period while our primarily competitors either did not obtain credit facilities from any bank or obtained a smaller amount with a shorter term.
- *the efficiency of our loan assessment and approval process*: we typically complete the assessment and approval process for a term loan application within seven business days. However, according to *Ipsos*, it takes on average 30 business days for microfinance companies in Quanzhou City to complete the assessment and approval process for a term loan application.
- *our ability to offer a diverse portfolio of practical and flexible short-term financing solutions*: we offer efficient revolving loan and term loan financing services, which enables us to provide flexible financing solutions to our customers. However, according to *Ipsos*, a majority of microfinance companies in Quanzhou City did not offer revolving loan service to their customers as of the Latest Practicable Date.
- *our strong shareholder base*: for example, according to *Ipsos*, Fujian Septwolves Group, one of our Substantial Shareholders, has greater capital strength than the substantial shareholder of the second largest market player in terms of principal amount of outstanding loans as of 31 December 2015 in Quanzhou City, make us a more attractive financing solutions provider to potential customers.

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In addition, we also compete on the basis of the followings:

- risk management and risk control capabilities;
- our experienced team of management and business managers;
- our in-depth knowledge of the local markets and credit environment; and
- our strong shareholder base, including the reputation of one of our Substantial Shareholders.

We were the largest licensed microfinance company in Quanzhou City in terms of revenue, principal amount of outstanding loans and registered capital for the year ended and as of 31 December 2015, as the case may be, according to *Ipsos*. We believe that the foregoing competitive advantages contributed significantly to our profitability during the Track Record Period, including by enabling us to achieve substantially larger outstanding loans and higher revenues in 2015 than the second largest licensed microfinance company in terms of 2015 revenue in Quanzhou City. As we expand into new regions and product lines, we may face competition from additional competitors. See “Risk Factors — Risks Relating to Our Business and Industry — Competition in the industry in which we operate is growing and could cause us to lose market share and revenue in the future.”

For more information on the competitive landscape, see “Industry Overview.”

INTELLECTUAL PROPERTY

We have registered one trademark “ 汇金小额贷款” in Hong Kong with the Trademark Registry of the Intellectual Property Department. In March 2015, we were notified by the Trademark Office in China that we would not be able to apply for registration of two trademarks containing the Chinese characters “滙鑫” in China because such trademarks were considered to be similar to certain previously-registered trademarks. We may not be able to adequately protect our intellectual property in China. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adequately protect our intellectual property, which may adversely affect our business and results of operations.” However, we are advised by our PRC Legal Advisers that we were not required to register our trademarks in China according to the *Trademark Law of the People’s Republic of China (2013 Amendment)* (中華人民共和國商標法(2013修正)), *Regulations of the People’s Republic of China on the Administration of Company Registration (2016 Revision)* (中華人民共和國公司登記管理條例(2016修訂)) and relevant PRC laws and regulations as of the Latest Practicable Date. Given that: (i) we are not required by law to register our trademarks in China as advised by our PRC Legal Advisers; and (ii) we rely primarily on our competitive advantages rather than solely on the recognition of the name of “滙鑫” among existing and potential customers in order to generate business, our Directors are of the view that the registration of such trademarks is not material to us and our inability to register such trademarks in China would not cause any material adverse impact to our business operation. In addition, our Directors are not aware of any claims of infringement of intellectual property rights owned by third parties either pending or threatened. In addition, we use one domain name, www.qzhuixin.net, in connection with our business operations. See “Appendix VI — Statutory and General Information” for more details.

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EMPLOYEES

As of the Latest Practicable Date, we had 31 employees, all of which were based in Quanzhou City. The table below sets forth the number of our employees by function as of the Latest Practicable Date:

	<u>Number of employees</u>
Senior management and secretarial office of the Board	4
Sales and marketing	16
Risk management	3
Finance	5
Administration	<u>3</u>
Total	<u>31</u>

We believe that the sustainability of our growth depends on the capability and loyalty of our employees. Our management values our employees and promotes a transparent appraisal system for all of our employees seeking career advancement across different business departments. The remuneration of our employees, including base salary and performance-based compensation, depend primarily on the type of work, position, capabilities and performance. To maintain a competitive edge in the marketplace, we will continue to focus on attracting and retaining qualified professionals by offering a performance-based compensation structure that rewards performance and results to incentivize our employees. Performance-based compensation comprises of monthly performance-based salaries, project bonuses and year-end bonuses. Only our frontline business managers are entitled to project bonuses, which relate to the manager's revenue contribution and the type and size of loans extended. We also adopt a risk responsibility scheme. For more details, see “— Risk Management — Credit Risk Management — Risk responsibility scheme.”

Moreover, a majority of our business managers have worked in sizable commercial banks or other financial institutions, possess extensive experience in business, finance and risk management, and have been with us since our inception. We provide our employees with training programs regularly that focus on PRC macroeconomic and market conditions, analysis of our strategies and microfinance industry, financial management and sales management, financing and accounting and relevant laws and regulations. Meanwhile, new employees are also trained through the exercise of our loan application and approval as well as risk management procedures and attending internal meetings. We believe that our ability to retain professional and trustworthy personnel has also allowed us to maintain the high standards of our risk management system.

In accordance with the applicable PRC laws and regulations on social insurance and housing funds, we participate in a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a maternity insurance plan, an occupational insurance plan and a housing funds plan for our employees. Except for the social insurance and housing fund contributions, we are not responsible for other employee benefits. Our wages, salaries and contributions to staff welfare for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016 were RMB1.9 million, RMB3.6 million, RMB5.3 million and RMB1.5 million, respectively.

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We have labor unions that protect our employees' rights, assist us in attaining the economic objectives of the Company, encourage employees to participate in management decisions and assist us in mediating disputes with union members.

We believe that we maintain good working relationships with our employees. During the Track Record Period, we had not experienced any material labor disputes with our employees, received any complaints, notices or orders from relevant government authorities or third parties, or received any claims relating to social insurance or housing funds.

PROPERTIES

As of the Latest Practicable Date, we did not own any properties, but leased one property in the PRC. The property is used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Accordingly, this Prospectus is exempt from the requirements under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include a property valuation report. Pursuant to Rule 5.01A of the Listing Rules, a prospectus is exempt from the requirement if the carrying amounts of a listing applicant's property activities and non-property activities are below 1% and 15%, respectively, of the total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Leased Properties

As of the Latest Practicable Date, we leased one property for our head office, which is located at 12/F, Former Finance Building, No. 361 Fengze Street, Quanzhou City with an aggregate area of 710.7 m². We entered into the office lease agreement with an Independent Third Party for a term of five years in April 2014.

Our PRC Legal Advisers have confirmed that the lessor of the above property is the owner of the property. In addition, the lease agreement has been registered with the Bureau of Housing and Urban-Rural Development of Quanzhou City.

During the Track Record Period, we did not experience any dispute arising out of our leased property.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We do not believe that the nature of our business involves substantial risks involving the environmental, health and safety matters.

INSURANCE

We maintain mandatory social insurance policies for our employees as required by the PRC social security laws and regulations and we make contributions to mandatory social insurance and we have purchased certain personal health and accident insurance for our employees. We also maintain property insurance on our vehicles as well as automobile liability insurance. Our insurance coverage is provided by reputable companies in accordance with commercially reasonable standards.

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Consistent with the industry practice in China, we do not, and are not required by PRC law to, maintain any credit insurance, key person insurance, business interruption insurance or third-party liability insurance. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not be adequate, which could expose us to significant costs and business disruptions.”

We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other microfinance companies in China. We periodically review our insurance coverage to ensure that it is adequate.

As of the Latest Practicable Date, we had not made any material insurance claims or experienced any material insurance disputes.

RISK MANAGEMENT

As a microfinance company primarily dedicated to providing credit-based and short-term financing to entrepreneurial individuals, SMEs and microenterprises, credit risk is the most significant risk inherent in our business. We have developed a credit risk management system in accordance with the type and size of our loans, the types of our customers as well as the local legal and economic environment. We also strictly adhere to the policy of separating the investigation and evaluation of loan applications or risk assessment process from the approval of loans, which has ensured the effectiveness of our risk management and risk control efforts. We have developed credit evaluation procedures to determine our customers’ creditworthiness based on our experience in serving entrepreneurial individuals, SMEs and microenterprises. Our credit evaluation system enables us to effectively conduct our business based primarily on the creditworthiness of our customers, rather than collateral. While we develop and expand our business operations, we continue to monitor and improve the performance and function of our risk management system to respond to changes in market conditions, the regulatory environment and our product portfolio. Our continuous growth and the sustainability of our business are dependent on our ability to identify and manage our credit risks at a reasonable level relative to our business scale and profitability. We strive to achieve an optimal balance between an acceptable and manageable credit risk level and an efficient use of available funds to improve returns for our Shareholders.

We also face risks relating to our operations and compliance. In this regard, we have adopted and implemented streamlined processes and procedures to make our daily operations efficient and effective and ensure our compliance with all applicable laws and regulations.

Credit Risk Management

Credit risk is the principal risk inherent in our business. Credit risk arises from a borrower’s inability or unwillingness to repay its financial obligations owed to us in a timely manner. We have adopted an assessment and approval process in order to effectively identify, manage and minimize credit risks in connection with each loan we grant.

Our credit risk management is subject to the following principles:

- “*Relatively small and diverse*” principle (相對小額分散): we grant relative small loan amounts, as compared to the amount of commercial bank loans, while maintaining a diverse customer base to diversify the risk in our loan portfolio;

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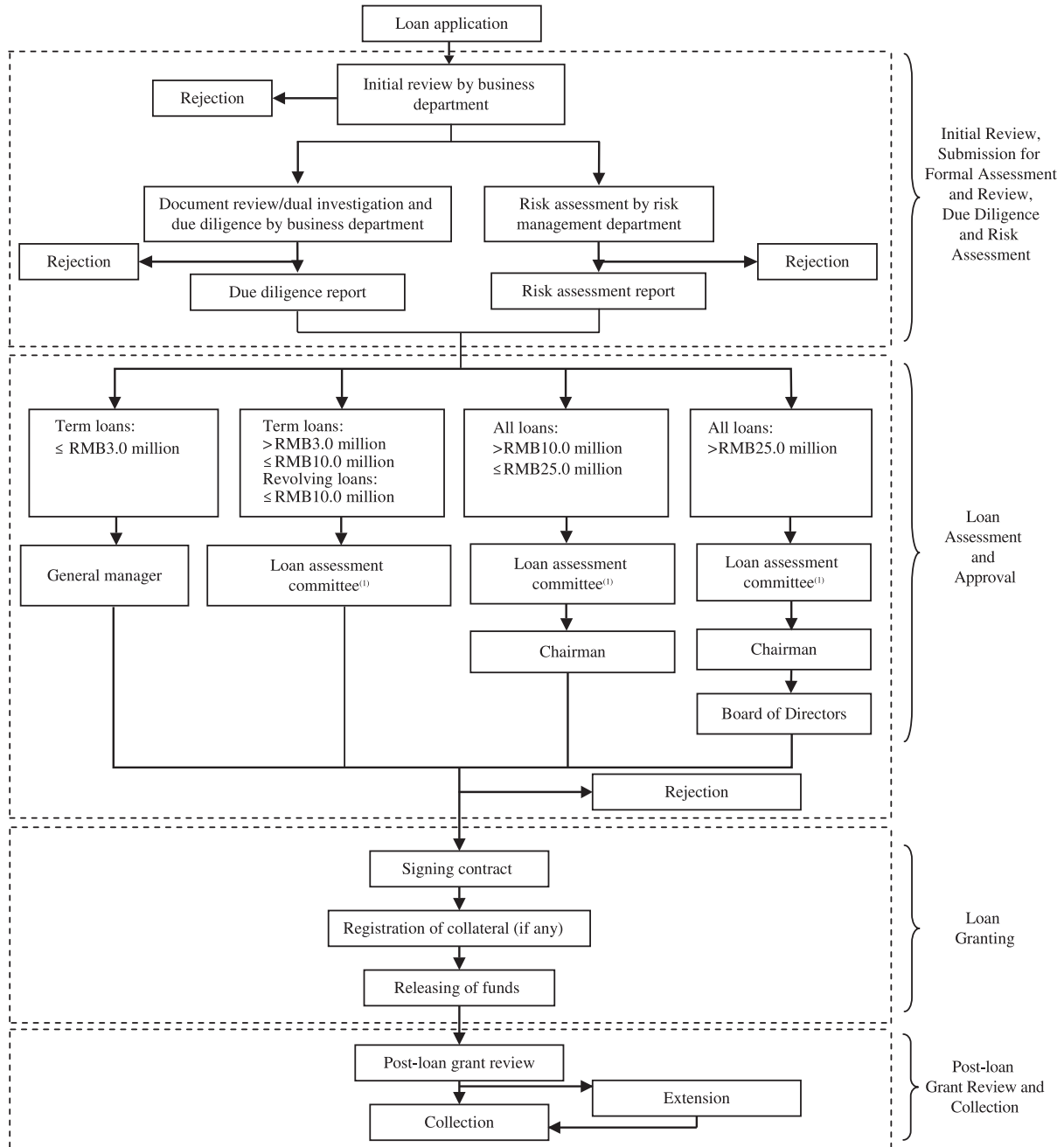
- “Short maturity” principle (短貸款期): we typically offer short-term loans with terms that range from ten days to one year, a majority of which are due within six months, to reduce our exposure to default risks inherent in long-term loans;
- “People-oriented assessment” principle (以人為主): We believe that the stability and continuity of the business of the borrower, particularly an entrepreneurial individual, SME or a microenterprise, and the ability and willingness to honor repayment obligations as such obligations fall due, are closely related to the commitment and attitude of the borrower’s direct/indirect controlling shareholder(s) and relevant management team of our customers or their businesses. Therefore, our credit evaluation procedures also emphasize the assessment of the borrower or the borrower’s direct/indirect controlling shareholder(s) and management team and on experience, credit records and stability. We generally seek guarantees from the person(s) controlling, or having substantial influence over, our customers as well as the direct/indirect controlling shareholder(s)’ spouse, adult children or other family members.
- “Focus on operating quality (重視營運品質)”: Leveraging our flat management structure and our knowledge of the local market, we focus particularly on the operating quality of our customers’ businesses and their cash flow as well as source of repayment through restructuring and examining of the financial information of our customers’ businesses and conducting on-site visits to inspect the operations and/or production facilities of the customer and searching relevant records of bank credit and disputes.

Although we were not subject to any restrictions on the proportion of our outstanding loans during the Track Record Period and as of the Latest Practicable Date, upon the Listing we will become subject to an amended 70% requirement that defines outstanding small loans to a single borrower as loans of up to a maximum of RMB5.0 million instead of RMB1.0 million (the “Amended 70% Requirement”), according to the Opinion Letters. For details, see “— Approvals, Compliance-Related Matters and Legal Proceedings — Compliance — Compliance with key regulatory requirements.” However, while we are not required to comply with such Amended 70% Requirement until after the Listing, to facilitate the Listing process, we voluntarily adopted and implemented a series of internal control procedures as well as managed our loan portfolio since 1 July 2014 to be in accordance and in full compliance with the Amended 70% Requirement. As of the Latest Practicable Date, we continued to conduct our operations in full compliance with the Amended 70% Requirement in order to observe good corporate governance, regulatory compliance and risk management practices. Such internal control procedures include:

- monitoring and managing our loans portfolio granted to borrowers. Our risk management department manages the maximum loan amount we grant to a single borrower, and our finance department monitors the balance of outstanding loans of each borrower when approving each loan application as well as the ratio of the balance of outstanding small loans to the total balance of outstanding loans on a daily basis;
- providing compliance training to our employees, especially business managers;
- designating a compliance specialist, who has legal qualification and experience as an in-house legal adviser, to monitor our compliance status; and
- designating the risk management head and deputy general manager, both of whom have legal qualification and extensive experience in practice of law and risk management, to review and supervise compliance matters.

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Our risk management procedures mainly consist of due diligence reviews on customers, risk assessments, multilevel assessments and approval processes, post-loan grant reviews and collections, with varying levels of scrutiny generally according to the amount and type of loans granted. The flowchart below summarizes the key procedures of our credit risk management:



Note:

(1) The chairman of the loan assessment committee has the right to veto any credit proposal.

Loan application

The credit risk management process begins with a loan application. Our business managers will respond to the initial inquiries from a loan applicant, analyze such applicant's financial needs and financing plans, and recommend appropriate loan products and services. When filling out a loan application form, an applicant is asked to specify the size, term and use of the loan, whether the loan will be guaranteed or secured, and the source of funding and capability of repayment. We also require the applicant to provide a list of documents to supplement the loan application. For example, an enterprise applicant must provide its business license, articles of association, tax certificates, asset appraisal report and board resolution or other appropriate authorization regarding the loan application. We also require the applicants who apply for revolving loans to provide additional documentation, such as bank statements and material business contracts.

Initial review

Our business department conducts an initial review of the loan application, including the completeness, legality, authenticity and validity of the materials provided by the customer, and considers whether to accept a customer's application pursuant to our application acceptance procedure. We may also consider other general conditions, including relevant laws and regulations, macroeconomic conditions and developments in the industry in which the customer operates, when we review the loan applications. Our business department may reject a customer's application at the initial stage if such customer does not meet the basic eligibility requirements, such as the legality of its businesses, stable income and track record for enterprise customers or stable income and credit record for individual customers. Loan applications that fail the initial review and are rejected at this pre-screening stage are not submitted for the formal loan assessment and review process.

Submission for formal assessment and review

A loan application that passes a business manager's initial pre-screening review is submitted for the formal loan assessment and review process. This involves extensive document reviews and due diligence procedures carried out by our business department, as well as risk assessments conducted by our risk management department.

Due diligence and risk assessment

The key due diligence processes after acceptance of a loan application include:

- *Dual investigation and due diligence process:* we typically designate a team of two business managers, one of whom is designated as the project manager, to conduct dual independent customer due diligence in a loan application. Our business managers will collect materials covering three areas, namely, customer's basic information, financial condition and non-financial conditions. For customer's basic information, we collect information including enterprise customer's registered capital, borrower's proposed use of loans and repayment resource, business operation and strategies, and main products and key technologies. With respect to the customer's financial conditions, we examine and restructure the borrower's financial information by collecting borrower's utilities bills, information of production line, facilities and equipment, sales orders and other materials that we deem relevant. We also conduct break-even analysis, interest coverage ratio analysis and capital resource analysis of

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the borrower's business to assess the relevant financial risks. With respect to the customer's non-financial conditions, we investigate the management team of the customer or their businesses, relevant industry and market development, product and technology information, credit and litigation records of the borrower. Most importantly, our business managers will conduct on-site visits to inspect the operations and/or production facilities of the customer. Wherever practical and relevant, we will also conduct interviews with the customer and/or any person who has personal or business relationships with such customer to have a comprehensive understanding of the customer's background, personality and integrity. After the foregoing investigation and due diligence process, each of the two business managers will prepare a due diligence report on the creditworthiness of the customer independently;

- *Parallel risk assessment:* in order to better identify risks involved in a loan application, our risk management managers or a designated employee will conduct parallel risk assessments for a loan application, including assessments on completeness of application materials and security provided by the customers. After the investigation, the risk management managers or a designated employee will prepare a risk assessment report;
- *Use of "soft information" indicators (軟指標):* in order to help assess the creditworthiness of our customers and verify the materials provided by them, we collect "soft information" during the due diligence process, including the customer's reputation and track record, the expertise and experience of individual customers or the direct/indirect controlling shareholder(s) and key management of enterprise customers, and product competitiveness of the customers and the customers' upstream and downstream counterparties in local and national markets. Meanwhile, we serve local customers in Quanzhou City, which allows us to easily access such "soft information" and make such "soft information" more relevant to the creditworthiness of our customers;
- *Due diligence on guarantors:* guarantors of loans that we extend to our customers are individuals and/or non-financial institutional enterprises. Guarantors of loans that we extended to our customers include (i) family members of individual customers, (ii) the direct/indirect controlling shareholder(s) of enterprise customers, (iii) the family members of the direct/indirect controlling shareholder(s), (iv) affiliated companies of enterprise customers, (v) the companies controlled by individual customers, and (vi) other controlling shareholders or affiliates of such companies. We review the creditworthiness of the guarantors using a process that is similar to our review of a customer's creditworthiness. Our business managers may conduct on-site visits to inspect the operations and/or production facilities of the guarantor. The results of the review of guarantors form part of the basis of our conclusion of a customer's creditworthiness; and
- *Due diligence on collateral:* where tangible assets are provided as collateral, we conduct on-site visits to inspect such collateral and monitor closely the volatility of the value of the collateral provided by our customers, especially the real property. To ensure that the loans we approve are consistent with the value of collateral under current market conditions, our project managers conduct post-loan grant reviews on the collaterals provided by our customers on a monthly basis. For equity rights provided as a pledge, which have all been shares of non-public companies as of the Latest Practicable Date, our project managers monitor the operating conditions of such companies by requesting such companies to provide

us with their financial statements periodically and conducting on-site visits or telephone interviews with our customers. In addition, we refer to the market price and liquidity of similar equities transacted in the market to assess the value of the pledged equity rights. During the Track Record Period, for the equity rights related to real estate business holding real properties, we adopted discounts ranging from 60% to 70% when assessing their value, depending on the market price of similar properties in the same area; for other equity rights, we adopted discounts ranging from 60% to 78% when assessing their value in consideration of the liquidity. Where tangible assets are provided as collateral, our project managers monitor closely the potential fluctuations in real property value by conducting on-site visits of the relevant property and performing online research on the general market conditions where such property is located. The personnel involved in overseeing the valuation process of the collateral mainly include our senior manager, Ms. Hong Lijun and our business manager, Mr. Guo Jiandong, both of whom have worked in commercial banks or financial institutions and have experience in the evaluation of collateral.

Assessment and approval

Once a loan application passes the review of our business department and risk management department, such loan application will be subject to a final assessment and approval by our general manager, loan assessment committee, our Chairman or the Board, depending on the loan size and type.

Our credit review focuses on evaluating the customer's ability and willingness to pay its financial obligations when they fall due. To this end, in addition to documentary review, we take advantage of the "soft information" we gather during the due diligence process to complement our understanding and analysis of a customer's creditworthiness. We collect, organize and consider all the relevant information, including the customer's financial and non-financial conditions, the purpose of the financing, the guarantor's financial conditions and creditworthiness, the value of the collateral and the "soft information" wherever relevant, to form the basis for our personnel in charge of loan assessment and approval to evaluate the customer's creditworthiness.

With respect to our revolving loans that are not backed by any collateral, we generally grant a credit line to our customers corresponding to the size of their assets, generally ranging from 5% to 10% of total asset value. We also consider our customers' leverage ratio when granting credit line. In relation to our collateral-backed loans, we have adopted risk management procedures for the identification and evaluation of creditworthiness of the borrower and the legal ownership and accurate valuation of collateral. As a manner of risk management, we generally grant collateral-backed loans with guarantee and collateral-backed loans without guarantee with loan-to-value ratios ranging from approximately 25.0% to 83.3% and approximately 30.0% to 66.7%, respectively, of the market value of collateral. As part of our risk management procedures, we ensure that the loan-to-value ratios for our collateral-backed loans do not exceed the fixed maximum ratios that we will accept for any loan to be approved. To manage our exposure to risks relating to the collateral, we have fixed the maximum loan-to-value ratios at 85.0% for collateral-backed loans with guarantee and 70.0% for collateral-backed loans without guarantee.

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Our assessments and approval processes vary by loan size and transaction type:

Term loans less than or equal to RMB3.0 million

Term loans less than or equal to RMB3.0 million are subject to an assessment and approval by our general manager. When considering whether to grant a term loan less than or equal to RMB3.0 million, our general manager will assess the borrower's operations and leverage ratio.

Term loans over RMB3.0 million and less than or equal to RMB10.0 million, or revolving loans less than or equal to RMB10.0 million

Term loans over RMB3.0 million and less than or equal to RMB10.0 million, or revolving loans less than or equal to RMB10.0 million are assessed and approved through collective decision-making process of our loan assessment committee. The loan assessment committee is comprised of standing committee members, such as committee members delegated by the Promoters and our management, and external experts who are invited to join our loan assessment meeting for certain loans applications. The chairman and composition of the loan assessment committee are approved by the Board.

After such loan application passes the reviews of business department and risk management department, our loan assessment committee will carry out the final assessment. At the loan assessment meeting, the project manager from our business department will present the loan applications and relevant information and make a credit proposal for granting of loans, and our risk management managers will present the risks involved in such loan application. The other business manager who conducts independent due diligence investigation on the loan application, as well as our staff in the business and risk management departments, will also attend the loan assessment meeting. Our loan assessment committee may return the application to the business department and request for further due diligence during the loan assessment process.

Our loan assessment committee members then assess the loan application and issue independent opinions on the credit proposal. Each committee members attending the meeting has one vote. The credit proposal will be approved by a simple majority of the committee members while the chairman of the loan assessment committee has the veto right.

Loans over RMB10.0 million and less than or equal to RMB25.0 million

Similar with term loans over RMB3.0 million and less than or equal to RMB10.0 million, and revolving loans less than or equal to RMB10.0 million, loans over RMB10.0 million and less than or equal to RMB25.0 million are subject to an assessment and approval by our loan assessment committee. Upon our loan assessment committee's approval, the credit proposal will ultimately be presented to our Chairman who has the right to veto the approved proposal.

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Loans over RMB25.0 million

The loans over RMB25.0 million are subject to an assessment and approval by the loan assessment committee and our Chairman, which is similar to the assessment and approval process of the loans over RMB10.0 million and less than or equal to RMB25.0 million, as well as the final assessment and approval by the Board of Directors.

We determine the terms and conditions of a loan contract, such as pricing, principal amount, term of loan and payment terms, during the approval process.

Rejection

Based on the assessments results, we may: (i) approve a credit proposal as presented; (ii) amend the credit proposal as appropriate; or (iii) reject a loan application. Typically, we reject a loan application for the following reasons:

- the borrower has sustained losses or negative operating cash flows for three consecutive years;
- the borrower has used illegal or fraudulent means to obtain loans, or is using the loans for illegal purpose;
- the borrower operates in industries that are subject to stringent control or regulation by the PRC;
- the borrower is conducting business in an illegal way;
- the borrower has been increasing loan amount continuously without specific and reasonable purposes;
- the borrower has a bad credit record;
- there has been a serious violation of laws or actions endangering our credit funds by the borrower; and
- the borrower is being sued for loan-related matters.

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the number of loan applications that were rejected after having been submitted for the formal loan assessment and review process was eight, 20, 25 and nine, respectively, representing a rejection rate for loan applications of approximately 4.7%, 6.5%, 7.8% and 8.0%, respectively. Most financing requests that cannot meet our basic customer eligibility requirements are screened out during the initial review at the pre-screening stage by our project managers in the business department, and will not be further processed. As we only record the number of loan applications that, having been submitted for formal assessment and review, are subsequently rejected for failing to pass our due diligence and risk assessment procedures, our official rejection rates do not take into account the number of loan applications that are rejected for failing the initial review at the pre-screening stage.

Loan granting

Once a loan application is approved through our assessment and approval process based on loan size, our business department will prepare the loan contract and other relevant documentation based on our standard agreements, which are subject to the approval by our risk management department. We will then proceed with the signing of loan contracts and other security documents, such as the guarantee, pledge or mortgage agreements, as applicable. In case of guaranteed loans, our customers and their guarantors are jointly and severally liable for the repayment of the principal and the interests accrued. If any collateral is provided by the borrower, we will ask the borrower to register our security interest in such collateral with the relevant government authorities before we release our funds for drawdown. In limited cases, we grant new loans with terms of more than one year (but in no event with terms of more than two years) to certain customers who have demonstrated their stable operations and sound financial health. These customers are entitled to loans with terms ranging from one year to two years and principal amount ranging from RMB2.0 million to RMB5.0 million in 2015. In addition, during the Track Record Period, at the request of certain existing customers who had a demonstrated history of stable operations and sound financial health, we agreed to extend the period of the loan terms on existing loans that had been granted to such customers. We apply similar credit and risk assessment procedures and criteria for such loans as we do for all of our other loans, except that we also request such customers to provide information on the type of project or activity that the funds will be used to finance. Other than the longer period of the loan terms and the additional information that must be provided, new loans with terms of more than one year and extension loans have the same features as all of our other loans.

Revolving loan customers must submit a drawdown application when financing needs arise. Funds are released following the confirmation of various levels of our employees including our business department heads, risk management department head, financial manager and general manager. For term loans, we proceed with the release of funds upon the signing of loan contracts and notify the borrower that the loan is available for drawdown.

Post-loan grant review

We continue to monitor the borrower's ability to repay our loans after we grant the loans. The project manager is responsible for reviewing the borrower's actual use of funds within ten business days after the drawdown of the loans and reporting to the relevant personnel in charge of loan assessment and approval. In addition, we conduct periodic reviews of our loan portfolio and conduct on-site visits or telephone interviews with our customers to monitor the risks associated with loans.

Our post-loan grant review is divided into two parts, routine inspection and special inspection. Routine inspection applies to all the loans we grant, including inspections on the borrower's use of funds, operations and business, change of assets, cash flows, management team, utilities consumption and tax payments as well as any changes on collateral. If a customer has drawn down the funds, we conduct monthly routine inspections on such customer, and if a customer has not drawn down the funds, we conduct routine inspections at least once per three months. When we determine that a loan we grant is of high risk through our routine inspection, we conduct special inspections on such loans and require our project managers to submit special inspection reports. During our post-loan grant review, we will examine many aspects of the business operations of the borrower including:

- the market development of the industries and regions in which the borrowers operate;

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- the normal operation of the borrower's business;
- the borrower's product line and its ability to adapt to the change of the market conditions; and
- the change of borrower's assets, inventory and accounts receivables.

Precautionary measures, such as the acceleration of the loan repayment or request for additional guarantor or collateral, will be taken upon the findings of:

- steep reduction of the borrower's production;
- change in the inventory level of the borrower's business;
- extended absence of the direct/indirect controlling shareholder(s) or senior management from duty;
- the borrower or its direct/indirect controlling shareholder(s)' indecent behavior, such as gambling;
- bad credit records with other financial institutions;
- borrower's involvement in material dispute or legal proceeding; and
- significant fall of the value of the collateral.

Depending on the loan size, the inspection report and proposed follow-up measures relating to such loans with high risk shall be submitted to our Chairman, the Board of Directors or Shareholders' meeting for record or approval respectively.

Loan extension

Subject to our discretion, our customers may apply for payment term extension of their respective loan before it becomes mature. When our customer applies for extension of the payment term, our business department will determine whether to accept the extension application considering various factors, including credit histories of the customer, reason for applying extension and security of the loan. Once an extension application passes the review of the business department, it will be submitted to our loan assessment committee, our Chairman and/or our Board of Directors for assessment and approval, depending on the loan size and extension period. The extension of the payment term will not be effective until the borrower and the guarantor(s) enter into the loan extension contract with us. We do not require the borrower to repay the principal of the loan before its term is extended. While we will continue to consider requests from existing customers for the extension of loan terms subject to our due diligence and credit reviews of such customers and on a case-by-case basis, as part of our risk management procedures, with effect from May 2016, we have limited the granting of extensions of loan payment terms such that any customer that qualifies for an extended payment term will only be able to apply for a one-time extension for each loan that is granted to such customer, and we also restrict the extended payment period to ensure that such period will not exceed one year.

Collection

In general, our customers are required to pay monthly interest on our loans and repay the principal amount of the loans upon the due date. Moreover, in order to ensure that the interest payment or repayments of the principal will be paid on time, our project manager will notify our customers approximately 15 days before the principal amount falls due. Our business department and risk management department are responsible for the collection of overdue payments from the customers. Any loan with principal not repaid in full within seven days upon the due date will be considered as past due and default. When a customer defaults, we take proactive measures to communicate with such defaulting customer in a timely manner. If our customers fail to pay interest on time, based on the length of overdue period, the project manager shall report to our risk management department and conduct on-site visit to collect the interest accrued with our risk management personnel. If our customers fail to repay the principal amount of their loans on the due date, our project manager shall report to our risk management department and contact our customers to remind them of their repayment obligations.

Depending on the defaulting customer's quality and source of repayment as well as the risk profile of loans, we may grant an extension to such defaulting customer with requisite approval from our loan assessment committee, our Chairman and/or our Board of Directors.

Upon a customer's default or the expiration of extension period, we may initiate the following steps to seek collection:

- *re-negotiation*: we will endeavor to facilitate the collection of the defaulted loan by requesting additional guarantors and/or collateral or will negotiate with the defaulting customers who are willing but fail to honor payment due to temporary liquidity difficulties for a revised repayment plan; and
- *subrogation claim*: if the defaulting customer has matured creditor's rights which have not been exercised, such as receivables and insurance claim, we will apply to a court or demand the borrower to exercise such creditor's rights.

We take legal action as our last resort. Before we take any legal action against the defaulting customers, we take collection measures, such as sending collection notes or making phone calls, regularly to ensure relevant statute of limitations for our claims will not expire. For the customer who defaults in the principal repayment but continues to pay interest on time, the project manager shall deliver overdue payment collection notes and repayment plan and undertaking quarterly to the defaulting customer in person or by registered mail. If we are not able to deliver collection notes and repayment and undertaking to such customers or the customers refuse to sign such undertaking, we will issue a formal attorney letter and resort to legal actions after consulting the risk management department. As advised by our PRC Legal Advisers, where we bring an action in a PRC court for the foreclosure on collateral or attaching assets of another person, the entire recovery process could be time-consuming. During the legal proceedings, we will continue our negotiation with the defaulting customer as well as their guarantors to achieve settlement or speedy repayment. If the repayment of the loan is guaranteed by a guarantor, we follow the same collection procedure with the guarantor(s) as we do with the defaulting customer and demand the guarantor to repay the principal of the loan and any interests accrued with cash or assets in lieu thereof. For the collateral-backed loans, we will seek to dispose of such collateral for value and apply all or part of such value toward the repayment of the loans.

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We did not engage any external third party agency or individual to recover overdue payments during the Track Record Period.

Due to our efforts on enhancing our risk management procedures, during the Track Record Period, our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016.

Risk responsibility scheme

In order to reinforce the incentives for the business managers and the relevant personnel in charge of loan assessment and approval to exercise the utmost cares to manage the credit risks involved in our business, we also adopt a risk responsibility scheme. Under such scheme, the business managers, the business department heads, the risk management department and the relevant personnel in charge of loan assessment and approval may take varying shares of responsibility for the loss resulting from the customer's default. The bonuses of such employees may be adversely affected by such responsibility for the losses.

Operational Risk Management

Operational risk is the risk resulting from inadequate or failed internal controls and systems, human errors or external events. We consider operational risk to be one of the major risks in our business and believe that this inherent risk can be controlled or minimized through adequate and comprehensive operational policies and procedures. We have adopted the following measures:

- establishing a sound corporate governance structure with clearly defined duties of the Board, the Supervisory Committee and senior management;
- establishing a loan assessment committee under the Board and collective decision making procedures to mitigate the risk relating to personal judgment or prejudice of a single decision maker in a loan approval procedure;
- establishing a vertical risk management system to ensure the independence of our risk management;
- establishing and continuously improving our operational procedures and internal control system, and utilizing our information technology system to control the implementation of each procedure. In particular, we have adopted and have strictly implemented measures to prevent and detect potential employee frauds, such as dual investigation and due diligence process, the policy of separating the investigation and evaluation of loan applications or risk assessment process from the approval of loans, multilevel assessments and approval procedure, on-site visits and inspection, and interviews conducted by our senior managers with the owner or management of the customers;
- implementing a performance-based compensation scheme for our employees;
- establishing procedures for business manager in charge to rotate among revolving loans projects annually; and

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- providing our employees with professional training, especially to those who are responsible for assessment and approval process.

In June 2014, we engaged an independent internal control consultant (the “Internal Control Consultant”) to conduct a review in June 2014 and a follow-up review in November 2015 of our internal control system associated with the areas of financial, operation, compliance and risk management, identify deficiencies and improvement opportunities, furnish recommendations on remedial actions and review the implementation status of those remedial actions. The Internal Control Consultant focused on the non-compliance incidents identified in “— Approvals, Compliance-Related Matters and Legal Proceedings” below. Over a period of time from June 2014 to August 2014, our Internal Control Consultant performed a review of our policies and documents relating to the non-compliance incidents. Pursuant to the review, our Internal Control Consultant has recommended action plans for improvements under their review to strengthen our corporate governance in order to prevent such non-compliance in the future. We initially implemented the enhanced internal control measures as recommended by our Internal Control Consultant in response to the recommendations in September 2014 and fully adopted such measures in November 2015. Our Internal Control Consultant subsequently completed the follow-up procedures on our internal control system with regard to those actions taken by us.

The Internal Control Consultant is an independent firm, which has assisted various listed companies on the Stock Exchange and non-listed companies in Hong Kong and the PRC in reviewing and improving internal controls. The team members of the Internal Control Consultant also have extensive experience and expertise in internal control review, some of which are members of the Hong Kong Institute of Certified Public Accountants. In such regards, the Directors consider that the Internal Control Consultant is competent for the position.

Legal and Compliance Risk Management

Our business is subject to regulations and supervisions by the national, provincial and local government authorities with regard to our operations, capital structure, pricing and provisioning policy, which are subject to constant changes. See “Regulatory Overview” for more information. If we do not respond to these changes in a timely manner or are found to be not in compliance with applicable laws and regulations, our business could be adversely affected. See “Risk Factors — Risks Relating to Our Business and Industry — We operate in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and we may be required to make significant changes to our operations from time to time in order to comply with changes in these laws, regulations and policies.”

Three of our employees had legal qualification as of 31 March 2016. Our risk management department, together with our other departments involved, advises on the legal and regulatory requirements applicable to us as well as the applicable restrictions, and initiate the legal proceedings against the defaulting customers. We also engaged external legal advisers to advise on the legal compliance aspects of our business. In the future, we plan to involve our risk management department, as well as our external legal adviser when necessary, in our business development process, including the introduction of new products.

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APPROVALS, COMPLIANCE-RELATED MATTERS AND LEGAL PROCEEDINGS

Approvals

We are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects, except as otherwise disclosed in the section headed “Non-compliance Incidents During the Track Record Period” on page 173 and had obtained all the requisite licenses and permits from as well as approvals of the relevant regulatory authorities for our operations in China. All of the requisite licenses, permits and approvals were valid and in force as of the Latest Practicable Date. For details of the requisite regulatory licenses, permits and approvals, see “Regulatory Overview — Regulatory Policies of the Microfinance Companies.”

Compliance

Compliance with Relevant PRC Laws and Regulations

We have obtained approvals of the CSRC for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange.

We have obtained various confirmations from relevant authorities to confirm our compliance status during the Track Record Period and up to the Latest Practicable Date. The following table sets forth the details of such confirmations:

<u>Form of confirmation</u>	<u>Competent authority</u>	<u>Issue date</u>	<u>Contents of confirmation</u>	<u>Bases and/or circumstances of confirmation</u>	<u>If final and conclusive</u>
Regulatory opinion letters	Fujian Economic and Information Technology Commission	17 September 2014, 12 December 2014, 4 February 2016 and 19 July 2016	The Company has complied with the national finance laws and regulations and local microfinance regulations since its establishment and has not been subject to any penalty or dispute from Fujian Economic and Information Technology Commission as of the date of these regulatory opinion letters.	Letters issued by the competent authority	Yes
Regulatory opinion letters	Quanzhou Financial Affairs Bureau	29 August 2014, 12 December 2014, 27 January 2016 and 14 July 2016	The Company has complied with the national finance laws and regulations and local microfinance regulations since its establishment and has not been subject to any penalty or dispute from Quanzhou Financial Affairs Bureau as of the date of these regulatory opinion letters.		

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<u>Form of confirmation</u>	<u>Competent authority</u>	<u>Issue date</u>	<u>Contents of confirmation</u>	<u>Bases and/or circumstances of confirmation</u>	<u>If final and conclusive</u>
Confirmation letters	Licheng District local tax authority	1 September 2014, 12 January 2016 and 15 June 2016	The Company has claimed and submitted all payable taxes on time and in full and has not been subject to any penalty or dispute from Licheng District local tax authority as of the date of these confirmation letters.	Tax payer's declaration forms and filing records of the authority	Yes
Confirmation letters	Licheng Bureau of the Ministry of Human Resources and Social Security	5 August 2014, 29 August 2014, 15 January 2016 and 7 July 2016	The Company has made contributions to the employee's social insurance in accordance with the relevant PRC laws and regulations on employment and social insurance and has not been subject to any penalty or dispute from the Licheng Bureau of the Ministry of Human Resources and Social Security as of the date of these confirmation letters.	Social insurance payment application form and filing records of the authority	Yes
Confirmation letters	Quanzhou Housing Provident Funds Management Center	10 September 2014, 12 January 2016 and 7 July 2016	The Company has withheld and made housing provident fund contributions for its employees in accordance with the relevant PRC laws and regulations on housing provident fund contributions and has not been subject to any penalty or dispute from Quanzhou Housing Provident Funds Management Center as of the date of these confirmation letters.	Housing provident funds payment application form and filing records of the authority	Yes

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Compliance with key regulatory requirements

The following table summarizes the key statutory capital requirements and lending restrictions applicable to us and our compliance status during the Track Record Period:

Key requirements	Compliance status																																
<p>The registered capital of a microfinance company in Fujian Province shall not be lower than RMB100 million.</p>	<p>We complied with such requirement throughout the Track Record Period. Details are set forth as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center;">As of 31 December</th> <th style="text-align: center;">As of</th> </tr> <tr> <th style="text-align: center;">2013</th> <th style="text-align: center;">2014</th> <th style="text-align: center;">2015</th> <th style="text-align: center;">31 March</th> </tr> <tr> <th></th> <th colspan="4" style="text-align: center;">(RMB in millions)</th> </tr> </thead> <tbody> <tr> <td>Registered capital</td> <td style="text-align: right;">500.0^{Note}</td> <td style="text-align: right;">500.0</td> <td style="text-align: right;">500.0</td> <td style="text-align: right;">500.0</td> </tr> </tbody> </table> <p><i>Note:</i> We received a capital increase of RMB200.0 million in late December 2013 and completed the AIC registration for the capital increase on 29 January 2014.</p>					As of 31 December			As of	2013	2014	2015	31 March		(RMB in millions)				Registered capital	500.0 ^{Note}	500.0	500.0	500.0										
	As of 31 December			As of																													
	2013	2014	2015	31 March																													
	(RMB in millions)																																
Registered capital	500.0 ^{Note}	500.0	500.0	500.0																													
<p>With certain exceptions, the ratio of financing obtained from banking financial institutions to net capital for a microfinance company in Fujian Province is capped at 50%. In August 2015, in recognition of our sound and compliant operations since our incorporation, the Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing through banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instrument. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources to our net capital up to 100%.</p>	<p>We complied with such requirement throughout the Track Record Period. The table below shows the ratio of our maximum outstanding bank borrowings obtained to our net capital for the periods indicated:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="3" style="text-align: center;">As of/For the year ended 31 December</th> <th style="text-align: center;">As of/For</th> </tr> <tr> <th style="text-align: center;">2013</th> <th style="text-align: center;">2014</th> <th style="text-align: center;">2015</th> <th style="text-align: center;">the three months ended 31 March 2016</th> </tr> <tr> <th></th> <th colspan="4" style="text-align: center;">(RMB in millions, except percentages)</th> </tr> </thead> <tbody> <tr> <td>The maximum outstanding bank borrowings obtained (A)</td> <td style="text-align: right;">150.0</td> <td style="text-align: right;">250.0</td> <td style="text-align: right;">136.0</td> <td style="text-align: right;">169.8</td> </tr> <tr> <td>Net capital as of year/period end^{Note (1)} (B).</td> <td style="text-align: right;">535.5^{Note (2)}</td> <td style="text-align: right;">583.9</td> <td style="text-align: right;">629.1</td> <td style="text-align: right;">624.4</td> </tr> <tr> <td>(A)/(B)(%)</td> <td style="text-align: right;">28.0%</td> <td style="text-align: right;">42.8%</td> <td style="text-align: right;">21.6%</td> <td style="text-align: right;">27.2%</td> </tr> </tbody> </table> <p><i>Notes:</i></p> <p>(1) Represents the aggregate of our paid-in/share capital, reserves and retained profits as of the end of the year/period.</p> <p>(2) We received a capital increase of RMB200.0 million in late December 2013 and completed the AIC registration for the capital increase on 29 January 2014.</p>					As of/For the year ended 31 December			As of/For	2013	2014	2015	the three months ended 31 March 2016		(RMB in millions, except percentages)				The maximum outstanding bank borrowings obtained (A)	150.0	250.0	136.0	169.8	Net capital as of year/period end ^{Note (1)} (B).	535.5 ^{Note (2)}	583.9	629.1	624.4	(A)/(B)(%)	28.0%	42.8%	21.6%	27.2%
	As of/For the year ended 31 December			As of/For																													
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<p>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 PBOC benchmark lending rate, pursuant to the <i>Interim Measures</i>. The maximum loan interest rate was four times of the prevailing PBOC Benchmark Rate pursuant to the <i>Interim Measures</i> and with reference to <i>Certain Opinions on the Court's Trial for Lending Cases</i> (關於人民法院審理借貸案件的若干意見) promulgated by the Supreme People's Court (最高人民法院) on 13 August 1991 and replaced by the <i>Private Lending Judicial Interpretations</i> on 1 September 2015. The <i>Private Lending Judicial Interpretations</i> provide that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.</p>	<p>We complied with such applicable requirements throughout the Track Record Period.</p>																																

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Key requirements

A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.

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.

Compliance status

We complied with such requirement throughout the Track Record Period.

We complied with such requirement throughout the Track Record Period. Details are set forth as follows:

We monitor our compliance with such requirement on a daily basis using the net capital as of the end of the preceding month. The following table sets forth our compliance status in each month of the Track Record Period to better illustrate such details:

	2013			2014			2015			2016		
	The maximum outstanding loans to the same borrower during the month			The maximum outstanding loans to the same borrower during the month			The maximum outstanding loans to the same borrower during the month			The maximum outstanding loans to the same borrower during the month		
	Net capital as of the preceding month end ⁽¹⁾⁽²⁾ (B)	A/B		Net capital as of the preceding month end ⁽¹⁾⁽²⁾ (B)	A/B		Net capital as of the preceding month end ⁽¹⁾⁽²⁾ (B)	A/B		Net capital as of the preceding month end ⁽¹⁾⁽²⁾ (B)	A/B	
	RMB			RMB			RMB			RMB		
	RMB million	million	%	RMB million	million	%	RMB million	million	%	RMB'000	RMB'000	%
January	15.0	342.4	4.38	18.0	535.5 ⁽²⁾	3.36	15.0	583.9	2.57	15.0	629.1	2.38
February	15.0	350.1	4.28	25.0	518.8	4.82	20.0	591.8	3.38	15.0	637.7	2.35
March	17.0	352.9	4.82	25.0	524.0	4.77	20.0	597.2 ⁽²⁾	3.35	25.0	652.3	3.83
April	15.0	355.5	4.22	15.0	531.0	2.82	25.0	577.4	4.33	NA	NA	NA
May	15.0	358.5	4.18	15.0	535.3	2.80	18.4	583.9	3.15	NA	NA	NA
June	18.0	361.6	4.98	15.0	542.0	2.77	18.4	592.1	3.11	NA	NA	NA
July	15.0	365.4	4.11	15.0	558.0	2.69	15.4	594.4	2.59	NA	NA	NA
August	15.0	369.2	4.06	15.0	565.0	2.65	20.0	601.2	3.33	NA	NA	NA
September	15.0	372.7	4.02	15.0	569.3	2.63	20.0	607.1	3.29	NA	NA	NA
October	15.0	376.6	3.98	15.0	572.4	2.62	25.0	607.5	4.12	NA	NA	NA
November	15.0	380.8	3.94	16.7	577.9	2.89	15.0	613.7	2.44	NA	NA	NA
December	18.0	385.6	4.67	15.0	582.6	2.57	15.0	620.2	2.42	NA	NA	NA

Notes:

- (1) Represents the aggregate of our paid-in/share capital, reserves and retained profits as of the end of the preceding month.
- (2) The Company closely monitors the A/B ratio on a daily basis. To present with a stricter standard, we use our net capital as of the preceding month end to calculate our A/B ratio during the indicated month. Our net capital kept increasing during the Track Record Period except for the decrease in January 2014 and April 2015 due to the dividend payments. If we use the net capital as of the month end for the calculation, the A/B ratio would be 3.47% and 3.46% for January 2014 and April 2015, respectively.

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In our previous listing application, the Stock Exchange raised concerns regarding the applicability of the 70% Requirement (defined below) to our Company. As a result, we were requested to establish and have established that, as a matter of law, the 70% Requirement was inapplicable to us during the relevant period of time.

We were incorporated and commenced our microfinance business in January 2010. At the time of our incorporation, the *Guiding Opinions* were the only rules governing microfinance companies. As such, we conducted our microfinance operations in accordance with the *Guiding Opinions*, which did not place any restrictions on the proportion of our outstanding loans. In August 2010, the *Pilot Interim Measures* came into effect, requiring that the ratio of the balance of outstanding small loans (defined as loans of up to a maximum of RMB1.0 million to a single borrower under the *Interim Measures*) to the total balance of outstanding loans that is applicable to a microfinance company shall not be lower than 70% (the “70% Requirement”). Shortly thereafter, after due consideration and exercising their legal administrative powers, the Quanzhou Financial Affairs Bureau and the Fujian Economic and Information Technology Commission verbally informed us by way of an administrative decision that the 70% Requirement would not be applicable to our Company.

As advised by our PRC Legal Advisers, (i) according to the *Interim Measures*, our interviews with the Fujian Economic and Information Technology Commission and its regulatory opinion letter, the Fujian Economic and Information Technology Commission is the competent authority for supervising all microfinance companies incorporated in Fujian Province and also responsible for approving scope of business of all microfinance companies incorporated in Fujian Province. Therefore, Fujian Economic and Information Technology Commission is entitled to issue the regulatory opinion letter to our Company ruling on such matter; and (ii) pursuant to the *Opinions Regarding the Enforcement of the General Scheme of the Pilot Comprehensive Reform Zone of Financial Service for Real Economy in Quanzhou City of Fujian Province* (福建省人民政府關於貫徹落實福建省泉州市金融服務實體經濟綜合改革試驗總體方案的實施意見) (the “Opinions”) promulgated by the People’s Government of Fujian Province on 11 April 2013, the powers of review and approval as well as business innovation of the microfinance companies incorporated in Quanzhou City were delegated to Quanzhou City. According to the *Opinions*, our interviews with the Quanzhou Financial Affairs Bureau and its regulatory opinion letter, Quanzhou Financial Affairs Bureau is responsible for direct supervision, administration, approval and business innovation of microfinance companies incorporated in Quanzhou City. Therefore, Quanzhou Financial Affairs Bureau is entitled to issue the regulatory opinion letter to our Company ruling on such matter. For more details on our competent authorities, see “Regulatory Overview — Regulations in the Microfinance Industry — Regulatory Authorities of the Microfinance Industry.”

In addition, as advised by our PRC Legal Advisers, documentation is not a requisite formality for an administrative decision and therefore, the administrative decision made by the competent authorities is an administrative act (行政行為) under *PRC Administrative Procedure Law* (中華人民共和國行政訴訟法). This administrative decision was subsequently affirmed in the regulatory opinion letters issued by the Quanzhou Financial Affairs Bureau on 29 August 2014 and by the Fujian Economic and Information Technology Commission on 17 September 2014, respectively. On 12 December 2014, each of the Quanzhou Financial Affairs Bureau and the Fujian Economic and Information Technology Commission issued a supplementary regulatory opinion letter (together, the “Opinion Letters”), pursuant to which both competent authorities confirmed that the 70% Requirement has not been applicable to us since our establishment. The inapplicability was in line with the declaration by both competent authorities that, in order to meet the needs of SMEs in Quanzhou City for financing, as well as to support their business growth and encourage their financial innovation, the 70% Requirement would not be applicable to selected microfinance companies in Quanzhou City (including our Company) that have a strong registered capital, have operated in a compliant manner and have demonstrated adherence to strong corporate governance and risk management procedures. As a result, throughout the Track Record Period and as of the Latest Practicable Date, neither the 70% Requirement nor any other restrictions on the ratio of the balance of outstanding small loans to the total balance of outstanding loans (including any ceiling on the balance of outstanding small loans) was applicable to us.

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During the Track Record Period and as of the Latest Practicable Date, we were not subject to any restrictions on the proportion of our outstanding loans. However, the competent authorities declared that, as we would no longer be a private company after the Listing, we should adhere to more stringent compliance requirements upon becoming a public company. The competent authorities further declared that they will enhance their supervision of our Company to ensure that we continue to develop our business in a sound and steady manner. Accordingly, in the subsequent opinion letters, such competent authorities expressly imposed on us an amended 70% requirement that defines outstanding small loans to a single borrower as loans of up to a maximum of RMB5.0 million instead of RMB1.0 million (the “Amended 70% Requirement”), with effect from the Listing. While we are not required to comply with such Amended 70% Requirement until after the Listing, to facilitate the Listing process, we voluntarily adopted and implemented a series of internal control procedures as well as managed our loan portfolio since 1 July 2014 to be in accordance and in full compliance with the Amended 70% Requirement. As of the Latest Practicable Date, we continued to conduct our operations in full compliance with the Amended 70% Requirement in order to observe good corporate governance, regulatory compliance and risk management practices. For more details on the internal control procedures that we adopted to comply with the Amended 70% Requirement, see “— Risk Management — Credit Risk Management.”

Other organizational and operational requirements

For more details on our operational risk management, see “— Risk Management — Operational Risk Management.”

Except for the incidents disclosed below, we are advised by our PRC Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

Non-compliance Incidents During the Track Record Period

The following table sets forth our non-compliance with certain requirements under PRC law during the Track Record Period:

Non-compliance incident(s)	Details of non-compliance incident(s)	Reason(s) for the non-compliance incident	Consequences of non-compliance incident(s)	Current status	Remedies and internal control measures
Social insurance fund contributions	<p>Before 30 October 2015, we did not make social insurance fund contributions in full according to our employees' actual income as required under PRC law. We estimate the aggregate amount of outstanding social insurance fund contributions during the Track Record Period to be RMB1,154,600.</p> <p>In addition, before 30 November 2015, we did not make social insurance fund contributions for our ten employees in Quanzhou City as required under PRC law but entrusted a third-party company to pay their social insurance fund contributions in Xiamen City, Fujian Province. We estimate the aggregate amount of social insurance fund contributions applicable to such employees for the years ended 31 December 2013, 2014 and 2015 to be RMB34,799, RMB155,958 and RMB176,052, respectively, which have not been paid by the Company as of the Latest Practicable Date.</p>	<p>The reasons for such non-compliance were (i) such employees declined to make their social insurance fund contributions based on their actual income, and (ii) ten of our employees declined to make their social insurance fund contributions in Quanzhou City, where they are not residents, which prevented us from making contributions in full.</p>	<p>According to the relevant PRC laws and regulations, in respect of outstanding social insurance fund contributions made according to our employees' actual income during the Track Record Period, our PRC Legal Advisers advised us that the relevant social insurance authority may order the Company to pay the outstanding social insurance fund contributions within a prescribed time period with a late charge at 0.05% per day on the outstanding social insurance fund contributions. We estimate our maximum late charges up to 31 March 2016 to be RMB350,100.</p> <p>Pursuant to the <i>Social Insurance Law of the PRC</i> (中華人民共和國社會保險法), a company may be ordered to rectify within a time limit for failure to comply with the rules in relation to the registration with the local social insurance administration and the opening of the relevant accounts. Any company failing to rectify within the prescribed time limit shall face a penalty ranging from one to three times of the amount of the outstanding contributions.</p>	<p>Since 1 December 2015, we have made full social insurance fund contributions for all of our employees based on their actual income in Quanzhou City. As of the Latest Practicable Date, we had not received any notice from the relevant authorities declaring that we had violated the laws and regulations in relation to social insurance and requiring the payment of the same within a stipulated period of time. Upon the receipt of the notice from the relevant authorities, if any, we shall immediately pay the outstanding social insurance fund contributions and any late charge imposed by the relevant authorities.</p>	<p>We have obtained four confirmation letters from Licheng Bureau of the Ministry of Human Resources and Social Security dated 5 August 2014, 29 August 2014, 15 January 2016 and 7 July 2016, respectively, which confirmed that we have made contributions to the employee's social insurance in accordance with the relevant PRC laws and regulations on employment and social insurance, and as of the respective dates of the aforesaid confirmation letters, we had not been subject to any, penalty or dispute from the Licheng Bureau of the Ministry of Human Resources and Social Security.</p>
					<p>Our PRC Legal Advisers are of the view that the relevant written confirmation letters were issued by the competent authority in respect of social insurance fund contributions. Our PRC Legal Advisers are also of the view that our risk of being pursued or penalized for historical non-compliance is remote because: (a) the Company had not been subject to any penalty or dispute from the competent authority as of the respective dates of the aforesaid confirmation letters and as of the Latest Practicable Date; and (b) we have made full social insurance fund contributions for all of our employees based on their actual income in Quanzhou City since 1 December 2015. Moreover, Fujian Septwolves Group has undertaken to indemnify in favor of us against any costs, expenses and/or damages as a result of our above non-compliances with PRC social insurance fund laws and regulations. As such, we did not make any provision covering the outstanding amount of the social insurance fund contributions.</p>

Non-compliance incident(s)	Details of non-compliance incident(s)	Reason(s) for the non-compliance incident	Consequences of non-compliance incident(s)	Current status	Remedies and internal control measures
Housing provident fund contributions	Before 30 November 2015, we did not make housing provident fund contributions for ten of our employees in Quanzhou City as required under PRC law but entrusted a third-party company to pay their housing provident fund contributions in Xiamen City, Fujian Province. We estimate the aggregate amount of outstanding housing provident fund contributions for such employees for the years ended 31 December 2013, 2014 and 2015 to be RMB13,863, RMB61,304 and RMB74,167, respectively.	The reason for such non-compliance was that such employees declined to make their housing provident fund contributions in Quanzhou City, where they are not residents.	Pursuant to the <i>Regulations on Management of Housing Provident Fund</i> (《住房公积金管理条例》), a company may be ordered to rectify within a time limit for failure to comply with the rules in relation to the registration with the local housing fund administration and the opening of the relevant accounts. Any company failing to rectify within the prescribed time limit shall face a penalty ranging from RMB10,000 to RMB50,000.	Since 1 December 2015, we have made housing provident fund contributions for all of our employees in Quanzhou City. As of the Latest Practicable Date, we have not received any notice from the relevant authorities declaring that we had violated the laws and regulations in relation to the housing provident fund contributions and requiring any payment of the same within a stipulated deadline.	We have obtained three confirmation letters from Quanzhou Housing Provident Funds Management Center dated 10 September 2014, 12 January 2016 and 7 July 2016, respectively, which confirmed that we have complied with the relevant PRC laws and regulations on housing provident fund contributions, and as of the respective dates of the aforesaid confirmation letters, we had not been subject to any penalty or dispute from Quanzhou Housing Provident Funds Management Center.
					Our PRC Legal Advisers are of the view that the relevant written confirmation letters were issued by the competent authority in respect of housing provident fund contributions. Our PRC Legal Advisers are also of the view that our risk of being pursued or penalized for historical non-compliance is remote because: (a) we have not been subject to any penalty or dispute from the competent authority as of the date of the aforesaid confirmation letters and as of the Latest Practicable Date; and (b) we have made full housing provident fund contributions for all of the employees in Quanzhou City since 1 December 2015.
					Fujian Septwolves Group has undertaken to indemnify in favor of us against any costs, expenses and/or damages as a result of our above non-compliance with PRC housing provident fund laws and regulations.
					As such, there is no outstanding housing provident fund contribution payable by the Company and therefore the Company did not make any provision concerning the outstanding housing provident fund contribution as of the Latest Practicable Date.

BUSINESS

We have established an internal control policy to manage our social insurance fund and housing provident fund contributions. In accordance with such internal control policy, our human resources department will prepare monthly reports of employees' salary and contribution amounts, and our finance department will review such reports to enforce the policy and prevent future non-compliance. Our risk management department will review the regulatory requirements on a monthly basis and inform both our human resources department and our finance department if there is any change in contribution rates.

Our human resources department is led by Ms. Ruan Cen, our administration manager who has approximately six years of experience in the human resources affairs. Ms. Ruan Cen is responsible for preparing monthly reports of our employees' salary and contribution amount. Our finance department is led by Ms. Xu Lei, who has more than 20 years of experience in the accounting and financial management and is responsible for reviewing the monthly reports and reporting to our general manager. Our risk management department is led by Mr. Zhang Yuqi, who has more than ten years of experience in risk management affairs and holds a Legal Professional Qualification Certificate. Mr. Zhang Yuqi is responsible for reviewing the regulatory requirements on a monthly basis and informing both human resources department and finance department if there is any change in contribution rates. Our Directors consider it is appropriate for Ms. Ruan Cen, Ms. Xu Lei and Mr. Zhang Yuqi to carry out such duties as they have solid experience in their respective areas and a good understanding of the internal affairs of our Company. Our Directors consider that the continued supervision would ensure efficiency in our administration affairs and implementation of the various enhanced internal control measures. Having taken into account the above measures, our Directors, our Internal Control Consultant and the Sole Sponsor are of the view that there are adequate and effective internal control measures in place to ensure on-going compliance of the Company with applicable laws and regulations.

Legal Proceedings

We may from time to time be involved in a number of legal proceedings in the ordinary course of our business. These legal proceedings mainly involve claims initiated by us to recover payment of default loans or dispose of underlying collateral.

During the Track Record Period, we were not subject to any litigation or arbitration proceeding as a defendant, and we initiated 22 legal proceedings to recover overdue payments from our customers with an aggregate principal amount of loans receivable of RMB70.4 million. Of the 22 legal proceedings, six legal proceedings were pending for final court judgements rendered by PRC courts requiring payment of money in civil and commercial cases as of the Latest Practicable Date. Of the amount of RMB70.4 million, we had not recovered RMB10.2 million as of the Latest Practicable Date. We initiated 22 legal proceedings on 21 overdue loans during the Track Record Period. Of the 21 overdue loans, 16 overdue loans with an aggregate principal amount of loans receivables of RMB52.6 million were guaranteed loans not secured by any collateral, and five overdue loans with an aggregate principal amount of loans receivables of RMB17.8 million were collateral-backed loans with guarantee. From 1 April 2016 to the Latest Practicable Date, we initiated five new legal proceedings to recover overdue payments from our customers with an aggregate principal amount of loans receivable of RMB18.1 million, four of which were overdue guaranteed loans not secured by any collateral and one of which was overdue guaranteed loan secured by collateral.

BUSINESS

As advised by our PRC Legal Advisers, according to the *Contract Law of the People's Republic of China*, which took effect on 1 October 1999, the *Guarantee Law of the People's Republic of China*, which took effect on 1 October 1995 and other relevant PRC laws and regulations, the likelihood of succeeding in the legal proceedings to recover the outstanding overdue payments is relatively high assuming that: (i) all information and document(s) to be provided to the competent courts as the evidence of the proceedings will be determined sufficient to sustain the Company's claims in recovering relevant outstanding overdue payments by the competent courts; as well as determine the defaulting customers to be suable in a court of law; and (ii) the defaulting customers and their guarantors have sufficient assets and properties in order for the Company to initiate and complete enforcement procedures.

Save for disclosed above, as of the Latest Practicable Date, there were no litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

Anti-money Laundering Procedures

The anti-money laundering regime in China requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. As advised by our PRC Legal Advisers, except for *Circular 137*, we are not subject to any other laws and regulations relating to anti-money laundering as of the Latest Practicable Date in China because we were not defined as either special non-financial institutions or financial institutions that are required to comply with the anti-money laundering regulations. However, as part of our due diligence process and assessment and approval procedures, we have established certain standard procedures to ensure that our customers have a genuine business and ascertainable needs for financing as well as verifiable source of funds for repayments.

The procedures include:

- obtaining information of customers' financing needs, as well as their purpose of obtaining loans so as to determine the reasonableness of their financing needs;
- as part of our due diligence: (i) collecting business and financial information from the customer; (ii) conducting on-site visits; and (iii) verifying the facts provided by the customer; and
- providing our staff with regular training related to due diligence reviews.

For details of such procedures, see “— Business Process.”

In addition, as part of our risk management procedures, we ensure that loans from us are deposited to the bank accounts specified in the loan agreement, and use commercial banks as an intermediary for settlement and payment, which may, to a certain extent, reduce money laundering risks.

Based on the procedures described above and given that we are not subject to the anti-money laundering regime in China, the Sole Sponsor is of the view that our standard measures are adequate and capable of assisting us to identify and be reasonably alerted to potential money laundering issues and to take appropriate measures if necessary.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

OUR SUBSTANTIAL SHAREHOLDERS

Fujian Septwolves Group, Mr. Zhou Yongwei and Ms. Chen Pengling (being the spouse of Mr. Zhou Yongwei) are the Substantial Shareholders of our Company within the meaning of the Listing Rules that can exercise or direct the exercise of 10% or more of voting power in any of our Shareholders' general meetings, and are expected to remain as the Substantial Shareholders immediately following the completion of the Global Offering. As of the Latest Practicable Date, Fujian Septwolves Group directly held approximately 25.91% of our Shares. Immediately following the completion of the Global Offering, Fujian Septwolves Group will directly hold approximately 19.05% of our then total issued Shares, assuming the Over-allotment Option is not exercised (or approximately 18.32% if the Over-allotment Option is exercised in full).

Fujian Septwolves Group was established as a limited liability company in the PRC on 18 January 2002, while its predecessor, 福建七匹狼集團公司 (Fujian Septwolves Group Company) was first established in the PRC in February 1985. As of the Latest Practicable Date, Fujian Septwolves Group was owned as to approximately 31.09% by Mr. Zhou Yongwei, 31.09% by Mr. Zhou Shaoming, 31.09% by Mr. Zhou Shaoxiong, 5.18% by Ms. Chen Pengling and 1.55% by Mr. Hong Guorong (洪國榮). Mr. Zhou Shaoxiong and Mr. Zhou Shaoming are brothers of Mr. Zhou Yongwei, while Ms. Chen Pengling is the spouse of Mr. Zhou Yongwei.

FINANCE BUSINESSES ENGAGED BY OUR SUBSTANTIAL SHAREHOLDERS

Other Businesses

As at the Latest Practicable Date, apart from our Company, our Substantial Shareholders and their respective close associates had interests in other businesses, including: (i) manufacturing and sales of menswear products through its 34.29% interest in Fujian Septwolves Industry listed on the Shenzhen Stock Exchange (stock code: 002029); (ii) manufacturing and sales of textile machinery; (iii) investment and assets management; (iv) real estate development and operation and property management; (v) development and sales of enterprise software; (vi) provision of financing guarantee service through Baiying Financing Guarantee; (vii) provision of finance leasing service through Baiying Finance Leasing; (viii) provision of pawn loan service through Xiamen Borong and Fujian Yuanheng; (ix) provision of microcredit service in Xiamen City through Baiying Microcredit; and (x) provision of settlement services, entrusted loans services and loans to and taking deposits from any of the Holdco Group Member Companies through Fujian Septwolves Group Finance (items (vi) to (x) are referred to as "Finance Businesses").

General Information about Baiying Microcredit

As at the Latest Practicable Date, Septwolves Group Holding (owned by the Substantial Shareholders as to 88.57%) held 49.99% interest in Baiying Microcredit, whose principal business includes the provision of medium-term and small scale loan services in Xiamen City. The remaining shareholdings in Baiying Microcredit are owned as to 15% by Xiamen Gaoxinhong, one of our Shareholders, 5% by Ms. Wang Jialin (王佳琳), who is the daughter in law of Mr. Zhou Yongwei and Ms. Chen Pengling, 4.9% by Mr. Xie Anju, one of our Shareholders, 0.25% by Mr. Zeng Jianwu (曾建武), who was a Director of our Company, and 24.86% in aggregate by other four Independent Third Parties.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

Baiying Microcredit commenced its operation in May 2014. It primarily provided loans of the size ranging from RMB100,000 to RMB5,000,000, most of which had a term of between one year and two years. Baiying Microcredit charged a fee rate of between 1% and 1.5% of the amount of each loan per month. As at the Latest Practicable Date, Baiying Microcredit was only licensed to operate in Xiamen City, Fujian Province.

General Information about Xiamen Borong and Fujian Yuanheng

As at the Latest Practicable Date, Fujian Septwolves Group held 30% interest in Xiamen Borong, whose principal business includes the provision of pawn loan service. Xiamen Guarantee Co., Ltd. (廈門市擔保有限公司), an Independent Third Party, held 40% interest in Xiamen Borong, being the single largest shareholder. Fujian Septwolves Group is the second largest shareholder of Xiamen Borong. The remaining shareholdings in Xiamen Borong are owned by Independent Third Parties.

As at the Latest Practicable Date, Jinjiang Baixin, a company owned by Fujian Septwolves Group as to 60%, held 12% interest in Fujian Yuanheng, whose principal business includes the provision of pawn loan service. Jinjiang Henglong, one of our Shareholders, held 61% interest in Fujian Yuanheng, being the single largest shareholder. The remaining shareholdings of Fujian Yuanheng are owned by Independent Third Parties.

Pawn loans are loans provided whereby real properties or personal properties such as vehicles, gold, jewelry and diamonds, watches and consumer electronic products are used as collaterals for the security of the loans.

The following table sets out the major terms of the pawn loans primarily granted by Xiamen Borong and Fujian Yuanheng:

	<u>Xiamen Borong</u>	<u>Fujian Yuanheng</u>
Loan amount	Primarily between RMB10,000 and RMB5,000,000	Primarily between RMB50,000 and RMB3,000,000
Fee rate (including interest rate and integrated fee rate)	Between 2.5% and 4.5% per month	Between 2.5% and 4.5% per month
Term	Primarily from five days to six months	Primarily from five days to six months
Collateral required	Yes	Yes
Documentation	Pawn Loan Agreement	Pawn Loan Agreement

During the term of the pawn loan, customers may redeem their collaterals at any time and may also renew their term of the pawn loan after paying the outstanding interest for the previous term. Within five days after the expiry of the term or the renewed term of the pawn loans, the collaterals shall be redeemed. Thereafter, Xiamen Borong and Fujian Yuanheng may sell the collaterals not having been redeemed.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

General Information about Baiying Finance Leasing

As at the Latest Practicable Date, Septwolves Group Holding (owned by the Substantial Shareholders as to 88.57%) and Hong Kong Septwolves Group Financial (100% owned by Septwolves Group Holding) held 33.75% and 25% interest in Baiying Finance Leasing, respectively, whose principal business includes the provision of finance leasing service. The remaining shareholdings in Baiying Finance Leasing are owned as to 41.25% by Independent Third Parties.

A finance lease is a situation in which a finance company purchases an asset, then leases that asset to a client for a specified amount of time. At that point, the client takes possession of the asset and is free to utilize the asset for the duration of the lease agreement. Once the client has fulfilled the terms of the lease, including paying all applicable interest, the client usually has the option of purchasing the asset from the finance company. The exact duration of the financial lease will vary, based on the nature of the asset and the terms agreed upon by the client and the finance company. For the life of the lease, finance company retains ownership of the asset. The client has full use of the asset, and thus enjoys most of the benefits of ownership. However, the client also assumes many of the responsibilities associated with ownership, even though the finance company retains that status.

Baiying Finance Leasing is primarily engaged in provision of various types of finance leasing services. It primarily provided finance leasing services of the transaction size ranging from RMB1,000,000 to RMB10,000,000, most of which had a term between one year to three years. Baiying Finance Leasing charged services fees, including rental and handling fee, which normally equaled to a rate of between 0.8% and 1.3% per month of the transaction amount.

General Information about Baiying Financing Guarantee

As at the Latest Practicable Date, Septwolves Group Holding (owned by the Substantial Shareholders as to 88.57%) and Jinjiang Baixin (owned by Fujian Septwolves Group as to 60%) held 58% and 20% interest in Baiying Financing Guarantee, respectively, whose principal business includes the provision of financing guarantee service. The remaining shareholdings in Baiying Financing Guarantee are owned as to 22% by Jinjiang Henglong.

A financing guarantee is a contract that helps to ensure that a creditor or lender is reimbursed for any losses that result from the failure of a debtor to make payments on the outstanding debt in accordance with the provisions of the agreement that governs the business relationship. One of the benefits of the financing guarantee is that it can help the debtor to secure a more attractive interest rate on the loan or other debt instrument. This is because the guarantee helps to lower the degree of risk that the lender is taking on in order to approve the loan.

Baiying Financing Guarantee primarily provided guarantee services to customers to assist them to obtain loans. It primarily guaranteed bank loans of the size ranging from RMB1,000,000 to RMB10,000,000, most of which had a term of between three months and one year. Baiying Financing Guarantee charged guarantee services fees, which normally equaled to a rate of between 0.2% and 0.3% of the amount of each loan per month.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

General information about Fujian Septwolves Group Finance

As at the Latest Practicable Date, Fujian Septwolves Group (owned by Mr. Zhou Yongwei (our executive Director) and Ms. Chen Pengling, his spouse, together as to 36.27% and his brothers as to 62.18% and Mr. Hong Guorong (an Independent Third Party) as to 1.55%) and Fujian Septwolves Industry (owned as to approximately 34.29% by Fujian Septwolves Group, approximately 8.63% by Xiamen Gaoxinhong and approximately 57.08% by other shareholders) held 65% and 35% interest in Fujian Septwolves Group Finance, respectively.

Fujian Septwolves Group Finance commenced operations in April 2015. It is primarily engaged in provision of settlement services, entrusted loans services and loans to and taking deposits from Holdco Group Member Companies. Fujian Septwolves Group Finance is licensed to provide services and loans only to the Holdco Group Member Companies. Pursuant to the *Interim Measures* and the business operation rules of the Company, the Company shall not provide loans to its Shareholders and their related parties. Further, the Company maintains a list of Holdco Group Members Companies and Fujian Septwolves Group Finance shall promptly notify the Company of any change to such list. Holdco Group Member Companies therefore do not and will not overlap with the existing and/or potential customers of our Company. As such, the Directors consider that there is no competition, whether actual or potential, between the business of Fujian Septwolves Group Finance and that of our Company.

The loans provided by Fujian Septwolves Group Finance primarily range from RMB1,000,000 to RMB80,000,000. Fujian Septwolves Group Finance generally charged 0.5 time to 1.5 times of the benchmark lending rate set by the PBOC per annum.

Delineation of Business

We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with practical and flexible short-term financing solutions in an expeditious manner to support their continued development and address their ongoing liquidity needs. During the Track Record Period, we primarily offer short-term credit-based loans with interest rates between 1.5% to 2% per month, which primarily had maturity profiles of between one month to six months and ranged in size from RMB1,000,000 to RMB10,000,000. For our entrepreneurial individual customers, we generally require the customer's spouse, adult children or other family members, the business entities controlled by the customers and/or affiliates to act as guarantors. For our SME and microenterprise customers, we generally require the owner or direct/indirect controlling shareholder(s) of the SME or microenterprise and their family members to provide a personal guarantee. To a lesser degree, we also provide collateral-backed loans. We generate substantially all of our income by charging interest on our loans, which mainly include revolving loans and term loans. From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, and provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. On 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

The following table sets out a brief summary of the major differences between the current business of our Company and the Finance Businesses which illustrates a clear delineation of business.

	Our Company	Baiying Microcredit	Xiamen Borong	Fujian Yuanheng	Baiying Finance Leasing	Baiying Financing Guarantee	Fujian Septwolves Group Finance
Nature of transaction	Short-term and small scale loans	Medium-term and small scale loans	Pawn loans	Pawn loans	Finance leasing	Financing guarantee	Settlement services, entrusted loans services and loans to and taking deposits from the Holdco Group Member Companies
Loan/transaction amount	Primarily between RMB1,000,000 and RMB10,000,000	Primarily between RMB100,000 and RMB5,000,000	Primarily between RMB10,000 and RMB5,000,000	Primarily between RMB50,000 and RMB3,000,000	Primarily between RMB1,000,000 and RMB10,000,000	Primarily between RMB1,000,000 and RMB10,000,000	Primarily between RMB1,000,000 and RMB80,000,000
Fee rate	Primarily between 1.5% and 2% per month	Primarily between 1% and 1.5% per month	Primarily between 2.5% and 4.5% per month	Primarily between 2.5% and 4.5% per month	Primarily between 0.8% and 1.3% per month	Primarily between 0.2% and 0.3% per month	Generally between 0.5 time to 1.5 times of the benchmark lending rate set by the PBOC per annum
Term	Primarily between one month to six months	Primarily between one year and two years	Primarily between five days and six months	Primarily between five days and six months	Primarily between one year and three years	Primarily between three months and one year	Generally between 3 months and 12 months
Documentation	Loan Agreement	Loan Agreement	Pawn Loan Agreement	Pawn Loan Agreement	Finance Leasing Agreement	Guarantee Agreement, Counter-guarantee Agreement and Pledge Agreement	Loan Agreement and Corporate Guarantee Agreement
Security	Generally, personal guarantee or corporate guarantee	Generally, collateral, personal or corporate guarantee	Collateral	Collateral	N/A: Baiying Finance Leasing owns the assets	Counter-guarantee	None for credit loans and corporate guarantee for other loans
Geographic limitation	Licheng District, Luojiang District, Jinjiang City and Nan'an City, which are subordinated administrative districts of Quanzhou City	Xiamen City	a. in case of real properties as collaterals, only in Fujian Province; b. in case of personal properties as collaterals, no geographic limitation	a. in case of real properties as collaterals, only in Fujian Province; b. in case of personal properties as collaterals, no geographic limitation	No restriction	No restriction	No restriction
Target customers	Local entrepreneurial individuals, SMEs and microenterprises in Licheng District, Luojiang District, Jinjiang City and Nan'an City, which are subordinated administrative districts of Quanzhou City	Local SMEs, microenterprises and individuals in Xiamen City	Individuals and enterprises	Individuals and enterprises	Micro, small and medium scale industrial enterprises	Focusing on SMEs, microenterprises in Jinjiang, gradually expand to Quanzhou City and other areas	Holdco Group Member Companies

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

	Our Company	Baiying Microcredit	Xiamen Borong	Fujian Yuanheng	Baiying Finance Leasing	Baiying Financing Guarantee	Fujian Septwolves Group Finance
Operation procedure	a. acceptance of loan applications; b. conducting review and due diligence; c. assessments and approvals; d. granting of loans; e. post-loan grant reviews; and f. loan extension and collection	a. acceptance of loan applications; b. conducting due diligence, collaterals valuation ; c. assessments and approvals; d. granting of loans; e. post-loan grant reviews; and f. collection	a. acceptance of pawn loan applications; b. collaterals valuation, assessments and approvals; c. granting of loans and receipt of collaterals; and d. redemption or renewal of term	a. acceptance of pawn loan applications; b. collaterals valuation, assessments and approvals; c. granting of loans and receipt of collaterals; and d. redemption or renewal of term	a. acceptance of finance leasing application; b. subject valuation and assessments; c. conducting on-site due diligence and verification of relevant information; d. assessments and approvals; e. after-lease management; and f. collection of rental	a. acceptance of financing guarantee application; b. conducting preliminary due diligence; c. acceptance of formal applications; d. conducting follow-up due diligence; and e. assessments and approvals	a. submission of application documents for initial assessment; b. acceptance of application; c. conducting review and assessment and obtaining guarantee where necessary; d. verification of relevant information; e. final decision of the approved loan amount; and f. granting of loans
Major potential competitors	Other microcredit lenders licensed to operate in Licheng District, Luojiang District, Jinjiang City and Nan'an City of Quanzhou City	Other microcredit lenders licensed to operate in Xiamen City	Other pawn loan companies in Xiamen City	Other pawn loan companies in Quanzhou City	Other finance leasing companies in Xiamen City	Other financing guarantee companies in Jinjiang City and Quanzhou City	Banks or other loan companies in areas where the Holdco Group Member Companies operate
Independence of management	N/A	Yes	Yes	Yes	Yes	Yes ⁽¹⁾	Yes

Notes:

- (1) Mr. Zhou Yongwei, our Chairman and executive Director, acts as the non-executive director of Baiying Financing Guarantee. However, none of our other Directors or senior management members takes executive role in Baiying Financing Guarantee.
- (2) Mr. Zhu Jinsong, our non-executive Director, acts as a director of Fujian Septwolves Group Finance. However, none of our other Directors or senior management members takes executive role in Fujian Septwolves Group Finance.

As at the Latest Practicable Date, Baiying Microcredit was only licensed to operate in Xiamen City, Fujian Province, while we are permitted to operate in Licheng District, Nan'an City, Jinjiang City, Luojiang City, which are subordinated administrative districts of Quanzhou City. Baiying Microcredit primarily provides medium term loans secured by quality collaterals, whilst our Company primarily provides short term loans with personal guarantee or corporate guarantee. The fee rate range we offered is generally higher than that offered by Baiying Microcredit. Given their different geographic markets and differences on term of loans, security and interest rate range, our Directors consider there is clear business delineation between Baiying Microcredit and our Company, especially given different geographic limitation.

Since Baiying Finance Leasing is to provide finance leasing services which involve acquisitions of assets and leasing back, its business nature is different from that of our Company which provides loans without retaining ownership of the assets.

Since Baiying Financing Guarantee is to provide guarantee services for the bank borrowings to the borrowers rather to provide loan directly to the potential borrowers, the Directors consider that there is no competition between the business of Baiying Financing Guarantee and that of the Company.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

Since Fujian Septwolves Group Finance is licensed to provide services and loans only to the Holdco Group Member Companies (which do not and will not overlap with the existing and/or potential customers of our Company), its business nature is different from that of our Company which provides loans to local entrepreneurial individuals, SMEs and microenterprises in Licheng District, Luojiang District, Jinjiang City and Nan'an City, which are subordinated administrative districts of Quanzhou City. As such, the Directors consider that there is no competition, whether actual or potential, between the business of Fujian Septwolves Group Finance and that of our Company.

Since Xiamen Borong and Fujian Yuanheng can extend collateral-backed loans in Fujian Province which includes the 4 subordinated administrative districts where our Company operates, there may be potential competition between the pawn loan business of Xiamen Borong and Fujian Yuanheng with the collateral-backed loan business of our Company. However, due to: (i) the independence of our Company's operations; (ii) the majority of our loans during the Track Record Period being guaranteed loans; and (iii) Fujian Septwolves Group only held 30% interest in Xiamen Borong and 12% interest in Fujian Yuanheng (through Jinjiang Baixin which is owned by Fujian Septwolves Group as to 60%), our Directors are of the view that the potential competition exerted by Xiamen Borong and Fujian Yuanheng to our Company is minimal and is not prejudicial to the interest of our Company. Besides, our Company separates its business with Xiamen Borong and Fujian Yuanheng by the types of products offered, approval time required and the target customers as explained below:

- Pawn loan companies are forbidden to provide credit-based loans, such as credit loans and guaranteed loans to their customer according to the relevant law and regulations. Xiamen Borong and Fujian Yuanheng could only accept: (i) real properties located in Fujian Province as collateral after they have registered their security interest in the collateral with the relevant government authority; and (ii) pledge of movables as collateral after the delivery for possession. Our Company, however, primarily offers credit loans and guaranteed loans to our customers and a substantial majority of our loans are not secured by collateral. The majority of our loans during the Track Record Period were guaranteed loans, which accounted for 96.9%, 89.9%, 67.4% and 66.4% of our loans receivable as of 31 December 2013, 2014 and 2015 and 31 March 2016.

As required by the relevant law and regulations, the value of the collaterals for pawn loans must be higher than the amount of the pawn loan being applied for while our Company is not subject to this restriction.

- Pawn loans and credit-based loans can also be distinguished by the approval time required. In general, the approval time required for pawn loans granted by pawn loan companies is shorter than that of credit-based microfinance companies because pawn loan companies would only have to ascertain the value of the collaterals whereas credit based microfinance company would usually have to spend a longer time on the due diligence procedures, including but not limited to the customer's basic information, financial conditions, non-financial conditions, purpose of financing, guarantor's financial conditions and creditworthiness, on-site visits and interviews with customers and relevant third parties as required. As such, customers who require urgent financing will be unlikely to seek financing from our Company due to the longer approval time required.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

- Due to the different business nature, the target customers of Xiamen Borong and Fujian Yuanheng, each of which as a pawn loan company, and those of our Company are generally different. The target customers of Xiamen Borong and Fujian Yuanheng are those individuals or enterprises who or which require urgent loans and possess real properties or personal properties for collateral-backed loans. Our Company's target customers, on the other hand, are those entrepreneurial individual customers or SMEs and microenterprise customers with stronger creditworthiness as our Company generally provides credit based loans, such as credit loans and guaranteed loans. The Company expects that guaranteed loans will continue to be the largest contributor to our loan portfolio for the foreseeable future. There is no guarantee that the target customers of Xiamen Borong and Fujian Yuanheng will not overlap with those of us in the future for collateral-backed loans but the Directors consider that the competition and the impact to our Company is limited.

As of the Latest Practicable Date, to the best knowledge of our Directors, our Company has no overlapping customer or any overlapping collateral with those of Xiamen Borong and Fujian Yuanheng.

As set out above, the businesses of Baiying Microcredit, Xiamen Borong, Fujian Yuanheng, Baiying Finance Leasing, Baiying Financing Guarantee and Fujian Septwolves Group Finance are separate and distinct from the business of our Company in the nature of loan, security and target customers. Even if our potential customers do not want to or fail to obtain financing from our Company, our Company believes that such customers would generally consider obtaining financing from other microcredit companies in Licheng District, Nan'an City, Jinjiang City and Luojiang District, which are subordinated administrative districts of Quanzhou City and would not seek financing from the Finance Businesses as a substitute. As such, our Directors believe that there is delineation between the Finance Businesses and the business of our Company, and are thus of the view that the other businesses owned by our Substantial Shareholders and their respective close associates are not in competition with our business in material respect.

More importantly, Fujian Septwolves Group holds only about 19.05% interest in the Company upon the Listing (assuming the Over-allotment Option is not exercised) and there are seven minority Shareholders which will hold more than 5% interest in the Company upon the Listing. Accordingly, due to the relatively substantial influence of the minority Shareholders of the Company coupled with the corporate governance measures as described below, the Directors believe that it is difficult for the Substantial Shareholders to take unfair advantage of the Company for the benefit of the Finance Businesses.

DIRECTORS' INTERESTS IN OTHER BUSINESSES

Save for the interests of Fujian Septwolves Group, its close associates and Mr. Zhou Yongwei as disclosed above, none of our Substantial Shareholders, their respective close associates or our Directors is engaged in any business which competes or is likely to compete, either directly or indirectly, with the business of our Company, which would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

NON-COMPETITION AGREEMENT

To minimize the potential competition, our Substantial Shareholders have entered into the Non-competition Agreement with us to the effect that it will not, and will procure each of its close associates not to, directly or indirectly participate in, or hold any right or interest or otherwise be involved in, any business which may be in competition with our business (other than the Finance Businesses).

Non-competition

We entered into the Non-competition Agreement with the Substantial Shareholders, under which the Substantial Shareholders agreed not to, and to procure their subsidiaries (other than our Company) and their close associates not to compete, either directly or indirectly, with our principal business and granted to our Company the option for new business opportunities, option for acquisitions and pre-emptive rights.

The Substantial Shareholders have further irrevocably undertaken in the Non-competition Agreement that, during the term of the Non-competition Agreement, they will not, and will also procure their subsidiaries (other than our Company) and their close associates not to, alone or with any other entity, in any form, directly or indirectly, engage in, participate in, assist or support a third party to engage in or participate in any business (other than the Finance Businesses) that competes, or is likely to compete, directly or indirectly with our principal business. The foregoing restrictions are subject to the fact that our Company may waive certain new business opportunities pursuant to the terms and conditions under the Non-competition Agreement.

The foregoing restrictions do not apply to (1) the Finance Businesses; (2) the purchase by Fujian Septwolves Group, its subsidiaries or close associates for investment purpose of not more than 10% equity interest in other listed companies whose business competes or is likely to compete with our principal business; or (3) the holding by Fujian Septwolves Group, its subsidiaries or close associates of not more than 10% equity interest in other companies whose business competes or is likely to compete with our principal business, as a result of a debt restructuring of such companies (collectively referred to as “Investment Companies” for scenarios (2) and (3)). For the avoidance of doubt, the exceptions above do not apply to such Investment Companies which Fujian Septwolves Group, its subsidiaries or close associates are able to control their respective board of directors notwithstanding the fact that not more than 10% of the equity interests of such Investment Companies are being held by Fujian Septwolves Group, its subsidiaries or close associates.

Options for New Business Opportunities

The Substantial Shareholders have undertaken in the Non-competition Agreement that, during the term of the Non-competition Agreement, if the Substantial Shareholders and/or their subsidiaries become aware of a business (other than the Finance Businesses) opportunity which competes, or is likely to compete, directly or indirectly with our principal business, the Substantial Shareholders will notify us in writing immediately and provide to us all information which is reasonably necessary for us to consider whether or not to engage in such business opportunity (“Offer Notice”). The Substantial Shareholders are also obliged to use their best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable. We are entitled to decide whether or not to take up such business

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

opportunity within 30 Business Days from receiving the Offer Notice (subject to our request to extend the notice period of 30 Business Days), subject to compliance with the applicable requirements under the Listing Rules.

The Substantial Shareholders and/or their subsidiaries will use their best efforts to procure their close associates to offer to us an option to acquire any new business opportunity which competes, or is likely to complete, directly or indirectly with our principal business according to the terms of the Non-competition Agreement.

If we decide not to take up the new business opportunity for any reason or do not respond to the Substantial Shareholders and/or their subsidiaries and/or their close associates within 30 Business Days from receiving the Offer Notice (subject to our request to extend the notice period for 60 Business Days), we should be deemed to have decided not to take up such new business opportunity, and the Substantial Shareholders and/or their subsidiaries may operate such new business opportunity on their own.

Option for Acquisitions

In relation to any new business (other than the Finance Businesses) opportunity of the Substantial Shareholders referred to in the Non-competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Substantial Shareholders or any of their subsidiaries (other than our Company), which competes, or may lead to competition, directly or indirectly with our principal business, the Substantial Shareholders have undertaken to grant us the option, which is exercisable at any time during the term of the Non-competition Agreement, subject to applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part or all of the new business as described above, or to operate the new business as described above by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive right, in accordance with applicable laws and regulations, articles of association and/or a prior legally binding document (including but not limited to articles of association and Shareholders' agreement), our option for acquisitions shall be subject to such third party rights. In this case, the Substantial Shareholders will use their best efforts to procure the third party to waive its pre-emptive right. As of the Latest Practicable Date, the Directors are not aware of any existing third parties' pre-emptive rights.

The Substantial Shareholders shall procure their subsidiaries (other than our Company) and their close associates to comply with the option granted to us by the Substantial Shareholders above. The consideration shall be determined following negotiation between the parties under the fair and reasonable principle based on the valuation conducted by a third party professional valuer (selected by both the Substantial Shareholders and us) and the mechanism and procedure provided by applicable laws and regulations.

Pre-emptive Right

The Substantial Shareholders have undertaken that, during the term of the Non-competition Agreement, if they intend to transfer, sell, lease, license or otherwise permit to use, to a third party any new business (other than the Finance Businesses) opportunity of the Substantial Shareholders referred to in the Non-competition Agreement, which has been offered to, but has not been taken up by, our Company and has been retained by the Substantial Shareholders or any of their subsidiaries (other than

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our Company), which competes, or may lead to competition, directly or indirectly with our principal business, the Substantial Shareholders or their subsidiaries shall notify us by written notice (“Selling Notice”) in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company. We shall reply to the Substantial Shareholders and/or their subsidiaries within 30 Business Days (subject to our request to extend such period for 60 Business Days) after receiving the Selling Notice. The Substantial Shareholders and/or their subsidiaries have undertaken that until they receive the reply from us, they shall not notify any third party of the intention to transfer, sell, lease or license the business. If our Company decides not to exercise its pre-emptive right or if our Company does not reply within the agreed time period, or if our Company does not accept the terms as set out in the Selling Notice and issues to the Substantial Shareholders a written notice within the agreed time period stating acceptable conditions which, however, are not acceptable to the Substantial Shareholders or their subsidiaries following negotiation between the parties under the fair and reasonable principle, the Substantial Shareholders or their subsidiaries are entitled to transfer, sell, lease or license the business to a third party on terms no more favourable to those as stipulated in the Selling Notice.

The Substantial Shareholders shall procure their subsidiaries (other than our Company) and their close associates to comply with the above pre-emptive right.

Decision-making as to whether to take up options or pre-emptive rights

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for new business opportunities, the option for acquisitions or our pre-emptive right. In assessing whether or not to exercise such options or pre-emptive right, the independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Company and our Shareholders as a whole. Where necessary, our independent non-executive Directors will consider to engage an Independent Third Party valuer to conduct relevant evaluations. Our independent non-executive Directors are also entitled to engage a financial adviser, at the cost of our Company, in this connection.

The Substantial Shareholders’ Further Undertakings

Each of the Substantial Shareholders has further undertaken that:

- (i) it will provide all information necessary for our independent non-executive Directors to review the Substantial Shareholders’ and their subsidiaries’ compliance with and enforcement of the Non-competition Agreement;
- (ii) it consents to our disclosure of the decision made by the independent non-executive Directors in relation to the compliance with and enforcement of the Non-competition Agreement in our annual report, or by way of announcement; and
- (iii) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Non-competition Agreement for our disclosure in our annual report.

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The Non-competition Agreement will become effective upon Listing and remain in full force and be terminated upon the earlier of:

- (i) the Substantial Shareholders and their subsidiaries (other than our Company), directly and/or indirectly in aggregation, holding less than 10% of our total issued share capital; or
- (ii) our H Shares no longer being listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company:

- (1) our Directors will comply with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested;
- (2) our independent non-executive Directors will, on an annual basis, review the compliance and enforcement of the Non-competition Agreement by our Substantial Shareholders. Our Substantial Shareholders have undertaken that they will and will procure their subsidiaries and close associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. Our Company will disclose the review in our annual report or by way of announcement to the public. Our Substantial Shareholders have also undertaken that they will make an annual declaration on the compliance with the Non-competition Agreement and other connected transaction agreements in our annual report;
- (3) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;
- (4) our Company has appointed Changjiang Corporate Finance as the compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and
- (5) any transaction (if any) between (or proposed to be made between) our Company and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors and the Sole Sponsor have reviewed the above corporate governance measures adopted by our Company, and the Sole Sponsor has discussed with the Company's internal control consultant, a Hong Kong professional firm specializing in corporate governance, internal audit and internal control review services. For more details, please see "Business — Risk Management —

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Operational Risk Management.” Our Directors and the Sole Sponsor believe that the above corporate governance measures, when adopted, will be adequate to manage the potential conflicts of interests between the Company and the Substantial Shareholders.

INDEPENDENCE OF MANAGEMENT, FINANCING AND OPERATION

Having considered the following factors, our Directors are satisfied that our Company will be able to be operationally and financially independent from our Substantial Shareholders and their close associates:

Non-competition — although there are certain Finance Businesses owned by our Substantial Shareholders as mentioned above in this section, none of our Substantial Shareholders or their respective close associates has any interest in a business (other than the Finance Businesses) which competes or is likely to compete, either directly or indirectly, with our Company’s business in any material respect. In addition, each of our Substantial Shareholders has given a non-competition undertaking in favor of us. For details, please see the sub-section headed “— Non-competition Agreement” above.

Management independence — Our Board comprises three executive Directors, three non-executive Directors and three independent non-executive Directors.

The following table sets out summary of the positions and roles held by our Directors and members of our senior management team with our Company and Fujian Septwolves Group as at the Latest Practicable Date:

<u>No.</u>	<u>Name</u>	<u>Position with our Company</u>	<u>Position with the Finance Businesses</u>	<u>Position with Fujian Septwolves Group</u>
1	Mr. Zhou Yongwei	Chairman and executive Director	Non-executive director of Baiying Financing Guarantee	Chairman and non-executive director
2	Mr. Wu Zhirui	Executive Director and general manager	None	None
3	Mr. Yan Zhijiang	Executive Director, deputy general manager, secretary to the Board, joint company secretary	None	None
4	Mr. Wang Wenbin	Non-executive Director	None	None
5	Mr. Jiang Haiying	Non-executive Director	None	None

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No.	Name	Position with our Company	Position with the Finance Businesses	Position with Fujian Septwolves Group
6	Mr. Zhu Jingsong	Non-executive Director	Director of Fujian Septwolves Group Finance	Chief financial controller
7	Mr. Cai Yi	Independent non-executive Director	None	None
8	Mr. Zhang Lihe	Independent non-executive Director	None	None
9	Mr. Wang Yiming	Independent non-executive Director	None	None
10	Ms. Xu Lei	Head of financial department	None	None
11	Mr. Zhang Yuqi	Risk management controller	None	None

Whilst there are certain overlapping directors between the Finance Businesses, Fujian Septwolves Group and our Company, none of our executive Directors or members of the senior management holds any executive directorship or executive management position in Fujian Septwolves Group and the Finance Businesses. Our Company and Fujian Septwolves Group are managed by different management teams. Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper functioning of the Board.

We believe that our Directors and members of the senior management are able to perform their roles in our Company independently and that our Company is capable of managing our business independently from our Substantial Shareholders for the following reasons:

- (a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions; and
- (c) our Board comprises nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of the Board; it provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is in line with the Listing Rules.

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Financial independence — Our Company has an independent financial system and makes financial decisions according to its own business needs. Our Company has its own internal control and accounting systems, accounting and finance department, and independent treasury function for receipts and payments.

During the Track Record Period, we financed our operations through a combination of borrowings from banks, cash generated from our operations and capital contributions from Shareholders. As of the Latest Practicable Date, there was no guarantee, loan or pledge provided to or by the Substantial Shareholders. In the circumstances, we believe we are capable of obtaining financing from third parties without reliance on our Substantial Shareholders and maintaining financial independence from the Substantial Shareholders.

Operational independence — Currently, our Company engages in our business independently, with the independent right to make operational decisions and implement such decisions. Save as disclosed above, our Company has an independent work force to carry out our operation and has not shared its operation team with our Substantial Shareholders' businesses outside our Company. We have our own organizational structure comprised of individual departments, each with specific areas of responsibilities, including credit operation department, risk management department, finance department and administrative department. Although during the Track Record Period, there have been certain transactions between us and our related parties, details of which are set forth in Note 23 of Section II of the Accountants' Report attached as Appendix I to this Prospectus, our Directors have confirmed that these related party transactions, if trade related, were conducted on fair and reasonable normal commercial terms. None of the historical related party transactions with the connected persons are expected to continue after the Listing.

Having considered that: (i) we have established our own organizational structure comprising individual departments, each with specific areas of responsibilities; (ii) our Company does not share our operational resources, such as customers, marketing, sale and general administration resources with our Substantial Shareholders and/or their close associates; and (iii) our Substantial Shareholders have no interest in any of our top five customers or other business partners; our Directors consider that our Company can operate independently from our Substantial Shareholders from the operational perspective.

CONNECTED TRANSACTIONS

We have not entered into any transactions with our connected persons which will continue following the Listing and which will constitute non-exempt continuing connected transactions within the meaning of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our Directors has entered into a service contract with our Company.

The following table sets forth certain information of our Directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Appointment</u>	<u>Date of Joining the Company</u>	<u>Responsibilities</u>	<u>Relationships with other Directors, Supervisors and senior management</u>
Mr. Zhou Yongwei (周永偉)	54	Chairman and executive Director	8 January 2010	8 January 2010	Corporate strategic planning and overall business development and management of our Company	None
Mr. Wu Zhirui (吳智銳)	39	Executive Director	20 November 2012	1 January 2011	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Yan Zhijiang (顏志江)	34	Executive Director	11 November 2013	11 November 2013	Formulating and implementing our corporate governance measures and risk management policy and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Wang Wenbin (王文彬)	49	Non-executive Director	8 January 2010	8 January 2010	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None
Mr. Jiang Haiying (蔣海鷹)	40	Non-executive Director	12 June 2015	27 March 2015	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None

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Name	Age	Position	Date of Appointment	Date of Joining the Company	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Zhu Jinsong (朱金松)	47	Non-executive Director	10 July 2014	10 July 2014	Attending meetings of our Board to perform duties as a Board member, but not participating in the day-to-day management of our business operations	None
Mr. Cai Yi (蔡毅)	56	Independent non-executive Director	10 July 2014	10 July 2014	Attending meetings of our Board to perform duties as a Board member and member of our remuneration committee and nomination committee and providing independent opinion and judgement to our Board	None
Mr. Zhang Lihe (張立賀)	39	Independent non-executive Director	10 July 2014	10 July 2014	Attending meetings of our Board to perform duties as a Board member, chairman of our audit committee and member of our nomination committee and providing independent opinion and judgement to our Board	None
Mr. Wang Yiming (王藝明)	39	Independent non-executive Director	10 July 2014	10 July 2014	Attending meetings of our Board to perform duties as a Board member, chairman of our remuneration committee and member of our audit committee and providing independent opinion and judgement to our Board	None

Executive Directors

Mr. Zhou Yongwei (周永偉) (formerly known as Mr. Zhou Lianqi (周連期)), aged 54, has been the Chairman of the Board and our executive Director since 8 January 2010. He is primarily responsible for corporate strategic planning and overall business development and management of our Company. Mr. Zhou has approximately 27 years of experience in finance and investment industry and has extensive experience in corporate management and business operation. Mr. Zhou joined our Company in 8 January 2010 as a Director. Mr. Zhou worked as a salesperson and deputy branch director in the Jinjing office, Jinjiang branch of the Bank of China from January 1981 to June 1987 and July 1987 to May 1993 respectively. He was responsible for the daily business operation management during the relevant period. He has worked as a director of Fujian Septwolves Industry (formerly known as 福建七匹狼制衣實業有限公司 (Fujian Septwolves Clothing Industry Company Limited), being principally engaged in design, manufacturing and sales of the clothing product and clothing raw materials since May 1993, which is listed on the Shenzhen Stock Exchange (stock code: 002029). He was responsible for strategic planning and overall management during the relevant period. Mr. Zhou has been a director and chairman of Fujian Septwolves Group (being principally engaged in project investment and asset management) since January 1997 and October 2008 respectively. He was responsible for strategic planning and overall management during the relevant period. He worked as a director of Septwolves Group Holding (being principally engaged in project investment and asset management) since February

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2000 and he is responsible for strategic planning but does not participate in its daily management. In addition, he has also served as a director of various companies invested or controlled by Fujian Septwolves Group, including Jinjiang Financing Guarantee.

Mr. Zhou obtained a bachelor's degree in economics and administration management from Nanjing Institute of Politics, the PRC (南京政治學院) in December 2013. Mr. Zhou was awarded the baohinia cup outstanding entrepreneur awards by the Hong Kong Polytechnic University on 28 November 2013. Mr. Zhou was recognized as the National Model Worker by the State Council in April 2010. He also serves as a member of 福建省人民代表大會 (the People's Congress of Fujian Province) for a term from January 2013 to January 2018, a member of the Standing Committee of 晉江市人民代表大會 (the People's Congress of Jinjiang City) for a term from December 2011 to December 2016, the vice president of 廈門市工商業聯合會 (the Federation of Industry and Commerce of Xiamen City) for a term from December 2011 to December 2016, the vice chairman of 福建省僑聯 (Fujian Overseas Chinese Federation) for a term from September 2012 to September 2017, and was elected as the first president of 泉州市僑商聯合會 (Oversea Chinese Businessmen Federation of Quanzhou City) in December 2012.

Mr. Wu Zhirui (吳智銳), aged 39, has joined our Company and has been our executive Director since 1 January 2011 and 20 November 2012, respectively. Mr. Wu was our non-executive Director between January 2010 and April 2010. He resigned in April 2010 and rejoined our Company on 1 January 2011 as a deputy general manager, responsible for participating in the day-to-day management of our business operations. He was subsequently promoted to the general manager on 20 November 2012. He is primarily responsible for formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations. Mr. Wu has approximately 15 years of experience in enterprise management. Prior to joining our Company, he worked as the branch representative of Zhengzhou branch of 廈華顯示系統有限公司 (Xiahua Monitor System Co., Ltd.) (being principally engaged in selling colorful monitor), being a subsidiary of 廈門華僑電子股份有限公司 (Xiamen Overseas Chinese Electronic Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600870) (being principally engaged in the development, production and manufacturing of the components of electronic devices and hardware fittings) from September 2000 to March 2004. He was responsible for marketing management during the relevant period. From July 2006 to December 2007, Mr. Wu worked as a strategy consultant of 廣州正略均策管理諮詢有限公司 (Guangzhou Zhenglue Junce Management Consultancy Company Limited) which was principally engaged in management consultancy. He was responsible for providing strategic and key steps planning during the relevant period. He worked as the general manager of the operation and management department of Septwolves Group Holding (being principally engaged in project investment and asset management) from December 2007 to December 2010 when he was responsible for participating in project investment and branch management and control.

Mr. Wu graduated from Xiamen University, the PRC (廈門大學) in July 2000 with a bachelor's degree in management. He subsequently obtained a master's degree in business administration from Xiamen University, the PRC (廈門大學) in June 2006.

Mr. Yan Zhijiang (顏志江), aged 34, has been our executive Director, secretary to our Board and deputy general manager/joint company secretary since 11 November 2013, 10 July 2014 and 3 September 2014, respectively. He is primarily responsible for formulating and implementing our corporate governance measures and risk management policy, and implementing operation plans and

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participating in the day-to-day management of our business operations. Mr. Yan has approximately 12 years of experience in legal matter management/risk management. Mr. Yan joined our Company on 11 November 2013 as executive Director. Prior to joining our Company, he worked as a legal executive of 廈門新泰陽進出口貿易有限公司 (Xiamen Xintaiyang Import and Export Trading Company Limited) (being principally engaged in exporting, importing, processing and trading business) from July 2003 to January 2005 when he was responsible for corporate legal matters. From February 2005 to February 2006, he worked as a clerk of 德化縣人民法院 (Dehua County People's Court) and he was responsible for assisting the judge and records keeping. Mr. Yan worked as a trainee lawyer and lawyer in 廈門建昌律師事務所 (Xiamen Jianchang Law Office) from February 2006 to May 2008. From June 2008 to July 2010, Mr. Yan worked as the head of legal department of Septwolves Group Holding when he was responsible for corporate legal matters. From August 2010 and March 2014, he worked as the general manager of the risk management department of Septwolves Group Holding. He was responsible for corporate legal matters and risk management matters during the relevant period. Mr. Yan received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in February 2006, and has been a qualified Secretary to the Board as accredited by Shanghai Stock Exchange since 9 August 2013.

Mr. Yan obtained a bachelor's degree in law from Sun Yat-sen University, the PRC (中山大學) in July 2003.

Non-executive Directors

Mr. Wang Wenbin (王文彬), aged 49, has been our non-executive Director since 8 January 2010. He is primarily responsible for providing strategic advice to the business and operation of our Company. Mr. Wang has approximately 18 years of experience in enterprise management. Mr. Wang joined our Company on 8 January 2010 as a Director. From July 1983 to January 1987, he worked as a staff in 安溪縣福前農場 (An'xi County Fu Qian Farm) which was principally engaged in farming business. He was responsible for assisting in farming related matters. He engaged in trading business from January 1987 to June 1997. Since July 1997, Mr. Wang invested in 八馬茶業股份有限公司 (Bama Tea Company Limited) which was principally engaged in the wholesale of prepackaged food and the sales of tea sets, tea tables and display tables. He was responsible for making and executing corporate strategies during the relevant period. He worked as an executive director of Fujian Xiyuan (being principally engaged in real estate investment and municipal projects construction) since June 2012 when he was responsible for, among others, making and executing corporate strategies. Since April 2013, he worked as an executive director of 福建安溪溪源旅遊開發有限公司 (Fujian Anxi Xiyuan Tourism Development Company Limited) which was principally engaged in the development of tourism estate and investment in real estate industry, municipal construction projects, finance industry, energy development projects as well as economic information and corporate management consultancy. He was responsible for corporate strategic planning and overall business development and management during the relevant period.

Mr. Wang studied in 福建安溪八中 (No. 8 Middle school of Fujian Anxi) in the PRC from September 1980 to June 1983.

Mr. Jiang Haiying (蔣海鷹), aged 40, has been our non-executive Director since 12 June 2015. He is primarily responsible for providing strategic advice to the business and operation of the Company. Mr. Jiang has over 21 years of experience in enterprise management. Mr. Jiang worked as the business

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

manager of 福建省惠安豪達建設有限公司 (Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited)) from 1994 to 1997. Since October 2003, Mr. Jiang has worked as the general manager of Quanzhou Haoxiang.

Mr. Jiang graduated from the Otemon Gakuin University, the Japan (日本大阪追手門學院大學) in 26 March 2003 majoring in international economy. Mr. Jiang has been served as the vice president of 泉州市青年企業家協會 (the Young Entrepreneur Association of Quanzhou City) and 泉州市青年商會 (the Junior Chamber of Quanzhou City) since 2005. He also has been the vice president of 惠安縣石雕石材同業公會 (the Stoning Trade Council of Huian County) since 2008. Since 2012, he has been served as a member of 惠安縣常委會 (the Standing Committee of Huian County) and the vice president of 福建省石材行業協會 (the Stone Association of Fujian Province).

Mr. Zhu Jinsong (朱金松), aged 47, has been our non-executive Director since 10 July 2014. He is primarily responsible for providing strategic advice to the business and operation of our Company. Mr. Zhu has over 15 years of experience in enterprise management. Mr. Zhu worked as the chief accountant and director of finance department of 廈門象嶼保稅區銀城信息技術發展有限公司 (Xiamen Xiangyu Baoshui District Yincheng Information Technology Development Company Limited) (being principally engaged in manufacturing of electronic and communication equipment) from March 1991 to August 2000 when he was responsible for financial management. He worked as the chief financial officer of 廈門德大食品集團有限公司 (Xiamen Germany Food Co., Ltd) from October 2000 to October 2006 (being principally engaged in production and processing of food) when he was responsible for corporate financial system building and financial management. From October 2006 to September 2009, he worked as the chief financial officer and deputy general manager of 廈門安德魯森食品集團有限公司 (Xiamen Andersen Food Group Company Limited) which was principally engaged in production and processing of food and beverages as well as the retail and wholesale of prepackaged food and dairy products. He was responsible for corporate financial system building, budget management and external financing during the relevant period. He worked as the chief financial officer and vice president of 閩能集團有限公司 (Minneng Group Co., Ltd.) (being principally engaged in investing in energy, mining, engineering, forestry, agricultural, commercial, service, information, real estate, high technology, tourism service, logistics and food processing industry) from October 2009 to December 2010 when he was responsible for corporate financial system building, budget management, fund management and external financing. He worked as the chief financial officer and vice president of 中聯環有限公司 (China Union Engineering Co., Ltd) (being principally engaged in environmental protection projects construction, environmental protection software and product development and sewage disposal) from January 2011 to July 2012 when he was responsible for corporate financial system building, budget management, fund management and external financing. Since July 2012, he worked as the chief financial officer of Septwolves Group Holding and chief financial controller of Fujian Septwolves Group when he was responsible for corporate financial system building, budget management, fund management and external financing.

Mr. Zhu is a Certified Public Accountant of the PRC since December 1997 and a member of the International Certified Senior Public Accountant since July 2011. Mr. Zhu obtained a bachelor's degree in agrarian finance from 福建農學院 (Fujian Agricultural Institute, the PRC (now known as Fujian Agriculture and Forestry University, the PRC (福建農林大學)) in July 1990, graduated from Fujian Provincial Committee Party School, the PRC (福建省委黨校) majoring in economic management in July 1995 and obtained a master degree in agriculture extension from Fujian Agriculture and Forestry University, the PRC (福建農林大學) in July 2010.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Cai Yi (蔡毅), aged 56, has been our independent non-executive Director since 10 July 2014. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Cai joined our Company on 10 July 2014 as a Director. Mr. Cai worked as a clerk of the freight department of the department of transportation of Fujian Province from August 1982 to June 1986. He was responsible for transportation management. From July 1986 to June 1987, Mr. Cai worked as a clerk in 中國外輪代理公司 (Chinese Shipping Agency Company) which was principally engaged in shipping agency and transportation agency. He was responsible for shipping agency. He worked as a clerk in 香港華閩船務公司 (Hong Kong Huamin Shipping company) (being principally engaged in shipping business) from July 1987 to December 1988. He was responsible for assisting in corporate matters. From January 1989 to December 1991, Mr. Cai worked as a manager in 聚恒興公司 (Ju Heng Xing Company) which was principally engaged in clothing production and exporting. He was responsible for daily operation management. He worked as the general manager in 興祥實業(香港)公司 (Hing Chung Group (Hong Kong) Limited) (being principally engaged in textile trading business) from January 1992 to December 1993. He was responsible for the overall corporate strategy and operation. Mr. Cai has worked as the managing director of 興祥集團(國際)有限公司 (Hing Chung Group (International) Limited) (being principally engaged in general trading) since August 1994. He was responsible for corporate strategic planning and overall business management during the relevant period. Mr. Cai serves as the Hong Kong deputy to the National People's Congress since March 2013 and is awarded as the Justice of the Peace by the government of HKSAR on 1 July 2014.

Mr. Cai once served as a director of a Hong Kong company, namely 中國社工大廈建設有限公司 (China Social Workers Building Construction Limited). Its nature of business is investment. This company no longer carried on business and was dissolved in January 2012 by striking off pursuant to section 291(5) of the predecessor Companies Ordinance (Chapter 32 of laws of Hong Kong).

Mr. Cai once served as the chairman and legal representative of 海南新紀元房地產開發有限公司 (Hainan Xinjiyuan Real Estate Development Co., Ltd), a company incorporated in the PRC. Its business scope includes real estate development. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on March 1996.

Mr. Cai graduated from 上海海運學院 (Shanghai Maritime University, the PRC) (now known as Shanghai Maritime University, the PRC (上海海事大學)) with a bachelor's degree in marine transport economic in July 1982.

Mr. Zhang Lihe (張立賀), aged 39, has been our independent non-executive Director since 10 July 2014. He is primarily responsible for providing independent opinion and judgment to our Board, particularly with regard to the financial aspects of our Company. Mr. Zhang joined our Company on 10 July 2014 as a Director. Mr. Zhang worked successively as the project manager, senior manager and partner of 廈門天健華天會計師事務所 (Xiamen Tianjian Huatian Accounting firm), 天健華証中洲(北京)會計師事務所(廈門分所) (Tianjian Huazheng Zhongzhou (Beijing) Accounting Firm (Xiamen Branch)), 天健光華會計師事務所(廈門分所) (Tianjian Guanghua Accounting Firm (Xiamen Branch)) and 天健正信會計師事務所(廈門分所) (Tianjian Zhengxin Accounting firm (Xiamen Branch)) respectively from December 1999 to May 2012, and the partner of Grant Thornton (Xiamen Branch) (致同會計師事務所(廈門分所)) from June 2012 until now.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang is a certified public accountant in the PRC. Mr. Zhang obtained a master degree in accounting from Xiamen University, the PRC (廈門大學) in December 2007.

Mr. Wang Yiming (王藝明), aged 39, has been our independent non-executive Director since 10 July 2014. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Wang joined our Company on 10 July 2014 as a Director. Mr. Wang worked successively as the lecturer, associate professor, professor, doctoral supervisor and associate director of the economic school of Xiamen University, the PRC (廈門大學) since August 2004 until now.

Mr. Wang obtained a bachelor's degree in international finance from Xiamen University, the PRC (廈門大學) in July 1998, a master degree in finance from Xiamen University, the PRC (廈門大學) in July 2001 and a doctorate degree in finance from Xiamen University, the PRC (廈門大學) in July 2004.

Save as disclosed, each of our Directors has not been a director of any other publicly listed company during the three years preceding the date of this Prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules as at the Latest Practicable Date.

SUPERVISORY COMMITTEE

The Supervisory Committee consists of seven Supervisors, comprising two representatives of Shareholders, three representatives of employees and two independent Supervisors. Except for the employee representative Supervisor elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the Supervisory Committee include reviewing and verifying financial reports, business reports and profit distribution proposals prepared by the Board; and if in doubt, appointing certified public accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company, supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and senior management members to rectify actions which are damaging to the Company's interests; and exercising other rights given to them under the Articles of Association. Each of the Supervisors has entered into a service contract with our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information of our Supervisors.

Name	Age	Position	Date of Appointment	Date of Joining the Company	Responsibilities	Relationships with other Directors, Supervisors and senior management
Ms. Hong Lijun (洪麗君)	29	Chairperson of the Supervisory Committee and employee representative Supervisor	10 July 2014	18 July 2011	Presiding over the Supervisory Committee; supervising our operational and financial activities	None
Mr. Li Jiancheng (李建成)	29	Shareholder representative Supervisor	4 February 2016	25 January 2016	Supervising our operational and financial activities	None
Mr. Ng Seng Chuan (黃成泉)	59	Shareholder representative Supervisor	10 July 2014	10 July 2014	Supervising our operational and financial activities	None
Ms. Ruan Cen (阮岑)	35	Employee representative Supervisor	10 July 2014	1 March 2010	Supervising our operational and financial activities	None
Mr. Wang Shijie (王世傑)	28	Employee representative Supervisor	16 March 2016	23 June 2014	Supervising our operational and financial activities	None
Mr. Chen Jinzhu (陳金助)	40	Independent Supervisor	15 December 2015	15 September 2015	Supervising our operational and financial activities	None
Mr. Wu Lindi (吳麟弟)	38	Independent Supervisor	15 December 2015	15 September 2015	Supervising our operational and financial activities	None

Ms. Hong Lijun (洪麗君), aged 29, has been an employee representative Supervisor and the chairperson of the Supervisory Committee since 10 July 2014 and 15 December 2015, respectively. Ms. Hong joined our Company on 18 July 2011 as a business manager. She has been promoted as a senior manager of our Company since April 2013. She is primarily responsible for project due diligence and relationship maintaining. Prior to joining our Company, she worked as a client manager of the Quanzhou Tian'an Road sales office of 海通證券股份有限公司 (Haitong Securities Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 6837) which was principally engaged in securities brokerage, operation, underwriting, sponsorship, investment consultancy and financial advisory in securities trading and investment from September 2009 to May 2011. She was responsible for securities brokerage and securities investment consultancy during the relevant period.

Ms. Hong obtained a bachelor's degree in economics from Beijing Normal University, the PRC (北京師範大學) in July 2009.

Mr. Li Jiancheng (李建成), aged 29, has been a Shareholder representative Supervisor since 4 February 2016. Prior to joining our Company, Mr. Li worked as an office secretary of Septwolves Group Holding since April 2012.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Li completed his four-year study in art design from 浙江大學 (Zhejiang University) in July 2011.

Mr. Ng Seng Chuan (黃成泉), aged 59, has joined our Company as a Shareholder representative Supervisor since 10 July 2014. From March 1978 to April 1981, he worked as the general manager in Hiap Chin Trading Pte Ltd which was principally engaged in mineral and placer exploration and exploitation. He was responsible for daily operation and business development. From September 1980 to April 1985, he worked as the operating manager of Pan-United Industries Pte Ltd which was principally engaged in supplying cement, sand and stones. He was responsible for daily business operation. He worked as an operating manager of Pan United Shipping Pte Ltd (being principally engaged in shipping business) from October 1987 to October 1989 when he was responsible for daily business operation. From August 1990 to August 1991, he was the general manager and owner of Alademy Petroleum Trading (“Alademy”) which was principally engaged in petroleum transportation. He was responsible for daily operation and business development. He was the general manager and owner of Crawler Petroleum Trading (“Crawler”) (being principally engaged in petroleum maritime transportation) from January 1996 to February 1997 when he was responsible for daily operation and business development. Since he subsequently decided to discontinue such businesses, Alademy and Crawler was canceled and terminated in August 1991 and February 1997, respectively. From May 1997 to May 2008, Mr. Ng worked as a researcher of Quanzhou Xingyuan, being principally engaged in production and wholesaling of piping materials, plastic products, electronic products, electric components, and construction materials. He was responsible for developing macromolecular materials, conducting market research and providing business expansion strategies during the relevant period. From June 2008 to December 2012, he worked as an overseas investment manager of NKC Holdings Pte Ltd. which was principally engaged in investment holding. He was responsible for overseas investments during the relevant period. He worked as the medical precise instruments research development manager of AP Technologies Group Pte Ltd (being principally engaged in investment, management, consultancy, research and development) since January 2013 when he was responsible for marketing and research and development of medical instrument.

Mr. Ng graduated from Singapore Chung Cheng High School in December 1972.

Ms. Ruan Cen (阮岑), aged 35, has been an employee representative Supervisor since 10 July 2014. Ms. Ruan joined our Company in 1 March 2010 as an administration manager. She is primarily responsible for administrative work and team building. Prior to joining our Company, she worked as a salesperson of 泉州輕藝工藝進出口(集團)公司 (Quanzhou Qingyi Importing and Exporting (Group) Co., Ltd.) (being principally engaged in operating and agency in exporting and importing products and technology apart from the 16 kinds of export products organized uniformly by the government and 14 kinds of import products approved to be traded by the government) from July 2004 to June 2006 when she was responsible for assisting in the business of the company. She worked as a salesperson of 泉州輕藝股份有限公司 (Quanzhou Qingyi Co., Ltd.) (being principally engaged in operating and acting as agent in exporting and importing products and technology) from July 2006 to February 2010 when she was responsible for assisting in the business of the company.

Ms. Ruan obtained a bachelor’s degree in international economics and trade from Huaqiao University, the PRC (華僑大學) in July 2004, and the qualification of intermediate economist in January 2011.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Shijie (王世傑), aged 28, has been an employee representative Supervisor since 16 March 2016. Mr. Wang joined the Company on 23 June 2014 as a deputy manager of risk management department. He is responsible for reviewing loan agreements and compliance matters. Prior to joining our Company, Mr. Wang worked as a legal executive of 李惟斯(福建)體育用品有限公司 (Liweisi (Fujian) Sports Products Limited) from September 2013 to June 2014. He worked as a legal executive of 起步(中國)有限公司 (Qibu (China) Company Limited) from September 2011 to August 2013. Mr. Wang received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in August 2011.

Mr. Wang obtained a bachelor's degree in law from Minnan Normal University, the PRC (閩南師範大學) (formerly known as 漳州師範學院 (Zhangzhou Normal College)) in June 2011.

Mr. Chen Jinzhu (陳金助), aged 40, has been an independent Supervisor since 15 December 2015. From October 2000 to April 2002, Mr. Chen worked as a legal executive of 廈門新華博瑞生產力發展有限公司 (Xiamen Xinhua Borui Productivity Development Company Limited). He worked as a trainee lawyer and lawyer in 福建建昌律師事務所 (Fujian Jianchang Law Office) from May 2002 to October 2011. Since November 2011, he has been the lawyer of the 北京盈科(廈門)律師事務所 (Yingke (Xiamen) Law Firm). Mr. Chen received the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in March 2001.

Mr. Chen obtained a bachelor's degree in law from Northwest University of Politics and Law, the PRC (西北政法大學) in July 2000.

Mr. Wu Lindi (吳麟弟), aged 38, has been an independent Supervisor since 15 December 2015. Mr. Wu worked as a marketing engineer in 中國聯通漳州分公司 (China Unicom Zhangzhou Branch) from July 2001 to September 2003. From October 2005 to December 2009, he worked as the project investment director in 廈門國貿集團股份有限公司 (Xiamen International Trade Corporation). He was the general manager assistant of 廈門創翼創業投資有限公司 (Xiamen Chuangyi Venture Investment Company Limited) from December 2009 to September 2015. Since October 2015, he worked as the senior manager of 新時代證券股份有限公司 (New Times Securities Co., Ltd).

Mr. Wu obtained the qualification of intermediate economist on 14 August 2009 and is a Certified Public Accountant of the PRC since 20 December 2009. Mr. Wu graduated from Xiamen University, the PRC (廈門大學) in July 2001 with a bachelor's degree in management. He subsequently obtained a master's degree in business administration from Xiamen University, the PRC (廈門大學) in July 2006.

Save as disclosed, each of our Supervisors has not been a director of any other publicly listed company during the three years preceding the date of this Prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Supervisors that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information of the members of the senior management of our Company.

Name	Age	Position	Date of Appointment	Date of Joining the Company	Responsibilities	Relationships with other Directors, Supervisors and senior management
Mr. Zhou Yongwei (周永偉)	54	Chairman	8 January 2010	8 January 2010	Corporate strategic planning and overall business development and management of our Company	None
Mr. Wu Zhirui (吳智銳)	39	General manager	20 November 2012	1 January 2011	Formulating and implementing our corporate strategies, overseeing our overall business development and implementing operation plans and participating in the day-to-day management of our business operations	None
Mr. Yan Zhijiang (顏志江)	34	Secretary to the Board	10 July 2014	11 November 2013	Formulating and implementing our corporate governance measures and risk management policy and participating in the day-to-day management of our business operations	None
		Deputy general manager/joint company secretary	3 September 2014			
Ms. Xu Lei (徐蕾)	44	Head of financial department	1 March 2010	1 March 2010	Financial management	None
Mr. Zhang Yuqi (張育杞)	45	Risk management controller	1 January 2011	1 January 2011	Risk management	None

For biographical details of Mr. Zhou Yongwei (周永偉), Mr. Wu Zhirui (吳智銳) and Mr. Yan Zhijiang (顏志江), please refer to the sub-section headed “— Board of Directors” above.

Ms. Xu Lei (徐蕾), aged 44, has joined our Company as the head of our financial department since 1 March 2010. Prior to joining our Company, she worked as the director of the operation department of Beijing Railway specialist branch of China Construction Bank from July 1995 to January 2001 when she was responsible for accounting works in operation department. From March 2003 to May 2006, she worked as the financial executive of 北京春雪會計服務公司 (Beijing Chunxue Accounting Services Co., Ltd) which was principally engaged in account keeping agency. She was responsible for accounting and financial management during the relevant period. From October 2006 to July 2008, she worked as the financial executive of 泉州史萊辛格商貿連鎖有限公司 (Quanzhou Shilaixin Commerce Chain Co., Ltd) which was principally engaged in marketing of sporting goods, handicraft articles, toys, clothing, cases and commodities. She was responsible for accounting and financial management during the relevant period. She worked as the financial executive of 泉州匯金置業有限公司 (Quanzhou Huijin Real Estate Development Co., Ltd) (being principally engaged in the agency of real estate sales and leases as well as property management) from August 2008 to February 2010 when she was responsible for accounting and financial management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Xu obtained a bachelor's degree in accounting from Harbin University of Civil Engineering and Architecture, the PRC (哈爾濱建築大學) in July 1995.

Mr. Zhang Yuqi (張育杞), aged 45, has joined our Company as our risk management controller since 1 January 2011. Prior to joining our Company, he worked as an engineer of 福建南平鋁廠 (Fujian Nanping Aluminum Factory) (being principally engaged in smelting, molding and production of aluminum) from July 1993 to December 1995 when he was responsible for electronic engineering. From January 1996 to December 2000, he worked as an engineer of 福建瑞閩鋁板帶有限公司 (Fujian Ruimin Aluminum Plate Co., Ltd) which was principally engaged in production of aluminum plate with high degree of accuracy. He was responsible for electronic engineer during the relevant period. He worked as a lawyer of 福建中美律師事務所 (Fujian Zhongmei Law Firm) from January 2001 to December 2010. Mr. Zhang received the PRC lawyer certificate issued by the Ministry of Justice since 7 May 1999.

Mr. Zhang obtained a bachelor's degree in engineering from 武漢鋼鐵學院 (Wuhan Steel College, the PRC (now known as Wuhan University of Science and Technology, the PRC (武漢科技大學)) in July 1993, and graduated from the postgraduate school of Xiamen University, the PRC (廈門大學) majoring in civil and commercial law in October 2009.

Save as disclosed, each of our senior management has not been a director of any other publicly listed company during the three years preceding the date of this Prospectus.

JOINT COMPANY SECRETARIES

Ms. Ng Ka Man (吳嘉雯) has been our joint company secretary since 25 January 2016. Ms. Ng is an assistant vice president of the Listing Department of TMF Hong Kong Limited, a leading global professional services firm, where she is primarily responsible for assisting Hong Kong listed companies in handling company secretarial and compliance work. She has over ten years of company secretarial experience. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ng obtained her master's degree in Corporate Governance from The Open University of Hong Kong in 2011.

Mr. Yan Zhijiang (顏志江), aged 34, has been our joint company secretary since 3 September 2014. For biographical details of Mr. Yan Zhijiang (顏志江), please refer to the sub-section headed “— Board of Directors” above.

BOARD COMMITTEES

Audit Committee

Our Company has established an audit committee on 6 September 2016 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Zhang Lihe, Mr. Wang Yiming and Mr. Zhu Jinsong. Mr. Zhang Lihe currently serves as the chairman of our audit committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a remuneration committee on 6 September 2016 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration committee consists of three members, being Mr. Wang Yiming, Mr. Cai Yi and Mr. Wu Zhirui. Mr. Wang Yiming currently serves as the chairman of our remuneration committee.

Nomination Committee

Our Company has established a nomination committee on 6 September 2016 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Zhou Yongwei, Mr. Cai Yi and Mr. Zhang Lihe. Mr. Zhou Yongwei currently serves as the chairman of our nomination committee.

REMUNERATION POLICY

Our Directors, Supervisors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of our Company. Our Company also reimburses our Directors, Supervisors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Company or executing their functions in relation to the operations of our Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of our Company.

COMPENSATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by our Company to our Directors and Supervisors were RMB294,399, RMB1,115,553, RMB2,043,697 and RMB634,042, respectively. Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by our Company to our senior

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

management were RMB825,851, RMB1,273,013, RMB2,014,877 and RMB661,039, respectively. Our senior management remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by the Company to the top five highest paid individuals (including Directors and Supervisors) for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, were RMB923,567, RMB1,505,524, RMB2,049,819 and RMB689,392, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining the Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors or Supervisors had waived any remuneration during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

It is estimated that under the arrangements currently in force, the aggregate amount of compensation (including salaries, benefits in kind but excluding discretionary bonuses) payable to our Directors and Supervisors for the year ending 31 December 2016, will be approximately RMB1,800,000 and RMB600,000, respectively.

COMPLIANCE ADVISER

Our Company has appointed Changjiang Corporate Finance as our compliance adviser upon Listing pursuant to Rule 3A.19 and Rule 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of operations of our Company deviate from any forecast, estimate, or other information in this Prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Pursuant to Rule 19A.06 of the Listing Rules, Changjiang Corporate Finance will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Changjiang Corporate Finance will also inform us of any amendment or supplement to applicable laws and guidelines in Hong Kong.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE CODE

As at the Latest Practicable Date, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors are not aware of any deviation from provisions in the Corporate Government Code under Appendix 14 to the Listing Rules.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as the Directors are aware, each of the following persons will, as at the date of this Prospectus, have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Shareholders</u>	<u>Capacity/Nature of interest</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of interest in the Company</u>
Fujian Septwolves Group	Beneficial Owner	129,550,000 Domestic Shares (L)	25.91%
Mr. Zhou Yongwei ⁽²⁾	Interest of controlled corporation	129,550,000 Domestic Shares (L)	25.91%
Ms. Chen Pengling ⁽³⁾	Interest of spouse	129,550,000 Domestic Shares (L)	25.91%
Fujian Xiyuan	Beneficial Owner	50,000,000 Domestic Shares (L)	10%
Mr. Wang Wenbin ⁽⁴⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%
Mr. Wang Wenli ⁽⁴⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%
Jinjiang Henglong	Beneficial Owner	50,000,000 Domestic Shares (L)	10%
Mr. Zeng Jiayi ⁽⁵⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%
Quanzhou Haoxiang	Beneficial Owner	50,000,000 Domestic Shares (L)	10%
Fujian Haoxiang Gardening ⁽⁶⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%
Mr. Jiang Haiying ⁽⁷⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

<u>Shareholders</u>	<u>Capacity/Nature of interest</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of interest in the Company</u>
Xiamen Gaoxinhong	Beneficial Owner	41,460,000 Domestic Shares (L)	8.29%
Xiamen Sifang ⁽⁸⁾	Interest of controlled corporation	41,460,000 Domestic Shares (L)	8.29%
Ms. Zhou Zehui ⁽⁹⁾	Interest of controlled corporation	41,460,000 Domestic Shares (L)	8.29%
Quanzhou Anping	Beneficial Owner	40,000,000 Domestic Shares (L)	8%
Sand Beach ⁽¹⁰⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%
Xing Ying Investments Hong Kong Limited ⁽¹¹⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%
Mr. Ng Kar Cheong ⁽¹¹⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%
Quanzhou Yuanpeng	Beneficial Owner	36,280,000 Domestic Shares (L)	7.26%
Wealth Success ⁽¹²⁾	Interest of controlled corporation	36,280,000 Domestic Shares (L)	7.26%
Ms. Hong Jingxiao ⁽¹³⁾	Interest of controlled corporation	36,280,000 Domestic Shares (L)	7.26%
Mr. Xie Anju	Beneficial Owner	36,280,000 Domestic Shares (L)	7.26%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) Fujian Septwolves Group is held as to approximately 31.09% by Mr. Zhou Yongwei, approximately 31.09% by Mr. Zhou Shaoxiong, approximately 31.09% by Mr. Zhou Shaoming, approximately 5.18% by Ms. Chen Pengling (spouse of Mr. Zhou Yongwei) and approximately 1.55% by Mr. Hong Guorong. Mr. Zhou Yongwei and his spouse control more than one-third of the voting rights of Fujian Septwolves Group and are deemed to be interested in its interest in the Company by virtue of the SFO.
- (3) Ms. Chen Pengling, the spouse of Mr. Zhou Yongwei, is deemed to be interested in Mr. Zhou Yongwei’s interest in the Company by virtue of the SFO.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

- (4) Fujian Xiyuan is held as to approximately 51% by Mr. Wang Wenbin, approximately 10% by Mr. Wang Wenchao and approximately 39% by Mr. Wang Wenli.
- (5) Jinjiang Henglong is held as to approximately 95% by Mr. Zeng Jiayi and approximately 5% by Mr. Wu Jianchang.
- (6) Quanzhou Haoxiang is held as to approximately 61.08% by Fujian Haoxiang Gardening, approximately 34.05% by Mr. Jiang Haiying and approximately 4.87% by 福建省惠安豪達建設有限公司 (Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited)).
- (7) Fujian Haoxiang Gardening is approximately 53.33% owned by Mr. Jiang Haiying.
- (8) Xiamen Gaoxinhong is held as to approximately 59% by Xiamen Sifang, approximately 23% by Ms. Zhou Zehui and approximately 18% by Ms. Wu Changfeng.
- (9) Xiamen Sifang is approximately 95% owned by Ms. Zhou Zehui. Therefore, Ms. Zhou Zehui. is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.
- (10) Quanzhou Anping is held as to 100% by Sand Beach.
- (11) Sand Beach is 100% owned by Xing Ying Investments Hong Kong Limited which is in turn 100% owned by Mr. Ng Kar Cheong, the father of Mr. Ng Seng Chuan (our Supervisor).
- (12) Quanzhou Yuanpeng is held as to 100% by Wealth Success.
- (13) Wealth Success is 100% owned by Ms. Hong Jingxiao (洪靜曉), an Independent Third Party. Therefore, Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as the Directors are aware, each of the following persons will, immediately following completion of the Global Offering (without taking into account any H Shares that may be issued upon the exercise of the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Shareholders	Nature of interest	Number of Shares held after the Global Offering ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering ⁽³⁾
Fujian Septwolves Group ⁽⁴⁾	Beneficial Owner	129,550,000 Domestic Shares (L)	25.91%	19.05%
Mr. Zhou Yongwei ⁽⁵⁾	Interest of controlled corporation	129,550,000 Domestic Shares (L)	25.91%	19.05%
Ms. Chen Pengling ⁽⁶⁾	Interest of spouse	129,550,000 Domestic Shares (L)	25.91%	19.05%
Fujian Xiyuan ⁽⁷⁾	Beneficial Owner	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Wang Wenbin ⁽⁸⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Wang Wenli ⁽⁸⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Jinjiang Henglong ⁽⁹⁾	Beneficial Owner	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Zeng Jiayi ⁽¹⁰⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Quanzhou Haoxiang ⁽¹¹⁾	Beneficial Owner	50,000,000 Domestic Shares (L)	10%	7.35%
Fujian Haoxiang Gardening ⁽¹²⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

<u>Shareholders</u>	<u>Nature of interest</u>	<u>Number of Shares held after the Global Offering⁽¹⁾</u>	<u>Approximate shareholding percentage in the relevant class of Shares after the Global Offering⁽²⁾</u>	<u>Approximate percentage of shareholding in the total share capital of the Company after the Global Offering⁽³⁾</u>
Mr. Jiang Haiying ^{(12)&(13)}	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Xiamen Gaoxinhong ⁽¹⁴⁾	Beneficial Owner	41,460,000 Domestic Shares (L)	8.29%	6.1%
Xiamen Sifang ⁽¹⁵⁾	Interest of controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.1%
Ms. Zhou Zehui ⁽¹⁶⁾	Interest of controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.1%
Quanzhou Anping ⁽¹⁷⁾	Beneficial Owner	40,000,000 Domestic Shares (L)	8%	5.88%
Sand Beach ⁽¹⁸⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%	5.88%
Xing Ying Investments Hong Kong Limited ⁽¹⁹⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%	5.88%
Mr. Ng Kar Cheong ⁽¹⁹⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%	5.88%
Quanzhou Yuanpeng ⁽²⁰⁾	Beneficial Owner	36,280,000 Domestic Shares (L)	7.26%	5.34%
Wealth Success ⁽²¹⁾	Interest of controlled corporation	36,280,000 Domestic Shares (L)	7.26%	5.34%
Ms. Hong Jingxiao ⁽²²⁾	Interest of controlled corporation	36,280,000 Domestic Shares (L)	7.26%	5.34%
Mr. Xie Anju	Beneficial Owner	36,280,000 Domestic Shares (L)	7.26%	5.34%

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue after the Global Offering.
- (4) Fujian Septwolves Group will be directly interested in approximately 19.05% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (5) The Company will be held as to approximately 19.05% by Fujian Septwolves Group immediately following the completion of the Global Offering (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

The disclosed interest represents the interest in the Company held by Fujian Septwolves Group which is in turn approximately 31.09% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong, approximately 30.66% owned by Mr. Zhou Shaoming, approximately 5.18% owned by Ms. Chen Pengling (spouse of Mr. Zhou Yongwei), and approximately 1.55% owned by Mr. Hong Guorong. Mr. Zhou Yongwei and his spouse control more than one-third of the voting rights of Fujian Septwolves Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

- (6) Ms. Chen Pengling, the spouse of Mr. Zhou Yongwei, is deemed to be interested in Mr. Zhou Yongwei’s interest in the Company by virtue of the SFO.
- (7) Fujian Xiyuan will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (8) The disclosed interest represents the interest in the Company held by Fujian Xiyuan which is in turn approximately 51% owned by Mr. Wang Wenbin, approximately 10% owned by Mr. Wang Wenchao and approximately 39% owned by Mr. Wang Wenli. Therefore, Mr. Wang Wenbin and Mr. Wang Wenli are deemed to be interested in Fujian Xiyuan’s interest in the Company by virtue of the SFO.
- (9) Jinjiang Henglong will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (10) The disclosed interest represents the interest in the Company held by Jinjiang Henglong which is in turn approximately 95% owned by Mr. Zeng Jiayi and approximately 5% owned by Mr. Wu Jianchang. Therefore, Mr. Zeng Jiayi is deemed to be interested in Jinjiang Henglong’s interest in the Company by virtue of the SFO.
- (11) Quanzhou Haoxiang will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (12) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening, approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by 福建省惠安豪達建設有限公司 (Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited)). Therefore, Fujian Haoxiang Gardening and Mr. Jiang Haiying are deemed to be interested in Quanzhou Haoxiang’s interest in the Company by virtue of the SFO.
- (13) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening. Fujian Haoxiang Gardening is approximately 53.33% owned by Mr. Jiang Haiying. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang’s interest in the Company by virtue of the SFO.
- (14) Xiamen Gaoxinhong will be directly interested in approximately 6.1% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

- (15) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong which is in turn approximately 59% owned by Xiamen Sifang, approximately 23% owned by Ms. Zhou Zehui and approximately 18% owned by Ms. Wu Changfeng. Therefore, Xiamen Sifang is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.
- (16) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong which is in turn approximately 59% owned by Xiamen Sifang. Xiamen Sifang is approximately 95% owned by Ms. Zhou Zehui. Therefore, Ms. Zhou Zehui is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.
- (17) Quanzhou Anping will be directly interested in approximately 5.88% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (18) The disclosed interest represents the interest in the Company held by Quanzhou Anping which is in turn 100% owned by Sand Beach. Therefore, Sand Beach is deemed to be interested in Quanzhou Anping's interest in the Company by virtue of the SFO.
- (19) The disclosed interest represents the interest in the Company held by Quanzhou Anping which is in turn 100% owned by Sand Beach. Sand Beach is 100% owned by Xing Ying Investments Hong Kong Limited which is in turn 100% owned by Mr. Ng Kar Cheong, the father of Mr. Ng Seng Chuan (our Supervisor). Therefore, Xing Ying Investments Hong Kong Limited and Mr. Ng Kar Cheong are deemed to be interested in Quanzhou Anping's interest in the Company by virtue of the SFO.
- (20) Quanzhou Yuanpeng will be directly interested in approximately 5.34% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (21) The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng which is in turn 100% owned by Wealth Success. Therefore, Wealth Success is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.
- (22) The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng which is in turn 100% owned by Wealth Success, which is in turn 100% owned by Ms. Hong Jingxiao, an Independent Third Party. Therefore, Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

As at the date of this Prospectus, the registered share capital of the Company is RMB500,000,000, divided into 500,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately following the Global Offering will be increased to RMB680,000,000 and set out as follows:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Approximate percentage of total share capital (%)</u>
500,000,000	Domestic Shares ⁽¹⁾	73.53
<u>180,000,000</u>	H Shares to be issued under the Global Offering	<u>26.47</u>
<u>680,000,000</u>	Total	<u>100.0</u>

Note:

(1) These Domestic Shares may be converted into H Shares. See “— Conversion of Our Unlisted Shares into H Shares.”

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering will be increased to RMB707,000,000 and set out as follows:

<u>Number of Shares</u>	<u>Description of Shares</u>	<u>Approximate percentage of total share capital (%)</u>
500,000,000	Domestic Shares ⁽¹⁾	70.72
<u>207,000,000</u>	H Shares to be issued under the Global Offering	<u>29.28</u>
<u>707,000,000</u>	Total	<u>100.0</u>

Note:

(1) These Domestic Shares may be converted into H Shares. See “— Conversion of Our Unlisted Shares into H Shares.”

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) and (b) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer’s listed securities to be maintained. This normally means that: (i) at least 25% of the issuer’s total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer’s total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer’s total issued share capital and must have an expected market capitalization at the time of listing of not less than HK\$50.0 million.

SHARE CAPITAL

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (whether or not the Over-allotment Option is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after Listing.

The above tables assume the Global Offering becomes unconditional and is completed.

OUR SHARES

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars between legal or natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC and qualified domestic institutional investors of the PRC. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

Our Promoters hold all existing Domestic Shares as promoter shares (as defined in the *PRC Company Law*). Under the *PRC Company Law*, promoter shares may not be sold within a period of one year from 18 August 2014, on which we were organized as a joint stock limited liability company. The *PRC Company Law* further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this Prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix V to this Prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

We have two classes of ordinary shares, H Shares and Domestic Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by the Existing Shareholders and therefore, the scope of our unlisted Shares is the same as the scope of our Domestic Shares. The term “unlisted Shares” is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws.

SHARE CAPITAL

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares. The conversion of H Shares only applies to our unlisted Shares. Such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our unlisted Shares are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial Listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As advised by our PRC Legal Advisers, the Articles of Association are consistent with the relevant PRC laws and regulations on the conversion of unlisted Shares.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the unlisted Shares held by it into H Shares.

SHARE CAPITAL

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The *PRC Company Law* provides that in relation to the global offering of a company, the shares issued by a company prior to the global offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to *the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange* (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon listing.

GENERAL MANDATE AND REPURCHASE MANDATE

As at the date of this Prospectus, the Company does not have any general mandate to allot and issue Domestic Shares and/or H Shares or repurchase mandate to repurchase Domestic Shares and/or H Shares.

CONVENING OF GENERAL AND CLASS MEETINGS

For details of the circumstances under which general meetings and class meetings of the Company are required, please see “Appendix V — Summary of the Articles of Association” in this Prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our audited financial information included in “Appendix I — Accountants’ Report,” together with the accompanying notes. The financial information has been prepared in accordance with HKFRS.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current view with respect to future events and our financial performance that involve risks, uncertainties and changes in circumstances. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. See the sections headed “Risk Factors” and “Forward-looking Statements.”

SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary financial information from our statements of profit or loss and other comprehensive income and statements of cash flows for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, and our statements of financial position as of 31 December 2013, 2014 and 2015 and 31 March 2016 set forth below are derived from the Accountants’ Report attached as Appendix I to this Prospectus and should be read in conjunction with the Accountants’ Report and with “— Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Summary Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Interest income	78,474	134,301	135,882	33,973	36,153
Interest expense	(10,031)	(8,471)	(5,742)	(1,561)	(1,368)
Interest income, net	68,443	125,830	130,140	32,412	34,785
Net charge of impairment allowance on loans receivable	(3,489)	(3,455)	(9,431)	(3,381)	(1,417)
Operating and administrative expenses	(11,196)	(25,031)	(20,577)	(4,067)	(6,475)
Other income and gains, net	1,131	730	219	653	110
Profit before tax	54,889	98,074	100,351	25,617	27,003
Income tax expense	(13,762)	(24,605)	(25,096)	(6,405)	(6,752)
Net profit and total comprehensive income for the year/period	<u>41,127</u>	<u>73,469</u>	<u>75,255</u>	<u>19,212</u>	<u>20,251</u>

FINANCIAL INFORMATION

Summary Statements of Financial Position

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Cash and cash equivalents	158,399	43,542	42,558	16,914
Loans receivable	526,326	685,425	692,140	753,916
Property and equipment	456	1,315	981	877
Intangible assets	39	—	704	592
Deferred tax assets	1,451	1,925	1,184	1,231
Other assets	8,938	8,615	10,112	11,105
Total assets	695,609	740,822	747,679	784,635
Liabilities				
Interest-bearing bank borrowings	150,000	136,000	100,000	138,300
Interest payable	—	187	138	189
Income tax payable	7,968	17,806	14,529	18,523
Other payables	2,107	2,966	3,894	3,254
Total liabilities	160,075	156,959	118,561	160,266
Net assets	535,534	583,863	629,118	624,369

Summary Statements of Cash Flows

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash flows from/(used in) operating activities . .	13,221	(66,298)	71,903	50,906	(37,598)
Net cash flows used in investing activities	(55)	(1,136)	(1,096)	(176)	(28)
Net cash flows from/(used in) financing activities . .	141,969	(47,423)	(71,791)	(67,598)	11,982
Net increase/(decrease) in cash and cash equivalents	155,135	(114,857)	(984)	(16,868)	(25,644)
Cash and cash equivalents at beginning of year/period .	3,264	158,399	43,542	43,542	42,558
Cash and cash equivalents at end of year/period	158,399	43,542	42,558	26,674	16,914

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Based in Quanzhou City, we are the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, according to *Ipsos*. We are primarily dedicated to providing local entrepreneurial individuals, SMEs and microenterprises with credit-based short-term financing solutions in a flexible manner 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. Our business scale has expanded rapidly since our inception in January 2010, and we have built a solid customer base in line with the growth in our business scale. During the Track Record Period, we had a portfolio of over 600 different customers.

From the commencement of our operations in January 2010, we were licensed to base our operations in Licheng District of Quanzhou City, and we provided financial solutions to entrepreneurial individuals, SMEs and microenterprises in the manufacturing and services industries in Quanzhou City as one of the first group of pilot microfinance companies. On 30 April 2014, the Quanzhou Financial Affairs Bureau expressly defined the areas where we are permitted to operate our businesses and offer our loan services to be Nan'an City, Jinjiang City, Luojiang District and Licheng District, which are subordinated administrative districts of Quanzhou City. According to *Ipsos*, we had a market share of approximately 7.2% in Quanzhou City's microfinance market in terms of principal amount of outstanding loans as of 31 December 2015. As of 31 March 2016, we had a registered capital of RMB500.0 million. Leveraging our record of success since our inception and the reputation of our Shareholders, we were able to obtain financing from banks, such as the China Development Bank, during the Track Record Period, which further enhanced our capital sufficiency and financial strength.

We experienced steady growth during the Track Record Period. Our net loans receivable, being our gross loans receivable deducting the allowance for impairment losses, was RMB526.3 million, RMB685.4 million, RMB692.1 million and RMB753.9 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. Our net interest income was RMB68.4 million, RMB125.8 million and RMB130.1 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our net interest income was RMB32.4 million and RMB34.8 million for the three months ended 31 March 2015 and 2016, respectively. Our net profit, being our net profit and total comprehensive income, was RMB41.1 million, RMB73.5 million and RMB75.3 million for the years ended 31 December 2013, 2014 and 2015, respectively. Our net profit was RMB19.2 million and RMB20.3 million for the three months ended 31 March 2015 and 2016, respectively.

Basis of Presentation

The Company was established as a company with limited liability on 8 January 2010 in the PRC. On 10 July 2014, we held a Shareholders' meeting during which it was resolved that the Company would be converted from a limited liability company to a joint stock company. On 18 August 2014, we officially registered with the relevant company registry authorities in the PRC as a joint stock company with limited liability. Upon the conversion, we issued 500 million Shares with a par value of RMB1.0 each to our Shareholders.

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Our financial information has been prepared in accordance with HKFRS, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been adopted by our Company in the preparation of the financial information throughout the Track Record Period.

Our financial information has been prepared under the historical cost conversion. Our financial information is presented in Renminbi.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors. Our financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below:

Macroeconomic and market conditions in China and the development of the SME and microenterprise sector, in particular, in Quanzhou City

We primarily focus on providing entrepreneurial individuals, SMEs and microenterprises with short-term financing solutions in approved areas of Quanzhou City and therefore, our results of operations and financial condition are directly linked to this geographic region, which is affected by general economic and market conditions in China.

We believe general economic and market conditions that would be favorable to the SME and microenterprise sector include, but are not limited to:

- high GDP growth;
- reasonable levels of inflation;
- increasing domestic consumption and personal wealth;
- liquid and efficient financial markets;
- stable geopolitical conditions; and
- continued government support for SMEs and microenterprises.

Unfavorable or uncertain economic and market conditions include, but are not limited to:

- declines in economic growth, business activities or investor confidence;
- decreases in the availability of, or increases in the cost of, credit and capital;
- significant inflation and increases in interest rates;
- reduced government support for SMEs and microenterprises; and
- natural disasters or pandemics.

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In recent years, China in general and Quanzhou City has experienced significant economic growth, and the PRC Government has actively supported the development of SMEs and microenterprises, resulting in increases in the number of SMEs and microenterprises and their financing needs. According to *Ipsos*, the total number of SMEs and microenterprises in China increased from 45.7 million as of 31 December 2010 to 74.9 million as of 31 December 2015, representing a CAGR of 10.4%. See “Industry Overview — SMEs and Microenterprises in China.” Sustained economic growth and favorable government policies towards the SME and microenterprise sector are likely to increase the demand for funds. Unfavorable economic and market conditions or adverse policy changes could negatively impact the demand for our short-term financing products and services and result in a greater credit risk.

Government regulation and policies

We are subject to extensive and complex national, provincial, municipal and local laws, rules and regulations with regard to our business, capital structure, interest rates and provisioning policy, an overview of which is set forth in “Regulatory Overview” in this Prospectus.

These laws, rules and regulations are issued by different central government ministries and departments, provincial, municipal and local governments and are enforced by different local authorities in each province. In addition, the local authorities have broad discretion in the implementation and enforcement of rules and regulations. As a result of the complexity, uncertainties and constant changes in these laws, rules and regulations, including changes in their interpretation and implementation, we may have to adjust our business practice, capital structure or product offerings from time to time.

In addition, our ability to continue our operations or expand our business into other subordinated administrative districts of Quanzhou City depends on our ability to obtain the relevant operating licenses from local, municipal, provincial and central government authorities. If we are unable to renew our local operating licenses or obtain the licenses or approval required for business expansion in a timely manner or at all, due to changes in laws and regulations or in interpretation or enforcement of laws and regulations unfavorable to us or otherwise, the implementation of our business strategy could be hindered. See “Risk Factors — Risks Relating to Our Business and Industry — We operate in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and we may be required to make significant changes to our operations from time to time in order to comply with changes in these laws, regulations and policies.”

Capital base and ability to obtain financing

The expansion of our business requires substantial capital. Under the PRC law, with certain exceptions, a microfinance company may only obtain financing from banking financial institutions in the amount up to a certain percentage, generally 50%, of its net capital, for conducting lending business. In August 2015, in recognition of our sound and compliant operations since our incorporation, the Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing from banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources

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to our net capital up to 100%. As a result, our leverage ratio is permitted to be up to 2.0 times, which is significantly higher than that of our local competitors. As a result, the scale of our business depends on our capital base. As of 31 March 2016, our registered capital was RMB500.0 million.

The following table sets forth our paid-in/share capital, net capital, principal amount of outstanding loans and loan/net capital ratio as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
Paid-in/Share capital (RMB in millions) ⁽¹⁾	500.0	500.0	500.0	500.0
Net capital (RMB in millions) ⁽²⁾	535.5	583.9	629.1	624.4
Principal amount outstanding loans (RMB in millions)	572.1	718.2	705.0	758.7
Loan/Net capital ratio ⁽³⁾	1.07x	1.23x	1.12x	1.22x

Notes:

- (1) We received a capital increase of RMB200.0 million in late December 2013 and completed the AIC registration for the capital increase on 29 January 2014.
- (2) Represents the aggregate of our paid-in/share capital, reserves and retained profits.
- (3) Represents the balance of the principal amount of our outstanding loans divided by our net capital.

The expansion of our business also depends on our ability to obtain bank loans at a reasonable cost and raise alternative financing, such as borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments, to further leverage our capital. During the Track Record Period, our bank borrowings bore effective interest rates ranging from 5.05% to 7.07% on an annual basis. Our interest expense for bank borrowings for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 was RMB10.0 million, RMB8.5 million, RMB5.7 million, RMB1.6 million and RMB1.4 million, respectively, which was in line with the average balance of our bank borrowings.

Our provisioning policy

We review and assess our outstanding loans receivable at the end of each reporting year whether there is objective evidence of impairment. An impairment of loan exists if an event occurring after the initial recognition of the loans receivable has an impact on the estimated future cash flows of the loans receivable. Evidence of impairment may include indications that a borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Under our risk assessment system for loans, our loans are categorized as “normal,” “special-mention,” “substandard,” “doubtful” and “loss” and we have made provisions for the anticipated levels of loan loss. During the Track Record Period, the weighted average provision rate for “normal” loans and “special-mention” loans ranged from 1.8% to 2.7%. For “substandard,” “doubtful” and

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“loss” loans, the impairment losses are assessed individually by evaluating the loss incurred on the balance sheet date. Allowance coverage ratio, which represents the allowance for impairment losses for all of our loans divided by the balance of impaired loans receivable, indicates the level of allowance we set aside to cover probable loss in our loan portfolio. Our allowance coverage ratio increased from 72.9% as of 31 December 2013 to 76.9% as of 31 December 2014, and further increased to 102.2% as of 31 December 2015, primarily as a result of the decrease in our impaired loans receivable during the same periods. Our allowance coverage ratio decreased from 102.2% as of 31 December 2015 to 95.7% as of 31 March 2016, primarily due to the increase in our impaired loans receivable of RMB2.0 million which was attributable to our recategorization of the credit risk levels relating to two loans from “special-mention” to “substandard” for the three months ended 31 March 2016. Allowance for impairment losses amounted to RMB49.2 million, RMB34.3 million, RMB16.7 million and RMB17.6 million as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. The net charge of impairment allowance on loans receivable was RMB3.5 million, RMB3.5 million, RMB9.4 million, RMB3.4 million and RMB1.4 million for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, respectively. The increase in net charge of impairment on loans receivable from the year ended 31 December 2014 to the year ended 31 December 2015 was primarily attributable to our recategorization of the credit risk levels of certain loans from “special-mention” to “substandard,” a majority of which were subsequently disposed, in 2015. For more details, see “— Description of Components of Results of Operations — Other income and gains, net.”

Provision for impairment losses ratio, which represents the allowance for impairment losses divided by the balance of gross loans receivable, indicates the cumulative level of provisions.

Our provision for impairment losses ratio decreased from 8.6% as of 31 December 2013 to 4.8% as of 31 December 2014, and further to 2.4% as of 31 December 2015, primarily due to: (i) the significant increases in the balance of gross loans receivable during the same periods as a result of our business expansion; and (ii) the decreases in the allowance for impairment losses during the same periods mainly as a result of the increase in write-offs for the year ended 31 December 2014 and our disposal of impaired loans in 2015. Our provision for impairment losses ratio remained relatively stable with a slight decrease from 2.4% as of 31 December 2015 to 2.3% as of 31 March 2016. For more details, see Note 14 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus.

As our estimate of required allowance requires significant judgments and estimates, our allowance for impairment losses may not always be adequate to cover credit losses in our business operations. The allowance we set aside may prove to be inadequate if adverse changes occur in the PRC or local economy or if there occurs any event that adversely affects any of our customers or their respective industries or markets. Under such circumstances, we may need to make additional allowance for our loans receivable, which could reduce our profit and may adversely affect our business, financial condition and results of operations.

Risk management capabilities

As a microfinance company primarily dedicated to providing credit-based short-term financing to entrepreneurial individuals, SMEs and microenterprises, credit risk is the most significant risk inherent to our business. We have developed a credit risk management system in accordance with the types and size of our loans, the types of our customers, and the local economic environment. We also strictly adhere to the policy of separating the investigation and evaluation of loan applications or risk

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assessment process from the approval of loans, which has ensured the effectiveness of our risk management and risk control efforts. In addition, we conduct post-loan grant reviews to monitor our customers' payment patterns of loan principal and interest as well as their business operations or collateral and report portfolio risks on a regular basis to take proactive corrective actions and determine adequate provision for losses. We strive to achieve an optimal balance between an acceptable and manageable credit risk level and an efficient use of available funds to improve returns for our Shareholders.

Consistent with the practice of banks and other loan-granting financial institutions, the Company calculates the impairment amount of an impaired loan by subtracting the amount that the Company originally expected to recover on the loan from the initial book amount of such loan. As credit risk is measured by the percentage of impaired loans to total outstanding loans, disposing of impaired loans is a standard method adopted in the financing industry as an essential risk management measure to reduce the total impairment amount, thereby mitigating overall credit risk exposure. As a microfinance company, we closely monitor credit quality of our loans and adopt measures such as disposing of impaired loans as part of our risk management measures to minimize risks relating to our loan portfolio and improve our recovery on impaired loans.

Due to our enhanced risk management system, we have gradually improved the quality of our customer base to consist of customers with stronger repayment ability and reduced our overall risk of loan impairment. In addition, as approved by the Quanzhou Financial Affairs Bureau, we disposed of impaired loans with an aggregate principal amount of RMB63.8 million to an independent licensed trust company through Haixia Equity Exchange at the price of RMB39.0 million in 2015. As a result, our impaired loan ratio and default ratio generally decreased during the Track Record Period. Our impaired loan ratio decreased from 11.7% as of 31 December 2013 to 6.2% as of 31 December 2014, and further to 2.3% as of 31 December 2015. Our impaired loan ratio remained relatively stable with a slight increase from 2.3% as of 31 December 2015 to 2.4% as of 31 March 2016. Our default ratio decreased from 11.8% as of 31 December 2013 to 6.0% as of 31 December 2014, to 2.3% as of 31 December 2015, and further to 2.1% as of 31 March 2016.

A comprehensive and effective risk management system helps mitigate our risk exposures and control customers' default rate. Any significant ineffectiveness or deficiency in our risk management system may result in the failure to identify or control risks which could increase the rate of customer default, the failure to effectively manage our loan portfolios, or the failure to collect repayment or realize collateral. See "Risk Factors — Risks Relating to Our Business and Industry — Our risk management and internal control systems may not fully protect us against various risks inherent in our business."

Competition

Competition in the microfinance industry is intense as the number of registered microfinance companies in China continues to increase rapidly. During the Track Record Period, we served customers in the Quanzhou City market. According to Ipsos Report, there were 32 microfinance companies in Quanzhou City, including us, and 120 microfinance companies in Fujian Province as of 31 December 2015. We are the largest licensed microfinance company in Fujian Province in terms of 2015 revenue, according to *Ipsos*.

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Our main competitors include local microfinance companies, private money lenders and rural banks which lend to entrepreneurial individuals, SMEs and microenterprises who have short-term financing needs. Our direct competitors are the other 31 microfinance companies in Quanzhou City. We compete primarily on the basis of: (i) the quality and accessibility of our customer service; (ii) the effectiveness of our due diligence and loan assessment mechanism; (iii) the efficiency of our loan approval process; (iv) our ability to offer easy and convenient access to funding; (v) our experienced team of management and business managers; (vi) capital scale; and (vii) risk management and risk control capabilities.

To effectively compete with our competitors and maintain or increase our market share, we need to continue enhancing our competitive strengths, including, in particular, our ability to offer customized, efficient, flexible financial solutions to our customers. If we fail to maintain our competitive strengths, we may lose market share and our revenue may decrease. In addition, as we expand into new regions and product lines, we will face competition from additional competitors. See “Risk Factors — Risks Relating to Our Business and Industry — Competition in the industry in which we operate is growing and could cause us to lose market share and revenue in the future.”

Critical Accounting Policies, Judgements and Estimates

We have identified certain accounting policies that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. When reviewing our financial statements, you should consider (i) our critical accounting policies, (ii) the judgement and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgements based on information and financial data that may change in the future period, and as a result, actual results could differ from those estimates.

Our principal accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in Note 3 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus. We set forth below the accounting policies and estimates that we believe are the most critical to our financial information or that involve the most significant estimates and judgements used in the preparation of our financial statements. The estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects that period, or in the period of the revision and further periods if the revision affects both current and future periods. We did not experience any material deviation between our management’s estimates and actual results and did not change these estimates during the Track Record Period. Our management does not expect any material changes in these estimates in the foreseeable future.

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Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to our Company and when the revenue can be measured reliably. Interest income on loans is measured on an accrual basis using the effective interest method. When a loan has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e., the original effective interest rate.

Loans and receivables

Initial recognition and measurement

When loans and receivables are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the loans and receivables.

Subsequent measurement

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

Impairment of financial assets carried at amortized cost

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

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

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

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

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

Repossessed assets

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

Deferred tax asset and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. We make provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

Description of Components of Results of Operations

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.

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on:					
Loans receivable ⁽¹⁾	78,474	134,301	135,882	33,973	36,153
Interest expense on:					
Bank loans wholly repayable					
within five years	(10,031)	(8,471)	(5,742)	(1,561)	(1,368)
Interest income, net	<u>68,443</u>	<u>125,830</u>	<u>130,140</u>	<u>32,412</u>	<u>34,785</u>

Note:

- (1) Interest income on loans receivable includes interest income on impaired loans, which amounted to RMB2.9 million, RMB10.4 million, RMB4.4 million, RMB0.9 million and RMB0.6 million for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, respectively.

Interest income

Our interest income from short-term financings provided to entrepreneurial individuals, SMEs and microenterprises primarily consists of interest income from our outstanding performing loans. Interest income from outstanding performing loans is mainly affected by two factors: the balance of our outstanding performing loans and 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:

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	Average balance of outstanding performing loans ⁽¹⁾ (RMB'000)	426,675	598,139	692,311	651,580
Average effective interest rate per annum.	17.71% ⁽²⁾	20.71% ⁽²⁾	19.00% ⁽²⁾	20.32% ⁽³⁾	20.26% ⁽³⁾

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

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Our loan business is primarily funded by our share capital as well as our bank borrowings. We continue to enhance our capital base by increasing share capital and bank borrowings, which allows us to expand our loan portfolio and customer base. The average balance of our outstanding performing loans generally demonstrates a trend consistent with our capital base during the Track Record Period.

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, the average effective interest rate per annum on our performing loans was 17.71%, 20.71%, 19.00%, 20.32% and 20.26%, respectively. 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.

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, our interest income from performing loans was RMB75.6 million, RMB123.9 million, RMB131.5 million, RMB33.1 million and RMB35.6 million, respectively. Meanwhile, our interest income from impaired loans for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 amounted to RMB2.9 million, RMB10.4 million, RMB4.4 million, RMB0.9 million and RMB0.6 million, respectively. Interest income derived from impaired loans is recognized based on the original effective interest rate and adjusted accordingly when the interest actually collected is more than the interest accrued.

We offer two types of loans, namely, revolving loans and term loans, as part of our flexible financing solutions and depending on a customer's repayment and re-borrowing needs. Since 2011, we have begun to offer revolving loan services to certain customers that have better credit histories and repayment ability. However, the average interest-bearing tenure of each drawdown under a revolving loan is generally shorter than that of a term loan, which may affect the growth rate of our interest income. The following table sets forth our respective interest income from revolving loans and term loans for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest income from:										
Revolving loans	50,644	64.5	73,668	54.9	72,748	53.5	17,669	52.0	21,930	60.7
Term loans	27,830	35.5	60,633	45.1	63,134	46.5	16,304	48.0	14,223	39.3
Total	<u>78,474</u>	<u>100.0</u>	<u>134,301</u>	<u>100.0</u>	<u>135,882</u>	<u>100.0</u>	<u>33,973</u>	<u>100.0</u>	<u>36,153</u>	<u>100.0</u>

Interest expense

Our interest expense on bank loans represented 12.8%, 6.3%, 4.2%, 4.6% and 3.8% of our interest income on the loans granted to our customers for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, respectively. Interest expense is primarily affected

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by two factors: the average balance of our bank borrowings and the effective interest rate charged on our bank borrowings. The following table sets forth the average balance of our bank borrowings and effective interest rates per annum for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	Average balance of bank borrowings ⁽¹⁾ (RMB'000)	141,917	120,989	101,789	101,600
Effective interest rate per annum	7.07% ⁽²⁾	7.00% ⁽²⁾	5.64% ⁽²⁾	6.14% ⁽³⁾	5.05% ⁽³⁾

Notes:

- (1) Calculated as the average balance of our bank borrowings at the end of each month for the year/period indicated.
- (2) Calculated by dividing interest expense for the year by average balance of bank borrowings for the year.
- (3) Calculated by dividing interest expense for the period by average balance of bank borrowings for the period multiplied by four.

Our effective interest rates per annum for borrowings primarily reflect the applicable interest rates of our bank borrowings. Our bank borrowings from China Development Bank bore interest rates at 115% of the prevailing PBOC benchmark lending rate from June 2012 to June 2014 and at 105% of the prevailing PBOC benchmark lending rate from June 2014 to March 2016, and our bank borrowings from Xiamen Rural Commercial Bank bore interest rates at 120% of the prevailing PBOC benchmark lending rate since February 2016, which has enabled us to optimize financial leverage with favorable terms.

As a result of the foregoing, our net interest income for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 was RMB68.4 million, RMB125.8 million, RMB130.1 million, RMB32.4 million and RMB34.8 million, respectively.

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 make in relation to our loans receivable during the relevant periods.

We review our loan portfolios periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any evidence of impairment. Our management reviews the methodology and assumptions used in estimating future cash flows regularly to minimize difference between loss estimates and actual loss. See “— Factors Affecting Our Results of Operations and Financial Condition — Our provisioning policy,” “— Critical Accounting Policies, Judgments and Estimates — Impairment of financial assets carried at amortized cost” and Note 3.3 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus.

Our net charge of impairment allowance on loans receivable for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 were RMB3.5 million, RMB3.5 million, RMB9.4 million, RMB3.4 million and RMB1.4 million, respectively. The increase in

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net charge of impairment on loans receivable from the year ended 31 December 2014 to the year ended 31 December 2015 was primarily attributable to our recategorization of the credit risk levels of certain loans that we extended to our customers in 2014 from “special-mention” to “substandard” in 2015, a majority of which were subsequently disposed in 2015. For more details, see “— Other income and gains, net.”

Operating and administrative expenses

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Business tax and surcharges	4,368	7,540	7,592	1,838	2,021
Staff costs:					
Salaries, bonuses and allowances	1,622	3,173	4,513	1,052	1,246
Other social welfare	286	469	761	162	299
Service fees	2,755	10,789	3,738	220	2,020
Depreciation and amortization	394	271	727	135	244
Leasing expenses	287	689	597	149	149
Others	1,484	2,100	2,649	511	496
Total operating and administrative expenses.	11,196	25,031	20,577	4,067	6,475

Our business tax and surcharges primarily comprise business tax, city maintenance and construction fees and additional education fees, accounting for 39.0%, 30.1%, 36.9%, 45.2% and 31.2% of our operating and administrative expenses for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, respectively, and was in line with the change in our interest income during the Track Record Period. Staff costs, including salaries, bonuses and allowances paid to employees, other social welfare insurance and benefits, accounted for 17.0%, 14.5%, 25.6%, 29.9% and 23.9% of our operating and administrative expenses for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, respectively. In addition to base salaries, we also offer performance-based compensation to incentivize our employees. See “Business — Employees” for more details. During the Track Record Period, the performance-based compensation of our employees, which comprises monthly performance-based salaries, project bonuses and year-end bonuses, as a percentage to our total staff costs ranged from 37.9% to 48.6%. Service fees consist of professional service fees in connection with the Listing, auditor’s remuneration and other consulting fee.

Our operating and administrative expenses for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 were RMB11.2 million, RMB25.0 million, RMB20.6 million, RMB4.1 million and RMB6.5 million, respectively.

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Other income and gains, net

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB	RMB	RMB	RMB (unaudited)	RMB
Interest from bank deposits	511,942	729,920	420,878	152,662	110,383
Government grants	619,300	—	500,000	500,000	—
Loss from disposal of loans	—	—	(702,000)	—	—
Others	(468)	—	—	—	—
Total	1,130,774	729,920	218,878	652,662	110,383

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, we had interest income from our bank deposits of RMB0.5 million, RMB0.7 million, RMB0.4 million, RMB0.2 million and RMB0.1 million, respectively.

To promote the development of the local services industry, the government of Licheng District provided us with a RMB619,300 grant in 2013 to subsidize part of our local income tax payment for the year ended 31 December 2011. In addition, in 2015, we recorded a government grant of RMB500,000 provided by the government of Quanzhou City as a governmental reward fund, the purpose of which is to support the listing of local enterprises. The government grant of RMB500,000, which we received on 25 November 2014 following the CSRC's receipt of our application to list our H Shares on the Hong Kong Stock Exchange, was not subject to any conditions.

For the year ended 31 December 2015, we recorded a loss on the disposal of loans of RMB0.7 million. As approved by the Quanzhou Financial Affairs Bureau, we disposed of impaired loans with an aggregate principal amount of RMB63.8 million to an independent licensed trust company through Haixia Equity Exchange at the price of RMB39.0 million in 2015. The disposal price was determined with reference to the market value of such impaired loans as of 10 November 2015 based on a valuation conducted by an independent professional valuer. According to *Ipsos*, it is a common practice in the microfinance industry to dispose of impaired loans to reduce credit risk exposure.

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The following table sets forth a breakdown by industry of the impaired loans disposed of by us in 2015:

	<u>Number</u>	<u>RMB'000</u>	<u>%</u>
Principal amount of disposed impaired loans:			
Manufacturing:			
Chemical fibers	5	19,000	29.8
Paper and paper products	1	15,000	23.5
Electrical machinery and equipment	1	7,000	11.0
Textiles and apparel	2	5,000	7.8
Leather, fur, feather products and footwear manufacturing	1	2,200	3.5
Manufacturing subtotal	10	48,200	75.6
Transportation, warehousing and postal services	5	10,000	15.7
Utilities and commercial services	1	3,000	4.7
Agricultural	1	2,580	4.0
Total	<u>17</u>	<u>63,780</u>	<u>100.0</u>

We apply similar credit and risk assessment procedures and criteria for loans we granted to customers from the manufacturing industry as we do for all of our other loans. For more details, see “Business — Risk Management — Credit Risk Management — Due diligence and risk assessment.” When we conduct post-loan grant reviews of our customers, we focus our review and evaluation on factors that include our customers’ use of funds, the business operations of our customers and the industries and markets in which our customers operate. Depending on the loan size, the inspection report and proposed follow-up measures relating to loans that involve higher risks must be submitted to our Chairman, the Board of Directors or Shareholders’ meeting (as the case may be) for record or approval. For details, see “Business — Risk Management — Credit Risk Management — Post-loan grant review.”

In 2015, we disposed of five loans with a principal amount of RMB19.0 million which had been granted to customers engaged in the chemical fibers industry, and one loan with a principal amount of RMB15.0 million which had been granted to a customer engaged in the paper and paper products industry. As such, we have implemented additional risk management measures to better evaluate the creditworthiness of customers operating in these industries. With respect to any loan applications from, or existing loans granted to, customers in these industries, we closely monitor the business operations, financial performance and market value of collateral provided, as well as conducting on-site visits to inspect the operations and/or production facilities on a bi-weekly basis and conducting interviews with upstream and downstream companies to understand market trends. We also review news and reports issued by government authorities or industry associations to keep abreast of the latest industry developments. In addition to the foregoing measures, we monitor the repayment plans of our existing customers that operate in these industries. Our Directors will, from time to time, consider whether these additional risk management measures should be applied to other industries based on market conditions and our assessment of our impaired loans.

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The following table sets forth a breakdown by customer type of the impaired loans disposed of by us in 2015:

	<u>RMB'000</u>	<u>%</u>
Principal amount of disposed impaired loans:		
Individual.	56,000	87.8
Enterprise.	<u>7,780</u>	<u>12.2</u>
Total.	<u>63,780</u>	<u>100.0</u>

Income tax expense

During the Track Record Period, we were subject to the general tax rate of 25% pursuant to the *EIT Law* which became effective from 1 January 2008. Our income tax expense for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016 was RMB13.8 million, RMB24.6 million, RMB25.1 million, RMB6.4 million and RMB6.8 million, respectively, and our effective tax rate for the same years was 25.1%, 25.1%, 25.0%, 25.0% and 25.0%, respectively.

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

Net profit and total comprehensive income for the year/period

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB41.1 million, RMB73.5 million, RMB75.3 million, RMB19.2 million and RMB20.3 million for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2015 and 2016, respectively.

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Results of Operations

The following table sets forth certain income and expense items from our statements of profit or loss and other comprehensive income and such items as a percentage of our interest income for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2013		2014		2015		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Interest income	78,474	100.0	134,301	100.0	135,882	100.0	33,973	100.0	36,153	100.0
Interest expense	(10,031)	(12.8)	(8,471)	(6.3)	(5,742)	(4.2)	(1,561)	(4.6)	(1,368)	(3.8)
Interest income, net . . .	68,443	87.2	125,830	93.7	130,140	95.8	32,412	95.4	34,785	96.2
Net charge of impairment allowance on loans receivable	(3,489)	(4.4)	(3,455)	(2.6)	(9,431)	(6.9)	(3,381)	(10.0)	(1,417)	(3.9)
Operating and administrative expenses	(11,196)	(14.3)	(25,031)	(18.6)	(20,577)	(15.1)	(4,067)	(12.0)	(6,475)	(17.9)
Other income and gains, net	1,131	1.4	730	0.5	219	0.1	653	2.0	110	0.3
Profit before tax	54,889	69.9	98,074	73.0	100,351	73.9	25,617	75.4	27,003	74.7
Income tax expense . . .	(13,762)	(17.5)	(24,605)	(18.3)	(25,096)	(18.5)	(6,405)	(18.9)	(6,752)	(18.7)
Net profit and total comprehensive income for the year/ period	<u>41,127</u>	<u>52.4</u>	<u>73,469</u>	<u>54.7</u>	<u>75,255</u>	<u>55.4</u>	<u>19,212</u>	<u>56.5</u>	<u>20,251</u>	<u>56.0</u>

Three months ended 31 March 2016 compared with three months ended 31 March 2015

Interest income

Our interest income increased by 6.4% from RMB34.0 million for the three months ended 31 March 2015 to RMB36.2 million for the three months ended 31 March 2016. The increase was primarily attributable to the steady expansion of our loan business. The average balance of our outstanding performing loans increased by 7.7% from RMB651.6 million for the three months ended 31 March 2015 to RMB701.5 million for the same period in 2016. Such increase was partly offset by the decrease in the average effective interest rate per annum charged on our performing loans from 20.32% for the three months ended 31 March 2015 to 20.26% for the same period in 2016.

Interest expense

Our interest expense decreased by 12.4% from RMB1.6 million for the three months ended 31 March 2015 to RMB1.4 million for the same period in 2016. The decrease was primarily due to the decrease in the effective interest rate for our interest-bearing bank borrowings from 6.14% for the three months ended 31 March 2015 to 5.05% for the three months ended 31 March 2016. Such change in the effective interest rate was because the prevailing PBOC benchmark lending rate decreased from 2015 to 2016.

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Net charge of impairment allowance on loans receivable

Net charge of impairment allowance on loans receivable decreased by 58.1% from RMB3.4 million for the three months ended 31 March 2015 to RMB1.4 million for the three months ended 31 March 2016. Such decrease was primarily because of our improved loan quality partly as a result of our disposal in 2015 of impaired loans with an aggregate principal amount of RMB63.8 million.

Operating and administrative expenses

Our operating and administrative expenses increased by 59.2% from RMB4.1 million for the three months ended 31 March 2015 to RMB6.5 million for the same period in 2016, which was primarily due to the increase in service fees of RMB1.8 million in connection with the Listing.

Other income and gains, net

Our net other income and gains decreased from RMB0.7 million for the three months ended 31 March 2015 to RMB0.1 million for the same period in 2016. Such change was primarily because we recorded government grants of RMB0.5 million for the three months ended 31 March 2015 and we did not receive any government grant for the three months ended 31 March 2016.

Income tax expense

Our income tax expense increased from RMB6.4 million for the three months ended 31 March 2015 to RMB6.8 million for the same period in 2016, which was in line with the increase in our profit before tax. Our effective tax rate remained at a similar level of 25.0% for the three months ended 31 March 2015 and 2016.

Net profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income for the period increased by 5.4% from RMB19.2 million for the three months ended 31 March 2015 to RMB20.3 million for the same period in 2016, and our net profit margin remained stable with a slight decrease from 56.5% to 56.0% during the same period.

Year ended 31 December 2015 compared with year ended 31 December 2014

Interest income

Our interest income increased by 1.2% from RMB134.3 million for the year ended 31 December 2014 to RMB135.9 million for the year ended 31 December 2015. The increase was primarily attributable to the steady expansion of our loan business. The average balance of our outstanding performing loans increased by 15.7% from RMB598.1 million in 2014 to RMB692.3 million in 2015. Such increase was partly offset by the decrease in the average effective interest rate per annum charged on our performing loans from 20.71% in 2014 to 19.00% in 2015.

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Interest expense

Our interest expense decreased by 32.2% from RMB8.5 million for the year ended 31 December 2014 to RMB5.7 million for the year ended 31 December 2015, primarily due to a decrease in the average balance of our interest bearing bank borrowings from RMB121.0 million for the year ended 31 December 2014 to RMB101.8 million for the year ended 31 December 2015. To a lesser extent, the decrease in the effective interest rate for our interest-bearing bank borrowing from 7.00% in 2014 to 5.64% in 2015 also contributed to the decrease in our interest expense. Such change in the effective interest rate was because: (i) the floating lending rate in our newly-entered loan agreement in June 2014 decreased from 115% as stated in previous loan agreement to 105% of the prevailing PBOC benchmark lending rate; and (ii) the prevailing PBOC benchmark lending rate decreased from 2014 to 2015.

Net charge of impairment allowance on loans receivable

Net charge of impairment allowance on loans receivable increased significantly by 173.0% from RMB3.5 million for the year ended 31 December 2014 to RMB9.4 million for the year ended 31 December 2015. Such increase was primarily attributable to our recategorization of the credit risk levels of certain loans from “special-mention” to “substandard,” a majority of which were subsequently disposed, in 2015. For more details, see “— Description of Components of Results of Operations — Other income and gains, net.”

Operating and administrative expenses

Our operating and administrative expenses decreased by 17.8% from RMB25.0 million for the year ended 31 December 2014 to RMB20.6 million for the year ended 31 December 2015, which was primarily due to the decrease in service fees of RMB7.1 million in connection with the Listing, and partly offset by an increase in staff costs of RMB1.6 million as a result of the increase in the overall compensation of our employees in 2015.

Other income and gains, net

Our net other income and gains decreased from RMB0.7 million for the year ended 31 December 2014 to RMB0.2 million for the year ended 31 December 2015. Such decrease was primarily due to the loss from disposal of impaired loans of RMB0.7 million in 2015, and partly offset by a government grant of RMB0.5 million in 2015 provided by the government of Quanzhou City as a government reward fund, the purpose of which is to support the listing of local enterprises. To a lesser extent, the decrease in the interest from bank deposits as a result of the decrease in the average balance of our bank deposits in 2015 also contributed to the decrease in our net other income and gains.

Income tax expense

Our income tax expense increased by 2.0% from RMB24.6 million for the year ended 31 December 2014 to RMB25.1 million for the year ended 31 December 2015, which was in line with the increase in our profit before tax. Our effective tax rate remained at a similar level of 25.1% in 2014 and 25.0% in 2015.

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Net profit and total comprehensive income for the year

As a result of the foregoing, our net profit and total comprehensive income for the year increased by 2.4% from RMB73.5 million for the year ended 31 December 2014 to RMB75.3 million for the year ended 31 December 2015, and our net profit margin increased from 54.7% to 55.4% during the same period.

Year ended 31 December 2014 compared with year ended 31 December 2013

Interest income

Our interest income increased significantly by 71.1% from RMB78.5 million for the year ended 31 December 2013 to RMB134.3 million for the year ended 31 December 2014. The increase was primarily attributable to the increase in the average balance of our outstanding performing loans as well as corresponding average effective interest rate in 2014. The average balance of outstanding performing loans increased from RMB426.7 million in 2013 to RMB598.1 million in 2014, primarily due to the increase in our capital base as a result of a capital increase of RMB200.0 million in late December 2013. Meanwhile, the increase in the average effective interest rate per annum on our performing loans from 17.71% in 2013 to 20.71% in 2014 was primarily due to the increase in the interest rate level we charged on our loans in 2014 pursuant to the prevailing lending market conditions.

Interest expense

Our interest expense decreased by 15.6% from RMB10.0 million for the year ended 31 December 2013 to RMB8.5 million for the year ended 31 December 2014, primarily due to a decrease in the average balance of our interest bearing bank borrowings from RMB141.9 million for the year ended 31 December 2013 to RMB121.0 million for the year ended 31 December 2014. The decrease in the average balance of our interest bearing bank borrowings was due to the gradual repayments that we made before the expiration of the credit facility from China Development Bank in June 2014 and that we made drawdown in several installments after we renewed such credit facility.

Net charge of impairment allowance on loans receivable

Net charge of impairment allowance on loans receivable remained stable at RMB3.5 million for the years ended 31 December 2013 and 2014.

Operating and administrative expenses

Our operating and administrative expenses increased significantly from RMB11.2 million for the year ended 31 December 2013 to RMB25.0 million for the year ended 31 December 2014, primarily due to the increase in service fees relating to the Listing, the increase in business tax and surcharges as a result of the increase in our interest income, and the increase in staff cost as a result of the increased salaries for our employees in 2014.

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Other income and gains, net

Our net other income and gains decreased by 35.5% from RMB1.1 million for the year ended 31 December 2013 to RMB0.7 million for the year ended 31 December 2014, primarily because we recorded government grants of RMB0.6 million in 2013 and we did not receive any government grant in 2014. The decrease in our net other income and gains in 2014 was partly offset by the increased interest from bank deposit from of RMB0.5 million in 2013 to RMB0.7 million in 2014, primarily as a result of the increase in the average balance of our interest-bearing bank deposit during the same period.

Income tax expense

Our income tax expense increased by 78.8% from RMB13.8 million for the year ended 31 December 2013 to RMB24.6 million for the year ended 31 December 2014, which was in line with the increase in our profit before tax. Our effective tax rate remained stable at 25.1% in 2013 and 2014.

Net profit and total comprehensive income for the year

As a result of the foregoing, our net profit and total comprehensive income for the year increased by 78.6% from RMB41.1 million for the year ended 31 December 2013 to RMB73.5 million for the year ended 31 December 2014, and our net profit margin increased from 52.4% to 54.7% during the same period.

Liquidity and Capital Resources

We have in the past funded our working capital and other capital requirements primarily by equity contributions from 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.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, available banking facilities, net proceeds from the Global Offering and cash flows from operations, our Directors are of the view that we have sufficient working capital for our present requirements and are able to fulfill our obligations under our business for at least the next 12 months from the date of this Prospectus.

In addition to the net proceeds from the Global Offering, we will also consider managing our future liquidity requirements through diversified funding sources, including obtaining borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments after the Listing as well as equity financing.

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Cash flows

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash flows from/(used in)					
operating activities	13,221	(66,298)	71,903	50,906	(37,598)
Net cash flows used in investing					
activities	(55)	(1,136)	(1,096)	(176)	(28)
Net cash flows from/(used in)					
financing activities	141,969	(47,423)	(71,791)	(67,598)	11,982
Net increase/(decrease) in cash and					
cash equivalents	155,135	(114,857)	(984)	(16,868)	(25,644)
Cash and cash equivalents					
at beginning of year/period	3,264	158,399	43,542	43,542	42,558
Cash and cash equivalents					
at end of year/period	158,399	43,542	42,558	26,674	16,914

Net cash flows from/(used in) operating activities

Our business involves a substantial amount of operating cash turnover as well as ongoing funding in the ordinary course of business undertaking, given the capital-intensive nature of short-term micro-finance business. During the Track Record Period, our business growth was mainly supported by funding from equity contributions and bank borrowings, which were cash inflows from financing activities. In particular, we received equity contributions in cash in the amount of RMB152.0 million in late December 2013. However, as these funds were gradually deployed into further expanding our lending business in the form of loans advanced to customers, they were classified as cash used in operating activities. As a result, we experienced negative operating cash flows for the year ended 31 December 2014. See “Risk Factors — Risks Relating to Our Business and Industry — We reported negative operating cash flows for the year ended 31 December 2014 and for the three months ended 31 March 2016, and may continue to do so in the near term subsequent to the Listing.”

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

Net cash flow used in operating activities for the three months ended 31 March 2016 was RMB37.6 million. Net cash flow generated from operating activities before working capital adjustment was RMB29.5 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans receivable of RMB62.6 million as a result of the growth of our loan business; (ii) an increase in other assets of RMB1.0 million as a result of an increase in deferred service fee in

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connection with the Listing of RMB0.6 million and an increase in other receivables of RMB0.4 million; and (iii) a decrease in other payables of RMB0.6 million as a result of the decrease in audit fee as well as payrolls payable.

Net cash flow from operating activities for the year ended 31 December 2015 was RMB71.9 million. Net cash flow generated from operating activities before working capital adjustment was RMB113.4 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans receivable of RMB13.3 million as a result of the growth of our loan business; and (ii) an increase in other assets of RMB1.5 million as a result of the deferred service fee in connection with the Listing of RMB1.0 million and an increase in other receivables of RMB0.7 million. Such cash outflows were partly offset by an increase in other payables of RMB0.9 million mainly attributable to the increase in audit fee as well as business tax and surcharges payable.

Net cash flow used in operating activities for the year ended 31 December 2014 was RMB66.3 million. Net cash flow generated from operating activities before working capital adjustment was RMB113.3 million. Cash outflows arising from changes in working capital primarily consisted of an increase in loans receivable of RMB165.6 million as a result of the growth of our capital base and loan business. Such cash outflows were partly offset by: (i) an increase in other payables of RMB0.9 million mainly attributable to the increase in service fee payable relating to the Listing; and (ii) a decrease in other assets of RMB0.3 million.

Net cash flow from operating activities for the year ended 31 December 2013 was RMB13.2 million. Net cash flow generated from operating activities before working capital adjustment was RMB65.9 million. Cash outflows arising from changes in working capital primarily consisted of: (i) an increase in loans receivable of RMB43.3 million as a result of the slight growth of our loan business; and (ii) an increase in other assets of RMB0.5 million as a result of an increase in other receivables. Such cash outflows were partly offset by an increase in other payables of RMB1.0 million mainly attributable to the increase in audit fee payable in 2013.

Net cash flows used in investing activities

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

For the three months ended 31 March 2016, our net cash flow used in investing activities was RMB0.03 million, which was mainly due to our leasehold improvements for our office.

For the year ended 31 December 2015, our net cash flow used in investing activities was RMB1.1 million, which was mainly due to our purchase of an ERP system to enhance our business process management and the acquisition of fixed assets consisting primarily of office furniture and equipment used for sales and administrative activities as well as leasehold improvements for our office.

For the year ended 31 December 2014, our net cash flow used in investing activities was RMB1.1 million, which was mainly due to our acquisition of fixed assets consisting primarily of office furniture and equipment used for sales and administrative activities as well as leasehold improvements for our office.

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For the year ended 31 December 2013, our net cash flow used in investing activities was RMB54,800, which was mainly due to our acquisition of fixed assets consisting primarily of office furniture and equipment used for sales and administrative activities as well as leasehold improvements for our office.

Net cash flows from/(used in) financing activities

Our cash generated from financing activities consist primarily of proceeds from capital injection by Shareholders and proceeds from new bank borrowings. Our cash used in financing activities consists of: (i) repayment of bank borrowings; (ii) interests paid on our bank borrowings; and (iii) dividend payments.

For the three months ended 31 March 2016, our net cash flow from financing activities was RMB12.0 million. Our net cash flows from financing activities consisted of proceeds from new bank borrowings of RMB138.3 million relating to our drawdown of credit facility from Xiamen Rural Commercial Bank since February 2016, which was partly offset by: (i) repayments of bank borrowings of RMB100.0 million relating to our credit facility from China Development Bank in March 2016; (ii) dividend paid of RMB25.0 million; and (iii) interest paid of RMB1.3 million.

For the year ended 31 December 2015, our net cash flow used in financing activities was RMB71.8 million. Our net cash flows used in financing activities consisted of: (i) repayments of borrowings of RMB36.0 million to China Development Bank in 2015; (ii) dividend paid of RMB30.0 million; and (iii) interest paid of RMB5.8 million.

For the year ended 31 December 2014, our net cash flow used in financing activities was RMB47.4 million. Our net cash flows used in financing activities consisted of: (i) repayments of borrowings of RMB150.0 million relating to our credit facility from China Development Bank in 2014; (ii) dividend paid of RMB25.1 million and; (iii) interest paid of RMB8.3 million, partly offset by proceeds from new bank borrowings of RMB136.0 million received from China Development Bank in 2014.

For the year ended 31 December 2013, our net cash flow from financing activities was RMB142.0 million. Our net cash flows from financing activities consisted of capital injection from our Shareholders of RMB152.0 million in December 2013 and proceeds from new bank borrowings of RMB30.0 million relating to our drawdown of credit facility from China Development Bank in June 2013, which was offset by: (i) repayments of bank borrowings of RMB30.0 million relating to our credit facility from China Development Bank in February 2013; and (ii) interests paid of RMB10.0 million.

Cash management

We have established certain management measures to manage our liquidity. As our business relies primarily on its available cash, we normally set aside a sufficient amount of cash for general working capital needs, such as administrative expenses and payment of interests on bank borrowings, and use substantially all of the remainder for granting loans to our customers. As of 31 December 2013, 2014 and 2015 and 31 March 2016, the total cash and cash equivalents amounted to RMB158.4 million, RMB43.5 million, RMB42.6 million and RMB16.9 million, respectively, which we consider to be adequate based on our actual working capital needs.

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Selected items of the statements of financial position

The following table sets forth a summary of our assets and liabilities as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Cash and cash equivalents	158,399	43,542	42,558	16,914
Loans receivable	526,326	685,425	692,140	753,916
Property and equipment	456	1,315	981	877
Intangible assets	39	—	704	592
Deferred tax assets	1,451	1,925	1,184	1,231
Other assets	8,938	8,615	10,112	11,105
Total assets	<u>695,609</u>	<u>740,822</u>	<u>747,679</u>	<u>784,635</u>
Liabilities				
Interest-bearing bank borrowings	150,000	136,000	100,000	138,300
Interest payable	—	187	138	189
Income tax payable	7,968	17,806	14,529	18,523
Other payables	2,107	2,966	3,894	3,254
Total liabilities	<u>160,075</u>	<u>156,959</u>	<u>118,561</u>	<u>160,266</u>
Net assets	<u>535,534</u>	<u>583,863</u>	<u>629,118</u>	<u>624,369</u>

For a maturity profile of our assets and liabilities, see “— Quantitative and Qualitative Disclosures about Market Risk — Liquidity risk.”

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2013, 2014 and 2015 and 31 March 2016, we had cash and cash equivalents of RMB158.4 million, RMB43.5 million, RMB42.6 million and RMB16.9 million, respectively.

The decrease in our cash and cash equivalents from RMB158.4 million as of 31 December 2013 to RMB43.5 million as of 31 December 2014 was mainly due to a capital injection in cash from our Shareholders of RMB152.0 million in late December 2013, which we utilized to expand our lending business in 2014. Our cash and cash equivalents remained at a similar level of RMB43.5 million as of 31 December 2014 and RMB42.6 million as of 31 December 2015. The decrease in our cash and cash equivalents from RMB42.6 million as of 31 December 2015 to RMB16.9 million as of 31 March 2016 was primarily due to the increase in our loans receivable as a result of the steady expansion of our loan business.

Loans receivable

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

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

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Performing loans receivable ⁽¹⁾	508,011	675,116	692,496	753,124
Impaired loans receivable ⁽²⁾	67,558	44,560	16,390	18,390
Gross loans receivable	575,569	719,676	708,886	771,514
Less: Allowance for impairment losses				
— individual assessed	(37,096)	(15,749)	(3,104)	(4,151)
— collective assessed	(12,146)	(18,503)	(13,642)	(13,447)
Total allowance for impairment losses . .	(49,242)	(34,252)	(16,746)	(17,598)
Net loans receivable	526,326	685,425	692,140	753,916

Notes:

- (1) Performing loans are collectively assessed for impairment.
- (2) Impaired loans include those with objective evidence of impairment.

During the Track Record Period, our loans receivable increased steadily as a result of our business expansion, which was attributable to our increased capital base. As of 31 March 2016, our net loans receivable amounted to RMB753.9 million.

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

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Past due	67,558	11.7	42,760	5.9	16,390	2.3	16,090	2.1
Due within three months	314,711	54.7	403,816	56.1	399,648	56.4	471,906	61.2
Due between three months and six months	117,300	20.4	91,000	12.7	111,990	15.8	118,360	15.3
Due between six months and one year	76,000	13.2	182,100	25.3	59,140	8.3	63,460	8.2
Due over one year	—	—	—	—	121,718 ⁽¹⁾	17.2	101,698	13.2 ⁽¹⁾
Total	575,569	100.0	719,676	100.0	708,886	100.0	771,514	100.0

Note:

- (1) Represents primarily new loans that were granted with terms of more than one year (but in no event with terms of more than two years) since 2015. In order to enhance our competitiveness, since 2015, we began to provide such loans to certain customers who had demonstrated their stable operations and sound financial health. These customers are entitled to loans with terms ranging from one year to two years and principal amount ranging from RMB2.0 million to RMB5.0 million in 2015. As of the Latest Practicable Date, all of the new loans granted with terms of more than one year were used by our customers to finance their business projects. Such projects comprised (i) the purchase of new production equipment and machinery, as well as the addition of new production lines, (ii) the construction or expansion of production facilities, and

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(iii) technology upgrades to increase automation of equipment and to upgrade software. In addition to new loans granted with terms of more than one year, our loans due over one year as of 31 March 2016 also included one extension loan granted to a customer who used such loan to finance the expansion of existing production facilities. We apply similar credit and risk assessment procedures and criteria for such loans as we do for all of our other loans, except that we also request such customers to provide information on the type of project or activity that the funds will be used to finance. See “Business — Risk Management — Credit Risk Management — Loan granting” for more details. Other than the longer period of the loan terms and the additional information that must be provided, new loans with terms of more than one year and extension loans have the same features as all of our other loans.

Given that we granted loans primarily to customers whose credit has been assessed by us, we did not require our customers to provide collateral for most of the loans that we granted during the Track Record Period. The majority of our loans during the Track Record Period were guaranteed loans, which accounted for 96.9%, 89.9%, 67.4% and 66.4% of our loans receivable as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. We expect that guaranteed loans will continue to be the largest contributor to our loan portfolio for the foreseeable future. The following table sets forth the balance of our gross loans receivable as of the dates indicated:

	As of 31 December						As of 31 March	
	2013		2014		2015		2016	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Credit loans	10,057	1.7	—	—	30,048	4.2	30,508	4.0
Guaranteed loans	557,732	96.9	647,036	89.9	477,873	67.4	512,490	66.4
Collateral-backed loans								
— with guarantee	7,780	1.4	60,300	8.4	186,009	26.3	213,560	27.7
— without guarantee	—	—	12,340	1.7	14,955	2.1	14,956	1.9
Total	575,569	100.0	719,676	100.0	708,886	100.0	771,514	100.0

We seek to maintain strict control over our outstanding loans receivable to minimize credit risk. Our management and risk management team review overdue loans receivable regularly. We manage the credit quality of our loans receivable using credit quality of financial assets using credit ratings. The table below sets forth the credit quality by class of loans receivable for our gross loans receivable exposed to credit risk:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	508,011	675,116	692,496	753,124
Past due but not impaired	—	—	—	—
Individually impaired	67,558	44,560	16,390	18,390
Total	575,569	719,676	708,886	771,514

Loans receivable that were neither past due nor impaired relate to various diversified customers who have no recent history of default. We review periodically whether there is any objective evidence that impairment losses have occurred on loans receivable and if such evidence exists, we assess the amount of impairment loss. Our main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of the borrowers, credit rating downgrades, or infringement of the original terms of the loan agreement. We address impairment assessment in two areas: individually assessed impairment and collectively assessed impairment. Performing loans are collectively assessed for impairment and impaired loans with objective evidence of impairment are assessed for impairment individually.

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The table below sets forth the movement of our allowance for impairment losses during the periods indicated:

	Individually assessed	Collectively assessed	Total
	RMB'000	RMB'000	RMB'000
As of 1 January 2013	41,063	11,287	52,350
Charges for the year	2,630	859	3,489
Write-offs	(3,694)	—	(3,694)
Accreted interest on impaired loans	(2,903)	—	(2,903)
As of 31 December 2013	37,096	12,146	49,242
(Reversal)/charge for the year	(2,901)	6,357	3,455
Write-offs	(21,500)	—	(21,500)
Accreted interest on impaired loans	3,054	—	3,054
As of 31 December 2014	15,749	18,503	34,252
Charges/(reversal) for the year	14,292	(4,861)	9,431
Disposal	(24,078)	—	(24,078)
Accreted interest on impaired loans	(2,859)	—	(2,859)
As of 31 December 2015	3,104	13,642	16,746
Charges/(reversal) for the period	1,611	(195)	1,417
Accreted interest on impaired loans	(564)	—	(564)
As of 31 March 2016	<u>4,151</u>	<u>13,447</u>	<u>17,598</u>

We adopt a “Five-Tier Principle” of loan classification approach to manage our loan portfolio risk and we categorize our loans as “normal,” “special-mention,” “substandard,” “doubtful” or “loss” according to their levels of risk. For more details, please refer to “Business — Provisioning Policies and Asset Quality” and “— Quantitative and Qualitative Disclosures about Market Risk — Credit risk.” The following table sets forth the breakdown of our gross loans receivable and allowance for impairment losses by category as of the dates indicated:

	As of 31 December						As of 31 March					
	2013		2014		2015		2016					
	Loans Receivable	Provision Allowance	Loans Receivable	Provision Allowance	Loans Receivable	Provision Allowance	Loans Receivable	Provision Allowance	Loans Receivable	Provision Allowance	Provision rate (%)	
	(RMB'000, except for percentage)											
Normal	507,511	12,146	2.4	551,091	18,503	2.7	601,051	13,642	2.0	696,011	13,477	1.8
Special-mention	500			124,025			91,445			57,113		
Substandard	25,558	4,830	18.9	14,800	3,010	20.3	15,890	2,929	18.4	17,890	3,857	21.6
Doubtful	20,000	10,266	51.3	29,760	12,739	42.8	500	175	35.0	500	294	58.8
Loss	22,000	22,000	100.0	—	—	—	—	—	—	—	—	—
Total	<u>575,569</u>	<u>49,242</u>	<u>8.6</u>	<u>719,676</u>	<u>34,252</u>	<u>4.8</u>	<u>708,886</u>	<u>16,746</u>	<u>2.4</u>	<u>771,514</u>	<u>17,598</u>	<u>2.3</u>

We assess impairment loss either collectively or individually as appropriate. Loans that are classified as “normal” and “special-mention” are assessed collectively for impairment. Loans that are classified as “substandard,” “doubtful” or “loss” the impairment losses are assessed and determined on a case-by-case basis by an evaluation of the loss incurred on the balance sheet date.

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Other assets

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

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Repossessed assets	8,060	8,060	8,060	8,060
Deferred and prepaid expenses	31	319	65	41
Deferred service fee in connection with the Listing	—	—	1,039	1,662
Other receivables	847	236	948	1,342
Total other assets	8,938	8,615	10,112	11,105

Repossessed assets comprise our contractual rights with respect to 30 real estate properties located at Quanzhou City, being 13 residential units and 17 car parking spaces with an aggregate gross floor area of 1,820.8 square meters. Such assets relate to a loan we granted to a borrower in 2010, which was subsequently in default. The contracts to transfer relevant contractual rights of such properties between the borrower and the Company have been signed and the transfer has been recorded by relevant local authorities. The relevant building ownership certificates were not available given the properties were still under construction as of the Latest Practicable Date. As a result, we may not be able to realize the value of the repossessed assets in a timely manner. For more details, see “Risk Factors — Risks Relating to Our Business and Industry — The collateral securing our loans and any assets that we may have repossessed may not be sufficient and we may not be able to realize the value of the collateral or repossessed assets in a timely manner, or at all.”

Other receivables primarily consist of litigation expenses to be borne by the opposing parties, which we pay in advance, and the income tax we withheld in connection with our distributions to the individual Shareholders.

Income tax payable

Our income tax payable, which represents our current income tax liabilities, was RMB8.0 million, RMB17.8 million, RMB14.5 million and RMB18.5 million, respectively, as of 31 December 2013, 2014 and 2015 and 31 March 2016.

Other payables

Our other payables mainly include business tax and surcharges payable, payrolls payable, audit fee, service fees in connection with the Listing and others. As of 31 December 2013, 2014 and 2015 and 31 March 2016, our other payables were RMB2.1 million, RMB3.0 million, RMB3.9 million and RMB3.3 million, respectively.

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Indebtedness

Interest-bearing bank borrowings

We have financed our operations primarily through cash contributions from Shareholders, bank borrowings and cash flows from operations. Bank borrowings are a significant source of our loans lent to our customers, and we obtain bank borrowings primarily to expand our business.

As of 31 July 2016, the latest date for determining our indebtedness, we had credit facilities in the maximum amount of RMB250.0 million made available to us and had drawn down RMB150.0 million. The following table sets forth our outstanding borrowings as of the dates indicated:

	As of 31 December			As of 31 March	As of 31 July
	2013	2014	2015	2016	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank loans:					
— repayable within one year	150,000	—	100,000	138,300	150,000
— repayable within the second year	—	136,000	—	—	—
Total	150,000	136,000	100,000	138,300	150,000

We obtained a credit facility of RMB80.0 million from China Development Bank in June 2012 and we obtained a credit facility of RMB70.0 million from China Development Bank in July 2012, respectively, both for a term of two years. In June 2014, we obtained a credit facility of RMB250.0 million from China Development Bank for a term of two years.

We generally draw down the entire borrowing amount from the lending banks right after we enter into loan agreements. Subject to relevant provisions in our loan agreements, we may repay part of our borrowings if the level of our cash and cash equivalents is relatively high and make drawdown whenever we have capital requirements later.

Our bank borrowings from China Development Bank bear interest rates ranging from as low as 105% to 115% of the prevailing PBOC benchmark lending rate.

As of 31 December 2013, 2014 and 2015, we had interest-bearing bank borrowings from China Development Bank amounting to RMB150.0 million, RMB136.0 million and RMB100.0 million, respectively, all of which were guaranteed by Mr. Zhou Yongwei, our Chairman, and his spouse as well as one of our Shareholders, Fujian Septwolves Group. On 19 February 2016, such guarantee was released by China Development Bank.

Our credit facility agreements with China Development Bank contain standard terms, conditions and covenants that are customary for commercial bank loan in China. Such covenants primarily include requirements for us to obtain the lending bank's prior consent for certain transactions, such as disposal of material assets, merger or consolidation, share transfers, substantial increase in indebtedness and liquidation or winding-up. In addition, our loan agreements with China Development Bank provided that the borrower is entitled to inspect and monitor our business operation and financial conditions from time to time and may require early repayment based the loan collections from our customers. During the

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Track Record Period, we have complied with all the covenants of our bank borrowings, did not have any material default in payment of our bank borrowings, and did not experience any difficulties in obtaining bank borrowings. In addition, there were no material covenants which limited our ability to undertake additional equity financing during the Track Record Period.

In addition, we entered into two credit facility agreements from Xiamen Rural Commercial Bank in January 2016. One of the credit facility agreements provides us with banking facilities amounting to RMB150.0 million with a term of three years, which are secured by the collateral of a property of an Independent Third Party, and the other credit facility agreement provides us with credit-based banking facilities amounting to RMB100.0 million with a term of one year. The new credit facility agreements contain standard terms, conditions and covenants that are similar to the terms, conditions and covenants in our agreements with China Development Bank as described above. Pursuant to the credit facility agreement providing collateral-backed banking facilities, we are required to pay the Independent Third Party a commission calculated based on the length and amount of the bank borrowings that we draw down with a daily commission rate of 0.0042%. As of 31 July 2016, we had drawn down collateral-backed bank borrowings of RMB150.0 million under the new credit facility agreements.

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the effective interest rate per annum of our bank borrowings was 7.07%, 7.00%, 5.64% and 5.05%, respectively.

Contingent liabilities

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

Since 31 July 2016, being the latest practicable date for determining such information, there has been no adverse change to our indebtedness. As of the Latest Practicable Date, except as otherwise disclosed in this Prospectus, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Capital expenditures

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

	Year ended 31 December			Three months ended 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditures	55	1,135	1,096	28

We estimate that our capital expenditures for the year ending 31 December 2016 will primarily consist of leasehold improvements and the purchase of office equipment. We have funded and intend to fund our capital expenditures with cash generated from our operating activities.

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Related Party Transactions

We had interest-bearing bank borrowings from China Development Bank as of 31 December 2013, 2014 and 2015 amounting to RMB150.0 million, RMB136.0 million and RMB100.0 million, respectively, all of which were guaranteed by Mr. Zhou Yongwei, our Chairman, and his spouse as well as one of our Shareholders, Fujian Septwolves Group. On 19 February 2016, such guarantee was released by China Development Bank.

Commitment and Contractual Obligations

Operating lease

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

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Operating lease commitments:				
Within one year	319	597	618	625
One to two years (inclusive)	41	618	649	657
Two to three years (inclusive)	—	649	682	690
Three to four years (inclusive)	—	682	201	29
Four to five years (inclusive)	—	201	—	—
	360	2,747	2,150	2,001

Our future minimum lease payment increased from RMB0.4 million in 2013 to RMB2.7 million in 2014 primarily due to that we leased a new property for our head office in April 2014. The lease terms typically run for an initial period of one to five years, with an option to renew when all terms are re-negotiated. None of the leases include contingent rental.

Capital commitments

In addition to the operating lease commitment, we had the following capital commitment as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Intangible assets	—	516	—	—
	—	516	—	—

Our capital commitments as of 31 December 2014 related to the purchase of our ERP system.

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Key Financial Ratios

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

	As of/For the year ended 31 December			As of/For the three months ended 31 March
	2013	2014	2015	2016
Return on equity ⁽¹⁾	7.7%	12.6%	12.0%	N/A ⁽⁵⁾
Return on assets ⁽²⁾	5.9%	9.9%	10.1%	N/A ⁽⁵⁾
Gross loans to total assets ⁽³⁾	82.7%	97.1%	94.8%	98.3%
Gearing ratio ⁽⁴⁾	-1.6%	13.7%	8.4%	16.3%

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%. Also see “— Quantitative and Qualitative Disclosures about Market Risk — Capital management” for more details.
- (5) Such ratio is not meaningful as it is not comparable to annual numbers.

Return on equity

Our return on equity increased from 7.7% for the year ended 31 December 2013 to 12.6% for the year ended 31 December 2014 primarily due to: (i) the increase in the average balance of our outstanding performing loans; and (ii) the increase in our interest income primarily as a result of the increase in the average effective interest rate on our performing loans pursuant to the prevailing lending market conditions in 2014. Our return on equity remained stable with a slight decrease from 12.6% for the year ended 31 December 2014 to 12.0% for the year ended 31 December 2015.

Return on assets

Our return on assets increased from 5.9% for the year ended 31 December 2013 to 9.9% for the year ended 31 December 2014 primarily due to the increase in the average balance of our outstanding performing loans as well as the increase in the average effective interest rate on our performing loans in 2014. Our return on assets remained stable with a slight increase from 9.9% for the year ended 31 December 2014 to 10.1% for the year ended 31 December 2015.

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Gross loans to total assets ratio

Our gross loans to total assets remained at a high level, which was 82.7%, 97.1%, 94.8% and 98.3% as of 31 December 2013, 2014 and 2015 and 31 March 2016, respectively. Our gross loan to total asset ratio as of 31 December 2013, 2014 and 2015 and 31 March 2016 reflect our high capital utilization ratio.

Gearing Ratio

Our gearing ratios as of 31 December 2013, 2014 and 2015 and 31 March 2016 were -1.6%, 13.7%, 8.4% and 16.3%, respectively. The gearing ratio in 2013 was negative because we recorded a large amount of cash and cash equivalent as a result of a capital injection in cash from our Shareholders of RMB152.0 million in late December 2013. The change in our gearing ratio in 2014 was primarily due to the decrease in cash and cash equivalents as a result of the expansion of our lending business. The decrease in our gearing ratio from 2014 to 2015 was primarily due to the decrease in our interest-bearing borrowings. The increase in our gearing ratio from 8.4% as of 31 December 2015 to 16.3% as of 31 March 2016 was primarily due to: (i) the increase in our interest-bearing bank borrowings of RMB38.3 million; and (ii) the decrease in cash and cash equivalents as a result of the increase in our loans receivable, which was mainly attributable to the steady expansion of our loan business. Also see Note 28(d) of Section II of the Accountants' Report attached as Appendix I to this Prospectus for details.

Off-balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving another entity under which the Company has made guarantees or any obligation arising out of a material variable interest in another entity that provides financing, liquidity, market risk or credit risk support to the Company, or that engages in leasing, hedging, or research and development arrangements with the Company. As of 31 March 2016, we did not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

The primary financial risks we face in the ordinary course of business are credit risk, liquidity risk and interest rate risk. See Note 28 of Section II of the Accountants' Report attached as Appendix I to this Prospectus for details.

Credit risk

Our financial assets include cash at bank, loans receivable and other receivables. We are exposed to credit risk, which is the risk of loss arising from a borrower's or counterparty's inability to fulfill or discharge obligations to us, up to the carrying amount of relevant assets.

Our credit exposure arises primarily from outstanding loans we provide to entrepreneurial individuals, SMEs and microenterprises. The principal features of our credit risk management function include:

- Centralized credit management procedures; and

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

We adopt a “Five-Tier Principle” of loan classification approach to manage our loan portfolio risk. According to the “Five-Tier Principle,” we categorize our loans 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 definition of each category of loans is set forth below:

- *Normal:* Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- *Special-mention:* Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- *Substandard:* Borrowers’ ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- *Doubtful:* Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
- *Loss:* Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To enhance the credit risk management practices, we also launch training programs periodically for our business managers at different levels.

Our main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue or whether there are any liquidity problems of our customers, credit rating downgrades or infringement of the original terms of relevant contract. We assess impairment loss either collectively or individually as appropriate. Loans that are classified as “substandard,” “doubtful” or “loss” are assessed individually for impairment. See Note 28(a) of Section II of the Accountants’ Report attached as Appendix I to this Prospectus for more details.

According to our accounting policies, if there is objective evidence, such as a loan being overdue, disappearance of a borrower or business disruption of an enterprise, for us to determine a particular loan as impaired, we record such loan as an impaired loan and recognize a relevant amount of impairment losses. See “— Critical Accounting Policies, Judgments and Estimates — Impairment of financial assets carried at amortized cost” and Note 3.3 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus.

Although collateral can be an important mitigation of credit risk, we primarily focus on providing credit-based short-term financings based on the assessment of the borrowers’ and the guarantors’ ability to meet obligations out of their cash flow, rather than the value of collateral. The necessity of collateral

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is dependent on the nature of the loans. We monitor the market value of collateral regularly and will request additional collateral in accordance with the underlying agreement. In the event of default, we dispose of collateral or repossessed properties to repay the outstanding claim.

We manage our exposure to concentration of credit risk by diversifying our portfolio in terms of customer type and industry. Because our business operations are subject to the geographic restrictions of our operating license, we are exposed to the credit risk of geographic concentration. However, although our customers are concentrated in Quanzhou City, we provide loans to a wide variety of customers that operate in different industries in order to mitigate our exposure to such risks.

Liquidity risk

Liquidity risk refers to risks that we encounter difficulty in meeting our obligations associated with our financial liabilities. Our management regularly monitors our liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and long terms. We seek to manage our liquidity risk by circulating liquidity facilities. Such facilities consider the maturity date of financial instruments and estimated cash flows from our operations. Please refer to Note 28 of Section II of the Accountants' Report attached as Appendix I to this Prospectus for details.

Interest rate risk

Our exposure to the risk of changes in interest rates relates primarily to our cash deposited with banks, loans receivable and interest-bearing bank borrowings. The majority of our loans receivable are with fixed interest rate, which are influenced by mismatch of re-pricing day of interest-generating assets and interests-bearing liabilities. We do not use derivatives financial instruments to manage or hedge our interest rate risk. Please refer to Note 28 of Section II of the Accountants' Report attached as Appendix I to this Prospectus for details.

Sensitivity analysis

The table below demonstrates the sensitivity as of the end of the periods indicated to a reasonably possible change in average effective interest rate per annum, with all other variables held constant, of our profit before tax, through the impact on average balances of outstanding performing loans:

	Note	Year ended 31 December			Three months ended	
		31 December			31 March	
		2013	2014	2015	2015	2016
Average balances of outstanding performing loans	A	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Average effective interest rate per annum		17.71%	20.71%	19.00%	20.32%	20.26%
Business taxes and surcharges rate.	B	5.60%	5.60%	5.60%	5.60%	5.60%
The effect of the change in interest rate						
on profit before tax						
— 300 bps	=A*(1-B)*-3%	(12,083)	(16,939)	(19,606)	(18,453)	(19,867)
— 150 bps	=A*(1-B)*-1.5%	(6,042)	(8,470)	(9,803)	(9,226)	(9,933)
— 150 bps	=A*(1-B)*1.5%	6,042	8,470	9,803	9,226	9,933
— 300 bps	=A*(1-B)*3%	12,083	16,939	19,606	18,453	19,867

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Our equity is not affected by changes in interest rates, other than the consequential effect on retained profits, a component of our Company's equity, by the changes in profit before tax.

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize Shareholders' value.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new Shares. No changes were made in the objectives, policies or processes for managing capital for the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016.

We monitor capital using gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings less cash and cash equivalents. Capital includes paid-in capital/share capital, reserves and retained profits. The table below sets out the gearing ratio as of the dates indicated:

	As of 31 December			As of 31 March
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	150,000	136,000	100,000	138,300
Less: cash and cash equivalents	<u>158,399</u>	<u>43,542</u>	<u>42,558</u>	<u>16,914</u>
Net debt	(8,399)	92,458	57,442	121,386
Paid in capital	500,000	—	—	—
Share capital	—	500,000	500,000	500,000
Reserves	10,954	29,239	36,764	36,764
Retained profits	<u>24,580</u>	<u>54,624</u>	<u>92,354</u>	<u>87,605</u>
Capital	<u>535,534</u>	<u>583,863</u>	<u>629,118</u>	<u>624,369</u>
Capital and net debt	<u>527,135</u>	<u>676,321</u>	<u>686,560</u>	<u>745,755</u>
Gearing ratio	<u>-1.6%</u>	<u>13.7%</u>	<u>8.4%</u>	<u>16.3%</u>

DISTRIBUTABLE PROFITS

As of 31 December 2013, 2014 and 2015 and 31 March 2016, we had distributable retained profits of RMB24.6 million, RMB54.6 million, RMB92.4 million and RMB87.6 million, respectively.

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DIVIDENDS

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by our Company, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the Shares they hold unless otherwise stipulated in the Articles of Association of our Company. Dividends may be paid only out of our distributable profits, as permitted under the relevant laws. The declaration, payment and amount of dividends will be subject to our discretion.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

In accordance with our Articles of Association, dividends may be paid only out of distributable profits as determined under PRC GAAP or HKFRS, whichever is lower. We did not pay any cash dividends for the year ended 31 December 2013. We paid cash dividends of RMB25.1 million, RMB30.0 million and RMB25.0 million for the years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, respectively. Dividends paid in prior years may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. Pursuant to the Articles of Association of our Company, the dividend distribution arrangement shall be subject to the approval of Shareholders' general meeting.

LISTING EXPENSES

The total estimated Listing expenses (excluding underwriting commission) in connection with the Global Offering was approximately HK\$23.5 million, and during the Track Record Period, we incurred Listing expenses amounting to approximately HK\$8.0 million, among which approximately HK\$6.0 million has been charged to the profit and loss and approximately HK\$2.0 million was capitalized as deferred expenses, which is expected to be charged against equity upon successful Listing under the relevant accounting standards. We estimate that the Listing expenses to be incurred and charged to the profit and loss in the financial period after 31 March 2016 will be approximately HK\$11.6 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statements of our unaudited pro forma adjusted net tangible assets attributable to our Shareholders are prepared based on our net tangible assets attributable to our Shareholders as of 31 March 2016, adjusted as described below. The unaudited pro forma adjusted net tangible assets attributable to our Shareholders have been prepared for illustrative purposes only, and because of their nature, they may not give a true picture of our financial position as of 31 March 2016 or any future date following the Global Offering.

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The statements of unaudited pro forma adjusted net tangible assets attributable to our Shareholders have been prepared to show the effect on our net tangible assets attributable to our Shareholders as of 31 March 2016 as if the Global Offering had occurred on 31 March 2016. The unaudited pro forma adjusted net tangible assets per Share attributable to our Shareholders is calculated in accordance with Rule 4.29 of the Listing Rules.

	<u>Based on an Offer Price of HK\$1.55 per H Share</u>	<u>Based on an Offer Price of HK\$1.75 per H Share</u>
Market capitalization of our Shares ⁽¹⁾	HK\$1,054 million	HK\$1,190 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	HK\$1.48	HK\$1.53
Price to book ratio ⁽³⁾⁽⁴⁾ (times)	1.03	1.12

Notes:

- (1) The calculation of market capitalization is based on 680,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.
- (2) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” of this Prospectus and on the basis of a total of 680,000,000 Shares in issue immediately following the Global Offering assuming that the Over-allotment Option is not exercised.
- (3) The price to book ratio represents market capitalization of our Shares divided by the book value. The book value is a total of the net assets as of 31 March 2016 plus gross proceeds from the Global Offering which is calculated by using the respective minimum and maximum Offer Price per H Share multiplied by the 180,000,000 H Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised).
- (4) Unless otherwise indicated, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.8333 to HK\$1.00, the exchange rate prevailing on 31 March 2016, set by the PBOC for foreign exchange transactions.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this Prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 March 2016 and up to the date of this Prospectus.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business — Our Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$266.1 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us, and assuming the Offer Price of HK\$1.65 per H Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this Prospectus. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 65%, or approximately HK\$173.0 million, will be used to enlarge the capital base of our loan business and to develop new products and services in order to satisfy the diverse financing and business needs from entrepreneurial individuals, SMEs and microenterprises;
- Approximately 15%, or approximately HK\$39.9 million, will be used for strategic acquisitions and investments in financial services providers. As of the Latest Practicable Date, we had not identified any acquisition target and had not entered into any definitive agreement with respect to any acquisition. See “Business — Our Business Strategies — Seek opportunities for strategic acquisitions and investments;”
- Approximately 5%, or approximately HK\$13.3 million, will be used to strengthen our sales network and marketing activities, upgrade IT system, develop innovative mobile client, as well as to enhance our employees’ training programs and human resources;
- Approximately 5%, or approximately HK\$13.3 million, will be used to strengthen our internal control and risk management systems and establish long-term cooperation with third party credit information service providers; and
- Approximately 10%, or approximately HK\$26.6 million, for working capital and general corporate purposes.

For more information on our expansion plans after the Global Offering, see “Business — Our Business Strategies.”

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional H Shares will be approximately HK\$43.4 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK\$1.65 per Share, being the mid-point of the indicative Offer Price range. We intend to apply the additional net proceeds to the above uses in the proportion stated above.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is fixed at HK\$1.75 per Offer Share, being the high end of the Offer Price range stated in this Prospectus, assuming that the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK\$17.6 million. If the Offer Price is fixed at HK\$1.55 per Offer Share, being the low end of the Offer Price range stated in this Prospectus, assuming that the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK\$17.6 million. If the Offer Price is set above the mid-point of the proposed Offer Price range, we intend to apply the additional amounts to the above uses in the proportion stated above. If the Offer Price is set below the mid-point of the proposed Offer Price range, we intend to decrease the allocation of the net proceeds to the above uses on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds into our accounts with licensed financial institutions.

REASONS FOR LISTING

Due to the capital intensive nature of the loan business, our operations are largely driven by our capital base. Consequently, our ability to sustain our operations and expand our business depends, to a significant extent, on our continued access to funding and ability to expand our capital base. Through the Listing, not only will we be able to raise net proceeds from the Global Offering to execute our growth strategies, but we will also gain access to the capital markets in future rounds of financing to fund further growth plans as and when necessary. We believe that raising capital through the issuance of equity or debt securities as a public company will involve relatively lower financing costs as compared with bank financing obtained by a private company. By continuing to enlarge our capital base, we will be able to grant more loans to our customers, which in turn will provide us with a more stable flow of income. We also consider that the Listing will enhance our corporate profile, market reputation and brand awareness, which we believe will strengthen our customers' confidence in us, create more opportunities for us to collaborate with third party credit information companies as well as financial service providers, and enhance our overall bargaining power in negotiations with banks and other counterparties.

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HONG KONG UNDERWRITER

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Changjiang Securities Brokerage (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 18,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to (i) the Listing Committee granting Listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option) as mentioned herein and (ii) certain other conditions set forth in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company agreeing on the Offer Price), the Hong Kong Underwriter have severally agreed to subscribe or procure subscriptions for their respective applicable proportions or amounts (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering, on and subject to the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Sole Global Coordinator (on behalf of itself and the Hong Kong Underwriter) may in its absolute discretion, terminate the Hong Kong Underwriting Agreement with immediate effect by written notice, to the Company at any time or prior to 8:00 a.m. on the Listing Date if:

- (a) any of the following shall have come to the notice of the Sole Global Coordinator at any time after the date of the Hong Kong Underwriting Agreement:
 - (i) that any statement contained in the Prospectus, the Application Forms, the formal notice, and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of the Company in connection with the Global Offering considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering was, when it was issued, or has become, untrue, inaccurate or incorrect in any material respect or misleading in any respect; or that any estimate, forecast, expression or

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opinion, intention or expectation stated and contained in any of the aforesaid documents (including any supplement or amendment thereto) is not, in the sole and absolute opinion of the Sole Global Coordinator, in any material respect, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, constitute an omission from the Prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or any other documents (including any supplement or amendment thereto) issued or used by or on behalf of the Company in connection with the Global Offering considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (iii) any breach, considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering, of any of the obligations or undertakings imposed upon or undertaken by any party to this Agreement (other than the Sole Global Coordinator or any of the Hong Kong Underwriter); or
- (iv) any breach of, or any event rendering untrue, inaccurate or incorrect in any material respect or misleading in any respect, any of the representations, warranties, agreements, undertakings and indemnities given by any of the executive Directors, the Substantial Shareholders and the Company (the “Warrantors”); or any of such warranties being untrue, inaccurate or inaccurate in any material respect or misleading in any respect or considered, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) to have been breached; or
- (v) any matter, event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors under the Hong Kong Underwriting Agreement considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (vi) any potential litigation or disputes which would affect the operation, financial condition or reputation of the Company in any material adverse respect; or
- (vii) any change or development involving a prospective change in the conditions, assets, liabilities, profits, losses, business affairs, operation, prospects or the financial or trading position or performance of the Company considered by the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (viii) that, as a result of material adverse and abrupt change in market conditions, any material order placed by any investor immediately before the allotment and issue of any H Shares to such investor, has been withdrawn or cancelled, and the Sole Global Coordinator, in its sole and absolute opinion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering; or

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- (b) there shall develop, occur, exist, or come into force or effect, or continues to exist or be in force or effect:
- (i) any event, or series of events, in the nature of force majeure including, without limitation, any acts of government or orders of any courts, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, civil disobedience, commotion or disturbances or armed conflicts, riots, public disorder, declaration of any local, national, regional or international emergency, outbreak or declaration or escalation of hostilities (whether or not war is or has been declared) or of any other state of emergency or calamity or crisis, local or regional military conflicts, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak or escalation of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), avian influenza (H5N1, H7N9 or H1ON8), swine flu (H1N1) or such related or variant types or mutated forms), interruption or delay in transportation, economic sanctions, in or affecting any of Hong Kong, the PRC or any other jurisdiction relevant to the Company (the “Relevant Jurisdictions”); or
 - (ii) any change or development involving a prospective change or development in, or any event or series of events currently in existence or otherwise, resulting or likely to result in, or representing or involving any prospective change or development in, local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions, equities securities or other financial markets (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or
 - (iii) any new law or regulation or policy or directive or change or development involving a prospective change in existing laws or regulations or policies or directives or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental or competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iv) the imposition of economic sanctions or withdrawal of trading privileges or concessions, in whatever form, directly or indirectly, on or against or affecting any of the Relevant Jurisdictions; or
 - (v) a change or development involving a prospective change or modification in taxation or exchange control, currency exchange rates or foreign investment laws or regulations (including, without limitation, a devaluation of the Hong Kong dollar or an appreciation or depreciation of the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies, or a material fluctuation in the exchange rate of the Hong Kong dollar or Renminbi against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

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- (vi) any adverse change or development involving a reasonably likely material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, profits, losses, condition, business, finance, earnings, trading position, prospects, properties, results of operations, general affairs, shareholders' equity, management, position or condition, financial or otherwise, whether or not arising in the ordinary course of business, or performance of the Company; or
- (vii) any litigation or claim of any third party being threatened or instigated against any of the Warrantors; or
- (viii) a demand by any tax authority for payment for any tax liability of the Company; or
- (ix) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or in respect of which the Company is liable prior to its stated maturity; or
- (x) any loss or damage sustained by the Company as a result of a breach of its respective obligations or non-compliance with applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xi) an order or petition being presented for the winding-up or liquidation of the Company or any composition or arrangement made by the Company with its creditors or a scheme of arrangement being entered into by the Company or any resolution being passed for the winding-up or liquidation of the Company or a provisional liquidator, receiver or manager being appointed to take over all or part of the assets or undertaking of the Company or anything analogous thereto occurring in respect of the Company; or
- (xii) any general moratorium on commercial banking activities in Hong Kong, the PRC, New York, London or any other jurisdiction relevant to the Company, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, systems, procedures or matters in any of the Relevant Jurisdictions; or
- (xiii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (xiv) any judicial, regulatory or governmental authority or political body or organisation in any of the Relevant Jurisdictions commencing any investigation, action, claim or proceedings, or announcing an intention to investigate or take any such action, against any Director; or
- (xv) any Director being charged with an indictable offence or prohibited by the operation of law or otherwise disqualified from taking part in the management of a company; or

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- (xvi) the Chairman or chief executive officer or chief financial officer of the Company vacating his office or any Director resigning his or her directorship from the Company; or
- (xvii) any contravention by the Company of the Predecessor Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules, the *PRC Company Law* or other applicable laws or regulations in any of the Relevant Jurisdictions; or
- (xviii) any prohibition on the Company for whatever reason from allotting or issuing or selling the Offer Shares (including the H Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the Global Offering and the terms set out in this Agreement and the Prospectus and the Application Forms; or
- (xix) any non-compliance on the part of the Company or the Directors of the Prospectus, the Application Forms (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations; or
- (xx) other than with the prior consent of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter), the issue or the requirement to issue by the Company of any supplement or amendment to the Prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxi) any change or development involving a prospective change or development, or a materialization of, any of the risks set forth in the section headed “Risk Factors” in this Prospectus,

which, individually or in aggregate, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter),

- (A) has or may have or will have or is likely or expected to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operation, prospects, positions or conditions, financial or otherwise, or the performance of the Company; or
- (B) has or may have or will have or is likely or expected to have a material adverse effect on the level of applications or the level of interest with respect to the Global Offering and on the success of the Global Offering; or
- (C) makes, may make or will make or is likely or expected to make it impracticable or inadvisable or inexpedient for the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or

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- (D) makes, may make or will make or is likely or expected to make any part of this Agreement and the agreement to be entered into for the determining of the Offer Price (including underwriting) incapable of performance with particular respect to the processing of applications for and payments for subscription of the Offer Shares and delivery of the Offer Shares on the terms and in the manner contemplated under this Agreement and in the Prospectus and the Application Forms and any other documents in connection with the subscription and purchase of the Offer Shares.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering or in the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriter that, and each of the Substantial Shareholders and the Executive Directors jointly and severally undertakes and covenants with each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriter to procure that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter (such consent not to be denied or unreasonably withheld or delayed)), and subject always to the requirements of the Stock Exchange and compliance with the Listing Rules, save pursuant to the Global Offering (including the issue of any H Shares under the Over-allotment Option), or otherwise than by way of scrip dividend schemes or similar arrangements, consolidation, sub-division or capital reduction of Shares in accordance with the articles of association of the Company, the Company shall not, at any time during the date falling six months after the Listing Date (the “First Six-Month Period”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, interest or preference, or any other encumbrance of any kind (“Encumbrance”) over, or agree to transfer or dispose of or create any Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b), (c) and (d) above is to be settled by delivery of Shares or such other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of any such shares or securities will be completed within the First Six-Month Period); or

- (e) allot and issue or agree to allot and issue any of the Shares or other interests referred to in (a), (b), (c) or (d) above during the six-month period immediately following the First Six-Month Period (the “Second Six-Month Period”) if, immediately following such allotment and issue, the Substantial Shareholders, either individually or taken together with the others of them, would cease to be a Substantial Shareholder (as defined in the Listing Rules) of the Company or the single largest Shareholder of the Company; or
- (f) during the First Six-Month Period purchase any Shares or securities of the Company.

The Company shall ensure that, if any of the transactions set out in (a) to (f) above are carried out during the Second Six-Month Period, it shall take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by the Substantial Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Substantial Shareholders jointly and severally undertakes to and covenants with the Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriter that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriter) and unless in compliance with the Listing Rules (where applicable):

- (a) he/she/it shall not, and shall procure that his/her/its close associates or companies controlled by him/her/it or any relevant registered holder(s) (if any) or nominee(s) or trustee(s) holding in trust for him/her/it shall not, during the period from the date of this Agreement up to the expiry of the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrance over, or agree to transfer or dispose of or create any encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any

UNDERWRITING

other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or representing the right to receive, or the Relevant Securities as defined in the Hong Kong Underwriting Agreement; or

- (ii) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Relevant Securities; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) and (iii) above is to be settled by delivery of Shares or such other securities of the Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);

- (b) he/she/it shall not, and shall procure that his/her/its close associates or companies controlled by him/her/it or any relevant registered holder(s) (if any) or nominee(s) or trustee(s) holding in trust for him/her/it shall not, within the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities held by him/her/it or any of his/her/its close associates or companies controlled by him/her/it or any nominee(s) or trustee(s) holding in trust for him/her/it, if immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would, directly or indirectly, cease to be the substantial shareholder of the Company or together with the other substantial shareholders of the Company cease to be a substantial shareholder (within the meaning of the Listing Rules) of the Company;
- (c) in the event of the disposal of any of the Relevant Securities or securities of the Company or any interest therein within the Second Six-Month Period, he/she/it shall consult with the Sole Sponsor and the Sole Global Coordinator in advance and take all reasonable steps to ensure that a disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares or other securities of the Company during the progress of such sale, transfer or disposal or after the completion thereof; and
- (d) he/she/it shall, and shall procure that his/her/its close associates or companies controlled by him/her/it or any relevant registered holder(s) (if any) or nominee(s) or trustee(s) holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder(s) controlled by him/her/it of any Shares.

UNDERWRITING

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will, severally and not jointly nor jointly and severally, agree to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, on or before the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 27,000,000 additional H Shares, representing in aggregate approximately 15% of the number of the H Shares initially available under the Global Offering at the Offer Price (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% of the Offer Price) to cover over-allocations, if any, in the International Offering.

Commission and Expenses

The Hong Kong Underwriter will receive a gross commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriter. The commissions payable to the Underwriters will be borne by the Company with respect to the new Offer Shares to be issued by the Company (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees, together with the service fee in connection with the Listing, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$30.9 million in total (based on the mid-point of our indicative price range of the Global Offering and assuming the Over-allotment Option is not exercised).

Hong Kong Underwriter's Interests in the Company

Save for its obligations under the Hong Kong Underwriting Agreement and save as disclosed in this Prospectus, none of the Hong Kong Underwriter has any shareholding interests in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Hong Kong Underwriter and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set forth in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Changjiang Securities Brokerage (HK) Limited is the Sole Global Coordinator and the Sole Bookrunner.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 18,000,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in “— The Hong Kong Public Offering;” and
- (b) the International Offering of 162,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) to professional and institutional investors as described in “— The International Offering.”

The Offer Shares will represent approximately 26.5% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 29.3% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set forth in “Underwriting — Underwriting Arrangements and Expenses — International Offering — International Underwriting Agreement.”

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in “— The Hong Kong Public Offering — Reallocation and Clawback” below.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

The Company is initially offering 18,000,000 H Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 180,000,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of H Shares initially offered under the Hong Kong Public Offering will represent 2.6% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the 18,000,000 H Shares initially being offered under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 9,000,000 Hong Kong Offer Shares and Pool B comprising 9,000,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK\$5.0 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5.0 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of H Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 54,000,000, 72,000,000 and 90,000,000 H Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this Prospectus as “Mandatory Reallocation.” In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the 18,000,000 H Shares initially comprised in the Hong Kong Public Offering (that is 9,000,000 Hong Kong Offer Shares) are liable to be rejected.

The Listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.75 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” is less than the maximum price of HK\$1.75 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “How to Apply for Hong Kong Offer Shares.”

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered under the International Offering will be 162,000,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 23.8% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and our Shareholders as a whole.

Reallocation

The total number of International Offer Shares to be transferred pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation and Clawback,” exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require the Company to issue and allot up to an aggregate of 27,000,000 H Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing H Shares in the

STRUCTURE OF THE GLOBAL OFFERING

secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 23 September 2016 and, in any event, not later than Wednesday, 28 September 2016.

The Offer Price will be not more than HK\$1.75 and is currently expected not to be less than HK\$1.55, unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus. If, for any reason, the Offer Price is not agreed by Wednesday, 28 September 2016 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Thursday, 22 September 2016, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Hong Kong Stock Exchange’s website at www.hkexnews.hk, and on the Company’s website at www.qzhuixin.net notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in this Prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering is so reduced. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering stated in this Prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Global Coordinator.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, 29 September 2016 through a variety of channels as described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results.”

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager and/or its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of H Shares will be affected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be issued and/or sold under the Over-allotment Option, namely 27,000,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (ii) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; (v) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- (c) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;
- (d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- (e) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- (f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

The Company will procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 27,000,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and the Company on the Price Determination Date.

We expect that the Company will, on or about Friday, 23 September 2016, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, *inter alia*:

- the Listing Committee granting the Listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) (subject only to allotment and dispatch of the H Share certificates in respect thereof and such other normal conditions acceptable to the Company and the Sole Global Coordinator, on behalf of the Underwriters) and such Listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;
- the Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Hong Kong Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements; and

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in “How to Apply for Hong Kong Offer Shares.” In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

H Share certificates for the Offer Shares are expected to be issued on Thursday, 29 September 2016 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Friday, 30 September 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates bearing valid certificates of title do so entirely at their own risk.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the Listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 30 September 2016, it is expected that dealings in H Shares on the Hong Kong Stock Exchange will commence on Friday, 30 September 2016. Our H Shares will be traded in board lots of 2,000 H Share each. The Stock Code of the Company is 1577.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **eWhite Form** at www.ewhiteform.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **eWhite Form Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through **eWhite Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **eWhite Form** for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company;
- a Director or chief executive officer of the Company;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.ewhiteform.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, 19 September 2016 till 12:00 noon on Thursday, 22 September 2016 from:

- (a) the following address of the Hong Kong Underwriter:

Changjiang Securities Brokerage
(HK) Limited

Suite 1908, 19th Floor, COSCO Tower,
183 Queen's Road Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(b) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	King's Road Branch	131–133 King's Road, North Point
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	Ma Tau Kok Road Branch	39–45 Ma Tau Kok Road, To Kwa Wan
New Territories	Kwai Chung Plaza Branch	A18–20, G/F Kwai Chung Plaza, 7–11 Kwai Foo Road, Kwai Chung
	Kau Yuk Road Branch	18–24 Kau Yuk Road, Yuen Long

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, 19 September 2016 till 12:00 noon on Thursday, 22 September 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HUIXIN MICRO-CREDIT PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 19 September 2016 — 9:00 a.m. to 5:00 p.m.
Tuesday, 20 September 2016 — 9:00 a.m. to 5:00 p.m.
Wednesday, 21 September 2016 — 9:00 a.m. to 5:00 p.m.
Thursday, 22 September 2016 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 22 September 2016, the last application day or such later time as described in "— 10. Effect of Bad Weather on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **eWhite Form**, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person whom you act:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the *PRC Company Law*, the *Special Regulations* and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (f) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (h) agree to disclose to the Company, the H Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that: (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund check(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **eWhite Form Service Provider** by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH eWHITE FORM SERVICE

General

Individuals who meet the criteria in “— 2. Who Can Apply” may apply through **eWhite Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.ewhiteform.com.hk.

Detailed instructions for application through **eWhite Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **eWhite Form Service Provider** to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of **eWhite Form** service.

Time for Submitting Applications under the eWhite Form

You may submit your application to the **eWhite Form Service Provider** at www.ewhiteform.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 19 September 2016 until 11:30 a.m. on Thursday, 22 September 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 22 September 2016 or such later time in “— 10. Effect of Bad Weather on the Opening of the Application Lists.”

No Multiple Applications

If you apply by means of **eWhite Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through **eWhite Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **eWhite Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **eWhite Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day

HOW TO APPLY FOR HONG KONG OFFER SHARES

after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance, the *PRC Company Law*, the *Special Regulations* and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;
- agrees with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (i) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the *PRC Company Law* or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (ii) that any award made in such arbitration shall be final and conclusive; and
 - (iii) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agrees with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that H Shares in the Company are freely transferable by their holders; and
- authorizes the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 19 September 2016	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 20 September 2016	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 21 September 2016	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 22 September 2016	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

HOW TO APPLY FOR HONG KONG OFFER SHARES

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 19 September 2016 until 12:00 noon on Thursday, 22 September 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 22 September 2016, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists.”

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **eWhite Form** service is also only a facility provided by the **eWhite Form Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole

HOW TO APPLY FOR HONG KONG OFFER SHARES

Bookrunner, the Sole Lead Manager, and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **eWhite Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 22 September 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **eWhite Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- *control the composition of the board of directors of the company;*
- *control more than half of the voting power of the company; or*
- *hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **eWhite Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.ewhiteform.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering — Pricing and Allocation.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 22 September 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 22 September 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, results of the applications and the basis of allocation of the Hong Kong Offer Shares in the Hong Kong Public Offering on Thursday, 29 September 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Company’s website at www.qzhuixin.net and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.qzhuixin.net and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Thursday, 29 September 2016;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 29 September 2016 to 12:00 midnight on Wednesday, 5 October 2016;
- by telephone enquiry line by calling 2153-1688 between 9:00 a.m. and 6:00 p.m. from Thursday, 29 September 2016 to Wednesday, 5 October 2016 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 29 September 2016 to Monday, 3 October 2016 at all the receiving bank designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **eWhite Form Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **eWhite Form Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through **eWhite Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.75 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 29 September 2016.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund checks and H Share certificates are expected to be posted on or around Thursday, 29 September 2016. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this Prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or H Share certificate(s) from our H Share Registrar, Boardroom Share Registrars (HK) Limited at 31st Floor, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 29 September 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund check(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 29 September 2016, by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on Thursday, 29 September 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 29 September 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results." You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 29 September 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

If you apply through eWhite Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from the **eWhite Form Service Provider** at 31st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 29 September 2016, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 29 September 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of H Share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 29 September 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" on Thursday, 29 September 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 29 September 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 29 September 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 29 September 2016.

15. H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

HOW TO APPLY FOR HONG KONG OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 September 2016

The Directors
Quanzhou Huixin Micro-credit Co., Ltd.
Changjiang Corporate Finance (HK) Limited

Dear Sirs,

We set out below our report on the financial information of Quanzhou Huixin Micro-credit Co., Ltd. (the “Company”) comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Company for each of the years ended 31 December 2013, 2014 and 2015, and the three months ended 31 March 2016 (the “Relevant Periods”), and the statements of financial position of the Company as at 31 December 2013, 2014 and 2015 and 31 March 2016, together with the notes thereto (the “Financial Information”), and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the Company for the three months ended 31 March 2015 (the “Interim Comparative Information”), prepared on the basis of preparation set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 19 September 2016 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was established as a company with limited liability on 8 January 2010 in the People’s Republic of China (the “PRC”) and converted into a joint stock company with limited liability on 10 July 2014.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the financial statements of the Company (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for the Relevant Periods were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of preparation set out in Note 2 of Section II below, the Financial Information gives a true and fair view of the financial position of the Company as at 31 December 2013, 2014 and 2015 and 31 March 2016 and of the financial performance and cash flows of the Company for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I FINANCIAL INFORMATION

(Amounts expressed in RMB unless otherwise stated)

1. Statements of profit or loss and other comprehensive income

	Section II Notes	Year ended 31 December			Three months ended 31 March	
		2013	2014	2015	2015	2016
					(Unaudited)	
Interest income	5	78,474,386	134,300,831	135,881,740	33,973,312	36,152,626
Interest expense	5	(10,031,163)	(8,470,664)	(5,741,867)	(1,560,825)	(1,368,032)
Interest income, net		68,443,223	125,830,167	130,139,873	32,412,487	34,784,594
Net charge of impairment allowance on loans receivable		(3,488,640)	(3,455,313)	(9,431,327)	(3,380,851)	(1,416,655)
Operating and administrative expenses		(11,196,326)	(25,031,112)	(20,576,556)	(4,067,129)	(6,475,485)
Other income and gains, net	6	1,130,774	729,920	218,878	652,662	110,383
PROFIT BEFORE TAX	7	54,889,031	98,073,662	100,350,868	25,617,169	27,002,837
Income tax expense	10	(13,762,297)	(24,604,597)	(25,096,079)	(6,405,521)	(6,751,450)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>41,126,734</u>	<u>73,469,065</u>	<u>75,254,789</u>	<u>19,211,648</u>	<u>20,251,387</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12					
Basic		<u>0.12</u>	<u>0.15</u>	<u>0.15</u>	<u>0.04</u>	<u>0.04</u>
Diluted		<u>0.12</u>	<u>0.15</u>	<u>0.15</u>	<u>0.04</u>	<u>0.04</u>

2. *Statements of financial position*

	<i>Section II Notes</i>	31 December			31 March
		2013	2014	2015	2016
ASSETS					
Cash and cash equivalents	13	158,398,684	43,541,917	42,557,847	16,914,496
Loans receivable	14	526,326,349	685,424,873	692,140,416	753,916,205
Property and equipment	15	455,622	1,315,199	980,608	877,428
Intangible assets	16	39,354	—	704,178	592,023
Deferred tax assets	17	1,450,719	1,925,300	1,184,352	1,230,389
Other assets	18	<u>8,937,656</u>	<u>8,614,945</u>	<u>10,112,031</u>	<u>11,104,930</u>
TOTAL ASSETS		<u>695,608,384</u>	<u>740,822,234</u>	<u>747,679,432</u>	<u>784,635,471</u>
LIABILITIES					
Interest-bearing bank borrowings .	19	150,000,000	136,000,000	100,000,000	138,300,000
Interest payable		—	187,600	138,542	188,935
Income tax payable		7,968,023	17,805,732	14,529,127	18,523,433
Other payables	20	<u>2,106,635</u>	<u>2,966,111</u>	<u>3,894,183</u>	<u>3,254,136</u>
TOTAL LIABILITIES		<u>160,074,658</u>	<u>156,959,443</u>	<u>118,561,852</u>	<u>160,266,504</u>
NET ASSETS		<u>535,533,726</u>	<u>583,862,791</u>	<u>629,117,580</u>	<u>624,368,967</u>
EQUITY					
Paid-in capital	21	500,000,000	—	—	—
Share capital	21	—	500,000,000	500,000,000	500,000,000
Reserves	22	10,953,372	29,238,579	36,764,058	36,764,058
Retained profits		<u>24,580,354</u>	<u>54,624,212</u>	<u>92,353,522</u>	<u>87,604,909</u>
TOTAL EQUITY		<u>535,533,726</u>	<u>583,862,791</u>	<u>629,117,580</u>	<u>624,368,967</u>

3. Statements of changes in equity

	Paid-in capital	Share capital	Reserves		Retained profits	Total
			Surplus reserve	General reserve		
Balance as at 1 January 2013	300,000,000	—	6,840,699	—	35,566,293	342,406,992
Net profit and total comprehensive income for the year	—	—	—	—	41,126,734	41,126,734
Capital contributed by shareholders	152,000,000	—	—	—	—	152,000,000
Appropriation to surplus reserve	—	—	4,112,673	—	(4,112,673)	—
Capital transferred from retained profits (Note II, 1)	48,000,000	—	—	—	(48,000,000)	—
Balance as at 31 December 2013, and 1 January 2014.	500,000,000	—	10,953,372	—	24,580,354	535,533,726
Net profit and total comprehensive income for the year	—	—	—	—	73,469,065	73,469,065
Appropriation to surplus reserve	—	—	7,346,907	—	(7,346,907)	—
Appropriation to general reserve	—	—	—	10,938,300	(10,938,300)	—
Distribution to shareholders (Note II, 11)	—	—	—	—	(25,140,000)	(25,140,000)
Transfer to share capital.	(500,000,000)	500,000,000	—	—	—	—
Balance as at 31 December 2014, and 1 January 2015.	—	500,000,000	18,300,279	10,938,300	54,624,212	583,862,791
Net profit and total comprehensive income for the year	—	—	—	—	75,254,789	75,254,789
Appropriation to surplus reserve	—	—	7,525,479	—	(7,525,479)	—
Distribution to shareholders (Note II, 11)	—	—	—	—	(30,000,000)	(30,000,000)
Balance as at 31 December 2015 and 1 January 2016	—	500,000,000	25,825,758	10,938,300	92,353,522	629,117,580
Balance as at 31 December 2015 and 1 January 2016.	—	500,000,000	25,825,758	10,938,300	92,353,522	629,117,580
Net profit and total comprehensive income for the period	—	—	—	—	20,251,387	20,251,387
Distribution to shareholders (Note II, 11)	—	—	—	—	(25,000,000)	(25,000,000)
Balance as at 31 March 2016	—	500,000,000	25,825,758	10,938,300	87,604,909	624,368,967
Balance as at 31 December 2014, and 1 January 2015.	—	500,000,000	18,300,279	10,938,300	54,624,212	583,862,791
Net profit and total comprehensive income for the period (Unaudited)	—	—	—	—	19,211,648	19,211,648
Distribution to shareholders (Note II, 11) (Unaudited)	—	—	—	—	(30,000,000)	(30,000,000)
Balance as at 31 March 2015 (Unaudited)	—	500,000,000	18,300,279	10,938,300	43,835,860	573,074,439

4. Statements of cash flows

Section II Notes	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	54,889,031	98,073,662	100,350,868	25,617,169	27,002,837
Adjustments for:					
Depreciation and amortisation	394,175	275,889	726,703	135,416	243,715
Impairment charged 14	3,488,640	3,455,313	9,431,327	3,380,851	1,416,655
Accreted interest on impaired loans 14	(2,902,740)	3,054,037	(2,859,281)	(914,251)	(564,205)
Interest expense 5	10,031,163	8,470,664	5,741,867	1,560,825	1,368,032
Loss from disposal of intangible assets	—	39,354	—	—	—
	65,900,269	113,368,919	113,391,484	29,780,010	29,467,034
(Increase)/decrease in loans receivable	(43,334,914)	(165,607,874)	(13,287,589)	23,631,552	(62,628,239)
(Increase)/decrease in other assets	(514,507)	322,711	(1,497,086)	(591,137)	(992,899)
Increase/(decrease) in other payables	953,797	859,476	928,072	(381,184)	(640,047)
Net cash flows from/(used in) operating activities before tax	23,004,645	(51,056,768)	99,534,881	52,439,241	(34,794,151)
Income tax paid	(9,783,874)	(15,241,469)	(27,631,736)	(1,533,456)	(2,803,181)
Net cash flows from/(used in) operating activities	13,220,771	(66,298,237)	71,903,145	50,905,785	(37,597,332)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment and other long-term assets	(54,800)	(1,135,466)	(1,096,290)	(175,852)	(28,380)
Net cash flows used in investing activities	(54,800)	(1,135,466)	(1,096,290)	(175,852)	(28,380)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital injection by shareholders	152,000,000	—	—	—	—
Proceeds from new bank borrowings	30,000,000	136,000,000	—	—	138,300,000
Repayment of bank borrowings	(30,000,000)	(150,000,000)	(36,000,000)	(36,000,000)	(100,000,000)
Interest paid	(10,031,163)	(8,283,064)	(5,790,925)	(1,598,217)	(1,317,639)
Dividends paid	—	(25,140,000)	(30,000,000)	(30,000,000)	(25,000,000)
Net cash flows from/(used in) financing activities	141,968,837	(47,423,064)	(71,790,925)	(67,598,217)	11,982,361
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of the year/period	3,263,876	158,398,684	43,541,917	43,541,917	42,557,847
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD					
	158,398,684	43,541,917	42,557,847	26,673,633	16,914,496

II NOTES TO THE FINANCIAL INFORMATION

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE INFORMATION

The Company was established as a limited liability company in the People's Republic of China (the "PRC") and its registered office is located at 12th Floor, Former Finance Building, No. 361, Feng Ze Street, Quanzhou City, Fujian Province.

During the Relevant Periods, the principal activity of the Company is to offer loans to small and medium enterprises ("SMEs"), microenterprises and entrepreneurial individuals.

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

At the shareholders' meeting on 10 July 2014, 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.

2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2016, together with the relevant transitional provisions, have been adopted by the Company in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi Yuan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 Issued but not Yet Effective Hong Kong Financial Reporting Standards

The Company has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in the Financial Information:

HKFRS 9	<i>Financial Instruments</i> ¹
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKAS 7 Amendments	Amendments to HKAS 7 <i>Disclosure Initiative</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes — Recognition of Deferred Tax Assets for Unrealised Losses</i> ³
HKFRS 12 Amendments	Amendments to HKFRS 12 <i>Share-based Payment — Classification and Measurement of Share-based Payment Transactions</i> ¹
HKFRS 10 and HKAS 28 (2011) Amendments	Amendments to HKFRS 10 <i>Consolidated Financial Statements</i> and HKAS 28 (2011) <i>Investments in Associates and Joint Ventures — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after a date to be determined

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

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

- All recognised financial assets that are within the scope of HKAS 39 are subsequently measured at amortised cost or fair value under HKFRS 9. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods and their fair value changes are recognised in profit or loss. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. Based on the nature and classification of financial assets of the Company recorded on the statement of financial position as at March 31, 2016, it is expected that the above new requirements for classification and measurement for financial assets under HKFRS 9 will not have significant impact on the Company’s financial position or performance.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. Based on the nature and classification of financial liabilities of the Company recorded on the statement of financial position as at March 31, 2016, it is expected that this new requirement under HKFRS 9 will not have significant impact on the Company’s financial position or performance.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Financial assets under the expected credit loss model will require a loss allowance equals to twelve-month expected credit losses at initial recognition and a lifetime expected credit losses when there is a significant increase in credit risk subsequent to initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis and twelve-month expected credit losses represent the losses expected to arise from default events within the next twelve months after the reporting date. In principle, the adoption of expected credit loss model will accelerate the recognition of the loss allowance as it requires a loss allowance equals to twelve-month expected credit losses at initial recognition of financial assets as compared with loss allowance recognised only when there exists observable evidence of impairment under the current standard. However, the Company is still assessing the full impact of adopting the expected credit loss model and therefore it is not practicable to quantify the impact on the Company’s operating results and financial position.

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

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of

hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. Based on the current situation, i.e. the Company currently does not enter into any hedging activities, it is expected that this new requirement will not have any significant impact on the Company's financial position or performance.

HKFRS 15 will supersede all current revenue recognition requirements under HKFRSs and establish a new five-step model to account for revenue arising from contracts with customers (except, among others, financial instruments and other contractual rights or obligations within the scope of HKFRS 9). Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. Based on the current situation, this new requirement is not expected to have any significant impact on the Company's financial position or performance.

HKFRS 16 was issued by HKICPA in May 2016. It will be effective for annual periods beginning on or after January 1, 2019. This new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

- A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

As set out in note 25, total operating lease commitment of the Company in respect of leased premises as at March 31, 2016 amounted to RMB2 million. The Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Company's result but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

HKAS 7 Amendments, HKAS 12 Amendments, HKFRS 12 Amendments and HKFRS 10 and HKAS 28 (2011) Amendments, as mentioned above, are not expected to have significant impact on the Company's financial position or performance.

3.2 Summary of Significant Accounting Policies

Fair value measurement

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

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Property and equipment and depreciation

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

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

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

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

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

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

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

Intangible assets

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

The estimated useful lives of intangible assets are as follows:

Categories	Estimated useful life
Software	1 to 3 years

Leases

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

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

Loans and receivables and other financial assets*Initial recognition and measurement*

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

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

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Government grants

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

Revenue recognition

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

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

Employee benefits*Employee retirement scheme*

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Reference to the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Reposessed assets

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

3.3 Significant Accounting Judgements and Estimates

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

Impairment losses of financial assets

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

Deferred tax assets and liabilities and current income tax charge

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

4. SEGMENT REPORTING

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

Geographical information

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

5. INTEREST INCOME

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Interest income on:					
Loans receivable	78,474,386	134,300,831	135,881,740	33,973,312	36,152,626
Interest expense on:					
Bank loans					
Wholly repayable within five years	(10,031,163)	(8,470,664)	(5,741,867)	(1,560,825)	(1,368,032)
Interest income, net	<u>68,443,223</u>	<u>125,830,167</u>	<u>130,139,873</u>	<u>32,412,487</u>	<u>34,784,594</u>
Included: interest income on impaired loans	<u>2,902,740</u>	<u>10,431,966</u>	<u>4,358,004</u>	<u>879,126</u>	<u>621,580</u>

6. OTHER INCOME AND GAINS, NET

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Interest from bank deposits	511,942	729,920	420,878	152,662	110,383
Government grants	619,300	—	500,000	500,000	—
Loss from disposal of loans	—	—	(702,000)	—	—
Others	(468)	—	—	—	—
Total	<u>1,130,774</u>	<u>729,920</u>	<u>218,878</u>	<u>652,662</u>	<u>110,383</u>

7. PROFIT BEFORE TAX

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Depreciation and amortisation	394,175	271,343	726,703	135,416	243,715
Staff costs:					
Salaries, bonuses and allowances	1,621,927	3,173,485	4,512,625	1,051,713	1,245,744
Other social welfare	286,010	468,540	761,329	162,159	298,624
Net charge of impairment allowance on loans receivable	3,488,640	3,455,313	9,431,327	3,380,851	1,416,655
Leasing expense	286,535	688,890	597,022	149,255	149,255
Service fee in connection with listing	—	8,308,617	3,117,681	—	1,644,293
Auditors' remuneration	<u>800,000</u>	<u>1,950,000</u>	<u>500,000</u>	<u>125,000</u>	<u>225,000</u>

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

Name	Year ended 31 December 2013		
	Salaries, allowances and benefits in kind	Contributions to defined contribution scheme	Total
Executive Director			
Zhou Yongwei	—	—	—
Wu Zhirui	248,085	31,314	279,399
Yan Zhijiang ¹	15,000	—	15,000
Non-executive Director			
Chen Xinwei	—	—	—
Wang Wenbin	—	—	—
Jiang Zhipeng	—	—	—
Zeng Jiayi	—	—	—
Yang Jiping	—	—	—
Dai Guoliang ²	—	—	—
Zeng Jianwu	—	—	—
Supervisor			
Cai Yuxiu	—	—	—
Xie Anju	—	—	—
Chen Zhiming	—	—	—
	263,085	31,314	294,399

¹ Appointed as director in November 2013

² Resigned from director in November 2013

Name	Year ended 31 December 2014		
	Salaries, allowances and benefits in kind	Contributions to defined contribution scheme	Total
Executive Director			
Zhou Yongwei	—	1,200	1,200
Wu Zhirui	534,000	33,080	567,080
Yan Zhijiang	255,571	22,348	277,919
Non-executive Director			
Chen Xinwei ¹	—	—	—
Wang Wenbin	—	—	—
Jiang Zhipeng	—	—	—
Zeng Jiayi ¹	—	—	—
Yang Jiping ¹	—	—	—
Zeng Jianwu ¹	—	—	—
Zhu Jinsong ²	—	—	—
Cai Yi ²	—	—	—
Zhang Lihe ²	—	—	—
Wang Yiming ²	—	—	—
Supervisor			
Cai Yuxiu ³	—	—	—
Xie Anju ³	—	—	—
Chen Zhiming ³	—	—	—
Ng Seng Chuan ⁴	—	—	—
Ng Hong Hung ⁴	—	—	—
Ma Pingping ⁴	—	—	—
Hong Lijun ⁴	149,846	18,951	168,797
Ruan Cen ⁴	83,238	17,319	100,557
	<u>1,022,655</u>	<u>92,898</u>	<u>1,115,553</u>

¹ Resigned from director in July 2014

² Appointed as director in July 2014

³ Resigned from supervisor in July 2014

⁴ Appointed as supervisor in July 2014

Year ended 31 December 2015				
Name	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution scheme	Total
Executive Director				
Zhou Yongwei	—	—	26,016	26,016
Wu Zhirui	—	760,000	36,377	796,377
Yan Zhijiang	—	358,600	36,377	394,977
Non-executive Director				
Wang Wenbin	—	—	—	—
Jiang Zhipeng ¹	—	—	—	—
Zhu Jinsong	—	—	—	—
Jiang Haiying ²	—	—	—	—
Cai Yi	79,684	—	—	79,684
Zhang Lihe	79,684	—	—	79,684
Wang Yiming	79,684	—	—	79,684
Supervisor				
Ng Seng Chuan	—	—	—	—
Ng Hong Hung	—	—	—	—
Ma Pingping ³	—	—	—	—
Hong Lijun	16,806	221,622	26,899	265,327
Ruan Cen	16,806	92,722	20,614	130,142
Fang Qichao ⁴	5,000	149,952	26,854	181,806
Wu Lindi ⁴	5,000	—	—	5,000
Chen Jinzhu ⁴	5,000	—	—	5,000
	<u>287,664</u>	<u>1,582,896</u>	<u>173,137</u>	<u>2,043,697</u>

¹ Resigned from director in March 2015

² Appointed as director in June 2015

³ Resigned from supervisor in December 2015

⁴ Appointed as supervisor in December 2015

Three months ended 31 March 2016				
Name	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution scheme	Total
Executive Director				
Zhou Yongwei	—	—	6,514	6,514
Wu Zhirui	—	217,696	26,302	243,998
Yan Zhijiang	—	107,571	26,302	133,873
Non-executive Director				
Wang Wenbin	—	—	—	—
Zhu Jinsong	—	—	—	—
Jiang Haiying	—	—	—	—
Cai Yi	21,135	—	—	21,135
Zhang Lihe	21,135	—	—	21,135
Wang Yiming	21,135	—	—	21,135
Supervisor				
Ng Seng Chuan	—	—	—	—
Ng Hong Hung ¹	—	—	—	—
Li Jian Cheng ²	—	—	—	—
Hong Lijun	2,500	56,803	16,088	75,391
Ruan Cen	2,500	27,134	7,906	37,540
Fang Qichao ³	2,056	41,646	11,287	54,989
Wu Lindi	5,000	—	—	5,000
Chen Jinzhu	5,000	—	—	5,000
Wang Shijie ⁴	444	6,782	1,106	8,332
	<u>80,905</u>	<u>457,632</u>	<u>95,505</u>	<u>634,042</u>

¹ Resigned from supervisor in February 2016

² Appointed as supervisor in February 2016

³ Resigned from supervisor in March 2016

⁴ Appointed as supervisor in March 2016

Three months ended 31 March 2015 (Unaudited)				
Name	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution scheme	Total
Executive Director				
Zhou Yongwei	—	—	6,403	6,403
Wu Zhirui	—	182,500	8,421	190,921
Yan Zhijiang	—	86,150	8,421	94,571
Non-executive Director				
Wang Wenbin	—	—	—	—
Jiang Zhipeng ¹	—	—	—	—
Zhu Jinsong	—	—	—	—
Cai Yi	19,733	—	—	19,733
Zhang Lihe	19,733	—	—	19,733
Wang Yiming	19,733	—	—	19,733
Supervisor				
Ng Seng Chuan	—	—	—	—
Ng Hong Hung	—	—	—	—
Ma Pingping	—	—	—	—
Hong Lijun	2,500	47,361	5,169	55,030
Ruan Cen	2,500	22,117	4,665	29,282
	<u>64,199</u>	<u>338,128</u>	<u>33,079</u>	<u>435,406</u>

¹ Resigned from director in March 2015

9. FIVE HIGHEST PAID INDIVIDUALS

Of the five highest paid employees, there was 1 director for the year ended 31 December 2013, 2 directors for the year ended 31 December 2014 and the three months ended 31 March 2015 and 31 March 2016, and 2 directors and 1 supervisor for the year ended 31 December 2015, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining four highest paid employees for the year ended 31 December 2013, the remaining three highest paid employees for the year ended 31 December 2014 and the three months ended 31 March 2015 and 31 March 2016, and the remaining two highest paid employees for the year ended 31 December 2015 who are neither a director nor a supervisor of the Company are as follows:

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Salaries, allowances and benefits in kind	570,613	599,980	537,030	183,978	253,029
Contribution to defined contribution scheme	73,555	60,545	56,108	23,031	58,492
Total	<u>644,168</u>	<u>660,525</u>	<u>593,138</u>	<u>207,009</u>	<u>311,521</u>

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Nil – RMB1,000,000	<u>4</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>

10. INCOME TAX EXPENSE

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Current income tax	13,676,153	25,079,178	24,355,131	6,534,196	6,797,487
Deferred income tax (<i>Note 17</i>)	86,144	(474,581)	740,948	(128,675)	(46,037)
	<u>13,762,297</u>	<u>24,604,597</u>	<u>25,096,079</u>	<u>6,405,521</u>	<u>6,751,450</u>

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

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Profit before tax	54,889,031	98,073,662	100,350,868	25,617,169	27,002,837
Tax at the applicable tax rate of 25%	13,722,258	24,518,415	25,087,717	6,404,292	6,750,709
Tax effect of expenses not deductible for tax purposes	—	13,732	8,362	1,229	741
Adjustment for prior year tax expense	40,039	72,450	—	—	—
Total tax expense for the year/period at the Company's effective tax rate	<u>13,762,297</u>	<u>24,604,597</u>	<u>25,096,079</u>	<u>6,405,521</u>	<u>6,751,450</u>

11. DIVIDENDS

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
				(Unaudited)	
Proposed and paid dividend	—	25,140,000	30,000,000	30,000,000	25,000,000

Pursuant to the resolution of its shareholders' meeting on 23 January 2014, 5 March 2015 and 25 January 2016, the Company distributed cash dividends of RMB25.14 million, RMB30 million and RMB25 million to the shareholders, respectively.

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

The calculation of the basic earnings per share amounts is based on the profit for the Relevant Periods attributable to shareholders, and the weighted average number of ordinary shares in issue during the Relevant Periods on the assumption that the ordinary shares issued upon the conversion to a joint stock company with limited liability on 10 July 2014 had been in issue and the capital transfer from retained profits had been completed throughout the Relevant Periods.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during those years/periods.

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	(Unaudited)				
Earnings					
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	41,126,734	73,469,065	75,254,789	19,211,648	20,251,387
Shares					
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	348,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Basic and diluted earnings per share.	<u>0.12</u>	<u>0.15</u>	<u>0.15</u>	<u>0.04</u>	<u>0.04</u>

13. CASH AND CASH EQUIVALENTS

	31 December			31 March
	2013	2014	2015	2016
Cash on hand	1,618	2,835	2,819	1,248
Cash at banks	158,397,066	43,539,082	42,555,028	16,913,248
	<u>158,398,684</u>	<u>43,541,917</u>	<u>42,557,847</u>	<u>16,914,496</u>

The cash and bank balances of the Company are denominated in Renminbi ("RMB"). Cash at banks earns interest at floating rates based on daily bank deposit rates.

14. LOANS RECEIVABLE

	31 December			31 March
	2013	2014	2015	2016
Loans receivable	575,568,599	719,676,473	708,886,062	771,514,301
Less: Allowance for impairment				
— Individually assessed	(37,096,051)	(15,748,729)	(3,104,008)	(4,150,974)
— Collectively assessed	(12,146,199)	(18,502,871)	(13,641,638)	(13,447,122)
	<u>526,326,349</u>	<u>685,424,873</u>	<u>692,140,416</u>	<u>753,916,205</u>

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

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

	31 December			31 March
	2013	2014	2015	2016
Performing loans receivable (i)	508,011,099	675,116,473	692,496,549	753,124,788
Impaired loans receivable (ii)	67,557,500	44,560,000	16,389,513	18,389,513
	<u>575,568,599</u>	<u>719,676,473</u>	<u>708,886,062</u>	<u>771,514,301</u>

(i) Performing loans are collectively assessed for impairment.

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

The Company's loans receivable consisted of credit loans, guaranteed loans and collateral-backed loans. As at 31 December 2013, 2014 and 2015 and 31 March 2016, 96.9%, 89.9%, 67.4% and 66.4% of loans receivable were guaranteed loans, and 1.4%, 10.1%, 28.4% and 29.6% of loans receivable were collateral-backed loans.

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

	Individually assessed	Collectively assessed	Total
As at 1 January 2013	41,062,554	11,286,796	52,349,350
Charges for the year	2,629,237	859,403	3,488,640
Write-offs	(3,693,000)	—	(3,693,000)
Accreted interest on impaired loans	(2,902,740)	—	(2,902,740)
At 31 December 2013	37,096,051	12,146,199	49,242,250
(Reversal)/charges for the year	(2,901,359)	6,356,672	3,455,313
Write-offs	(21,500,000)	—	(21,500,000)
Accreted interest on impaired loans	3,054,037	—	3,054,037
As at 31 December 2014	15,748,729	18,502,871	34,251,600
Charges/(reversal) for the year	14,292,560	(4,861,233)	9,431,327
Disposal	(24,078,000)	—	(24,078,000)
Accreted interest on impaired loans	(2,859,281)	—	(2,859,281)
As at 31 December 2015	3,104,008	13,641,638	16,745,646
Charges/(reversal) for the period	1,611,171	(194,516)	1,416,655
Accreted interest on impaired loans	(564,205)	—	(564,205)
As at 31 March 2016	<u>4,150,974</u>	<u>13,447,122</u>	<u>17,598,096</u>

15. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2013	848,511	248,189	720,721	1,817,421
Additions	—	40,901	—	40,901
At 31 December 2013	848,511	289,090	720,721	1,858,322
Additions	—	126,846	1,008,620	1,135,466
At 31 December 2014	848,511	415,936	1,729,341	2,993,788
Additions	162,712	43,578	—	206,290
At 31 December 2015	1,011,223	459,514	1,729,341	3,200,078
Additions	—	—	28,380	28,380
At 31 March 2016	<u>1,011,223</u>	<u>459,514</u>	<u>1,757,721</u>	<u>3,228,458</u>
Accumulated depreciation:				
At 1 January 2013	294,938	143,759	586,623	1,025,320
Depreciation charge for the year	201,525	51,429	124,426	377,380
At 31 December 2013	496,463	195,188	711,049	1,402,700
Depreciation charge for the year	159,756	50,427	65,706	275,889
At 31 December 2014	656,219	245,615	776,755	1,678,589
Depreciation charge for the year	140,286	64,391	336,204	540,881
At 31 December 2015	796,505	310,006	1,112,959	2,219,470
Depreciation charge for the period	29,933	14,873	86,754	131,560
At 31 March 2016	<u>826,438</u>	<u>324,879</u>	<u>1,199,713</u>	<u>2,351,030</u>
Net carrying amount:				
At 31 December 2013	<u>352,048</u>	<u>93,902</u>	<u>9,672</u>	<u>455,622</u>
At 31 December 2014	<u>192,292</u>	<u>170,321</u>	<u>952,586</u>	<u>1,315,199</u>
At 31 December 2015	<u>214,718</u>	<u>149,508</u>	<u>616,382</u>	<u>980,608</u>
At 31 March 2016	<u>184,785</u>	<u>134,635</u>	<u>558,008</u>	<u>877,428</u>

16. INTANGIBLE ASSETS

	Software
Cost:	
At 1 January 2013	30,000
Additions	13,900
At 31 December 2013	43,900
Disposal	(43,900)
At 31 December 2014	—
Additions	890,000
At 31 December 2015 and 31 March 2016	890,000
Accumulated amortisation:	
At 1 January 2013	833
Charge for the year	3,713
At 31 December 2013	4,546
Disposal	(4,546)
At 31 December 2014	—
Charge for the year	185,822
At 31 December 2015	185,822
Charge for the period	112,155
At 31 March 2016	297,977
Net carrying amount:	
At 31 December 2013	39,354
At 31 December 2014	—
At 31 December 2015	704,178
At 31 March 2016	592,023

17. DEFERRED TAX ASSETS

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2013	1,536,863
Recognised in profit or loss (<i>Note 10</i>)	(86,144)
At 31 December 2013	1,450,719
Recognised in profit or loss (<i>Note 10</i>)	474,581
At 31 December 2014	1,925,300
Recognised in profit or loss (<i>Note 10</i>)	(740,948)
At 31 December 2015	1,184,352
Recognised in profit or loss (<i>Note 10</i>)	46,037
At 31 March 2016	1,230,389

18. OTHER ASSETS

	31 December			31 March
	2013	2014	2015	2016
Repossessed assets (a)	8,060,000	8,060,000	8,060,000	8,060,000
Deferred and prepaid expenses	31,346	319,045	64,436	41,114
Deferred service fee in connection with initial public offering	—	—	1,039,227	1,662,325
Other receivables	846,310	235,900	948,368	1,341,491
	<u>8,937,656</u>	<u>8,614,945</u>	<u>10,112,031</u>	<u>11,104,930</u>

(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 local authority. The certificates of the properties have not been obtained because the properties are still under development.

19. INTEREST-BEARING BANK BORROWINGS

	31 December			31 March
	2013	2014	2015	2016
Secured bank loans repayable:				
within one year	150,000,000	—	100,000,000	138,300,000
in the second year	—	136,000,000	—	—
	<u>150,000,000</u>	<u>136,000,000</u>	<u>100,000,000</u>	<u>138,300,000</u>

As at 31 December 2013, 2014 and 2015 and 31 March 2016, the annual interest rates of loans above were 7.1%, 6.3%, 5.0% and 5.2% respectively.

The interest-bearing bank borrowings of RMB150 million as at 31 December 2013, RMB136 million as at 31 December 2014 and RMB 100 million as at 31 December 2015 were secured by the pledge of the loans receivable of the Company and guaranteed by Mr. Zhou Yongwei, the Chairman of the Company, and his spouse and one of the shareholders, Fujian Septwolves Group Co., Ltd. On 19 February 2016, such guarantee was released.

20. OTHER PAYABLES

	31 December			31 March
	2013	2014	2015	2016
Business tax and surcharges payable	970,049	1,067,283	1,374,359	1,463,963
Audit fee	800,000	500,000	1,000,000	450,000
Payrolls payable	304,332	831,587	840,212	490,070
Service fee in connection with listing	—	500,000	584,950	693,502
Others	32,254	67,241	94,662	156,601
	<u>2,106,635</u>	<u>2,966,111</u>	<u>3,894,183</u>	<u>3,254,136</u>

21. SHARE CAPITAL

	31 December			31 March
	2013	2014	2015	2016
Issued and fully paid ordinary shares of RMB1 each	—	500,000,000	500,000,000	500,000,000
Share capital	—	500,000,000	500,000,000	500,000,000

As described in note 1, the Company was converted itself from a limited liability company to a joint stock company in 2014. The paid-in capital was converted into 500 million shares of a par value of RMB1 each to its original shareholders.

22. RESERVES

The amounts of the Company's reserve and the movements therein for the Relevant Periods are presented in the statement of changes in equity.

Surplus reserve

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

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

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

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

General reserve

In accordance with the relevant regulations, the Company is required to set aside a general reserve through appropriations of profit after tax on an annual basis, and the balance of the general reserve should reach 1.5% of its risk assets before 30 June 2017. Such reserve is not available for profit distribution or transfer to capital.

23. RELATED PARTY DISCLOSURES*(a) Compensation of key management personnel of the Company*

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
Salaries and other short-term employee benefits . . .	825,851	1,273,013	2,014,877	402,018	661,039

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

(b) Loan guarantee

The interest-bearing bank borrowings of RMB150 million as at 31 December 2013 and RMB136 million as at 31 December 2014 and RMB100 million as at 31 December 2015 were guaranteed by Mr. Zhou Yongwei, the Chairman of the Company, his spouse and one of the shareholders, Fujian Septwolves Group Co., Ltd. On 19 February 2016, such guarantee was released.

24. CONTINGENT LIABILITIES

As at 31 December 2013, 2014 and 2015 and 31 March 2016, there were no significant contingent liabilities.

25. OPERATING LEASES

The Company leases office premises under various operating lease agreements as the lessee. Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December			31 March
	2013	2014	2015	2016
Within 1 year	319,200	597,022	618,166	625,629
1 to 2 years, inclusive	40,850	618,166	649,074	656,910
2 to 3 years, inclusive	—	649,074	681,528	689,756
3 to 4 years, inclusive	—	681,528	201,579	28,797
4 to 5 years, inclusive	—	201,579	—	—
	<u>360,050</u>	<u>2,747,369</u>	<u>2,150,347</u>	<u>2,001,092</u>

26. COMMITMENTS

In addition to the operating lease commitments detailed in note 25 above, the Company had the following capital commitments at the end of each Relevant Period:

	31 December			31 March
	2013	2014	2015	2016
Contracted, but not provided for:				
Intangible assets	—	516,000	—	—
	<u>—</u>	<u>516,000</u>	<u>—</u>	<u>—</u>

27. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December			31 March
	2013	2014	2015	2016
Financial assets				
Loans and receivables				
— Cash and cash equivalents	158,398,684	43,541,917	42,557,847	16,914,496
— Loans receivable	526,326,349	685,424,873	692,140,416	753,916,205
— Other receivables	846,310	235,900	948,368	1,341,491
	<u>685,571,343</u>	<u>729,202,690</u>	<u>735,646,631</u>	<u>772,172,192</u>
Financial liabilities				
Other financial liabilities				
— Interest-bearing bank borrowings	150,000,000	136,000,000	100,000,000	138,300,000
— Interest payable	—	187,600	138,542	188,935
— Other payables	832,254	1,067,241	1,679,612	1,300,103
	<u>150,832,254</u>	<u>137,254,841</u>	<u>101,818,154</u>	<u>139,789,038</u>

28. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

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

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

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

- *Normal:* Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
- *Special-mention:* borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- *Substandard:* borrower's ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- *Doubtful:* borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- *Loss:* principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

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

The Company's financial assets include cash at banks, loans receivable and other receivables. The credit risk of these assets mainly arose from the counterparties' failure to discharge their contractual obligations, which major exposure equals the carrying amount.

Impairment assessment

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

Individually assessed allowances

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

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

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

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

Collectively assessed allowances

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

- The adverse changes in arrears of the borrowers; and
- Areas or local economic conditions that correlate with defaults

Collateral and other credit enhancements

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

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

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

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

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

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

	31 December 2013				Total
	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	
Guaranteed loans	—	—	5,000,000	54,777,500	59,777,500
Collateral-backed loans with guarantee	—	2,780,000	—	5,000,000	7,780,000
Total	—	2,780,000	5,000,000	59,777,500	67,557,500

31 December 2014

	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	1,800,000	2,200,000	32,130,000	850,000	36,980,000
Collateral-backed loans with guarantee	—	—	—	7,580,000	7,580,000
Total	<u>1,800,000</u>	<u>2,200,000</u>	<u>32,130,000</u>	<u>8,430,000</u>	<u>44,560,000</u>

31 December 2015

	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	—	—	5,000,000	1,980,000	6,980,000
Collateral-backed loans with guarantee	—	—	8,000,000	1,409,513	9,409,513
Total	<u>—</u>	<u>—</u>	<u>13,000,000</u>	<u>3,389,513</u>	<u>16,389,513</u>

31 March 2016

	Not overdue	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	2,300,000	—	—	8,089,513	10,389,513
Collateral-backed loans with guarantee	—	—	—	8,000,000	8,000,000
Total	<u>2,300,000</u>	<u>—</u>	<u>—</u>	<u>16,089,513</u>	<u>18,389,513</u>

Credit quality of loans receivable

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

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

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 December 2013	<u>508,011,099</u>	<u>—</u>	<u>67,557,500</u>	<u>575,568,599</u>
31 December 2014	<u>675,116,473</u>	<u>—</u>	<u>44,560,000</u>	<u>719,676,473</u>
31 December 2015	<u>692,496,549</u>	<u>—</u>	<u>16,389,513</u>	<u>708,886,062</u>
31 March 2016	<u>753,124,788</u>	<u>—</u>	<u>18,389,513</u>	<u>771,514,301</u>

As at 31 December 2013, 2014 and 2015 and 31 March 2016, loans neither past due nor impaired are related to various diversified customers with no recent default history.

Analysis of risk concentration

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

(b) Interest rate risk

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

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

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

	31 December 2013					Total
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	
Financial assets :						
Cash at banks	—	—	—	—	158,397,066	158,397,066
Loans receivable.	30,991,563	306,119,284	189,215,502	—	—	526,326,349
Total	<u>30,991,563</u>	<u>306,119,284</u>	<u>189,215,502</u>	<u>—</u>	<u>158,397,066</u>	<u>684,723,415</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	—	—	150,000,000	150,000,000
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>150,000,000</u>	<u>150,000,000</u>
Exposure to interest sensitivity	<u>30,991,563</u>	<u>306,119,284</u>	<u>189,215,502</u>	<u>—</u>	<u>8,397,066</u>	<u>534,723,415</u>
	31 December 2014					
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets :						
Cash at banks	—	—	—	—	43,539,082	43,539,082
Loans receivable.	27,377,364	392,458,513	265,588,996	—	—	685,424,873
Total	<u>27,377,364</u>	<u>392,458,513</u>	<u>265,588,996</u>	<u>—</u>	<u>43,539,082</u>	<u>728,963,955</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	—	—	136,000,000	136,000,000
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>136,000,000</u>	<u>136,000,000</u>
Exposure to interest sensitivity	<u>27,377,364</u>	<u>392,458,513</u>	<u>265,588,996</u>	<u>—</u>	<u>(92,460,918)</u>	<u>592,963,955</u>

31 December 2015						
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets :						
Cash at banks	—	—	—	—	42,555,028	42,555,028
Loans receivable.	13,285,505	392,602,960	167,469,559	118,782,392	—	692,140,416
Total	<u>13,285,505</u>	<u>392,602,960</u>	<u>167,469,559</u>	<u>118,782,392</u>	<u>42,555,028</u>	<u>734,695,444</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	—	—	100,000,000	100,000,000
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>100,000,000</u>	<u>100,000,000</u>
Exposure to interest sensitivity	13,285,505	392,602,960	167,469,559	118,782,392	(57,444,972)	634,695,444
31 March 2016						
	Overdue	Less than 3 months	3 to 12 months	1 to 5 years	Floating rate	Total
Financial assets :						
Cash at banks	—	—	—	—	16,913,248	16,913,248
Loans receivable.	12,433,384	464,633,863	176,162,843	100,686,115	—	753,916,205
Total	<u>12,433,384</u>	<u>464,633,863</u>	<u>176,162,843</u>	<u>100,686,115</u>	<u>16,913,248</u>	<u>770,829,453</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	—	—	138,300,000	138,300,000
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>138,000,000</u>	<u>138,000,000</u>
Exposure to interest sensitivity	12,433,384	464,633,863	176,162,843	100,686,115	(121,386,752)	632,529,453

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

	Year ended 31 December			Three months ended 31 March	
	2013	2014	2015	2015	2016
	Impact on profit before tax	Impact on profit before tax	Impact on profit before tax	Impact on profit before tax	Impact on profit before tax
Changes in variables — RMB interest rate					
+ 50 basis points	41,985	(462,305)	(287,225)	(91,664)	(151,733)
– 50 basis points	<u>(41,985)</u>	<u>462,305</u>	<u>287,225</u>	<u>91,664</u>	<u>151,733</u>

(c) *Liquidity risk*

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

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

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

31 December 2013						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Financial assets:						
Cash and cash equivalents	158,398,684	—	—	—	—	158,398,684
Loans receivable.	—	67,557,500	332,825,999	206,209,250	—	606,592,749
Other assets.	—	—	846,310	—	—	846,310
Subtotal	<u>158,398,684</u>	<u>67,557,500</u>	<u>333,672,309</u>	<u>206,209,250</u>	<u>—</u>	<u>765,837,743</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	2,652,188	153,192,448	—	155,844,636
Other payables	—	—	832,254	—	—	832,254
Subtotal	<u>—</u>	<u>—</u>	<u>3,484,442</u>	<u>153,192,448</u>	<u>—</u>	<u>156,676,890</u>
Net	<u>158,398,684</u>	<u>67,557,500</u>	<u>330,187,867</u>	<u>53,016,802</u>	<u>—</u>	<u>609,160,853</u>
31 December 2014						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Financial assets:						
Cash and cash equivalents	43,541,917	—	—	—	—	43,541,917
Loans receivable.	—	42,760,000	430,454,013	304,485,500	—	777,699,513
Other assets.	—	—	86,645	—	149,255	235,900
Subtotal	<u>43,541,917</u>	<u>42,760,000</u>	<u>430,540,658</u>	<u>304,485,500</u>	<u>149,255</u>	<u>821,477,330</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	2,142,000	6,426,000	140,165,000	148,733,000
Other payables	—	—	1,067,241	—	—	1,067,241
Subtotal	<u>—</u>	<u>—</u>	<u>3,209,241</u>	<u>6,426,000</u>	<u>140,165,000</u>	<u>149,800,241</u>
Net	<u>43,541,917</u>	<u>42,760,000</u>	<u>427,331,417</u>	<u>298,059,500</u>	<u>(140,015,745)</u>	<u>671,677,089</u>
31 December 2015						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Financial assets:						
Cash and cash equivalents	42,557,847	—	—	—	—	42,557,847
Loans receivable.	—	16,389,513	427,349,576	198,853,960	140,133,319	782,726,368
Other assets.	—	—	799,113	—	149,255	948,368
Subtotal	<u>42,557,847</u>	<u>16,389,513</u>	<u>428,148,689</u>	<u>198,853,960</u>	<u>140,282,574</u>	<u>826,232,583</u>
Financial liabilities:						
Interest-bearing bank borrowing.	—	—	1,575,000	101,575,000	—	103,150,000
Other payables	—	—	1,679,612	—	—	1,679,612
Subtotal	<u>—</u>	<u>—</u>	<u>3,254,612</u>	<u>101,575,000</u>	<u>—</u>	<u>104,829,612</u>
Net	<u>42,557,847</u>	<u>16,389,513</u>	<u>424,894,077</u>	<u>97,278,960</u>	<u>140,282,574</u>	<u>721,402,971</u>

	31 March 2016					Total
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	
Financial assets:						
Cash and cash equivalents	16,914,496	—	—	—	—	16,914,496
Loans receivable	—	16,089,513	500,545,390	204,298,863	115,682,950	836,616,716
Other assets	—	—	1,192,236	—	149,255	1,341,491
Subtotal	<u>16,914,496</u>	<u>16,089,513</u>	<u>501,737,626</u>	<u>204,298,863</u>	<u>115,832,205</u>	<u>854,872,703</u>
Financial liabilities:						
Interest-bearing bank borrowing	—	—	2,026,147	143,189,483	—	145,215,630
Other payables	—	—	1,300,103	—	—	1,300,103
Subtotal	<u>—</u>	<u>—</u>	<u>3,326,250</u>	<u>143,189,483</u>	<u>—</u>	<u>146,515,733</u>
Net	<u>16,914,496</u>	<u>16,089,513</u>	<u>498,411,376</u>	<u>61,109,380</u>	<u>115,832,205</u>	<u>708,356,970</u>

(d) Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013, 2014 and 2015 and three months ended 31 March 2016.

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

	31 December			31 March
	2013	2014	2015	2016
Interest-bearing bank borrowings	150,000,000	136,000,000	100,000,000	138,300,000
Less: cash and cash equivalents	<u>158,398,684</u>	<u>43,541,917</u>	<u>42,557,847</u>	<u>16,914,496</u>
Net debt	(8,398,684)	92,458,083	57,442,153	121,385,504
Paid-in capital	500,000,000	—	—	—
Share capital	—	500,000,000	500,000,000	500,000,000
Reserves	10,953,372	29,238,579	36,764,058	36,764,058
Retained profits	<u>24,580,354</u>	<u>54,624,212</u>	<u>92,353,522</u>	<u>87,604,909</u>
Capital	<u>535,533,726</u>	<u>583,862,791</u>	<u>629,117,580</u>	<u>624,368,967</u>
Capital and net debt	<u>527,135,042</u>	<u>676,320,874</u>	<u>686,559,733</u>	<u>745,754,471</u>
Gearing ratio	<u>-1.6%</u>	<u>13.7%</u>	<u>8.4%</u>	<u>16.3%</u>

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

31 December 2013						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	158,398,684	—	—	—	—	158,398,684
Loans receivable	—	30,991,563	306,119,284	189,215,502	—	526,326,349
Property and equipment	—	—	—	—	455,622	455,622
Intangible assets	—	—	—	—	39,354	39,354
Deferred tax assets	—	—	—	—	1,450,719	1,450,719
Other assets	—	—	877,656	—	8,060,000	8,937,656
Subtotal	<u>158,398,684</u>	<u>30,991,563</u>	<u>306,996,940</u>	<u>189,215,502</u>	<u>10,005,695</u>	<u>695,608,384</u>
Liabilities:						
Interest-bearing bank borrowing	—	—	—	150,000,000	—	150,000,000
Income tax payable	—	—	7,968,023	—	—	7,968,023
Other payables	—	—	2,106,635	—	—	2,106,635
Subtotal	<u>—</u>	<u>—</u>	<u>10,074,658</u>	<u>150,000,000</u>	<u>—</u>	<u>160,074,658</u>
Net	<u>158,398,684</u>	<u>30,991,563</u>	<u>296,922,282</u>	<u>39,215,502</u>	<u>10,005,695</u>	<u>535,533,726</u>
31 December 2014						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	43,541,917	—	—	—	—	43,541,917
Loans receivable	—	27,377,364	392,458,513	265,588,996	—	685,424,873
Property and equipment	—	—	—	—	1,315,199	1,315,199
Deferred tax assets	—	—	—	—	1,925,300	1,925,300
Other assets	—	—	405,690	—	8,209,255	8,614,945
Subtotal	<u>43,541,917</u>	<u>27,377,364</u>	<u>392,864,203</u>	<u>265,588,996</u>	<u>11,449,754</u>	<u>740,822,234</u>
Liabilities:						
Interest-bearing bank borrowing	—	—	—	—	136,000,000	136,000,000
Interest payable	—	—	187,600	—	—	187,600
Income tax payable	—	—	17,805,732	—	—	17,805,732
Other payables	—	—	2,966,111	—	—	2,966,111
Subtotal	<u>—</u>	<u>—</u>	<u>20,959,443</u>	<u>—</u>	<u>136,000,000</u>	<u>156,959,443</u>
Net	<u>43,541,917</u>	<u>27,377,364</u>	<u>371,904,760</u>	<u>265,588,996</u>	<u>(124,550,246)</u>	<u>583,862,791</u>

31 December 2015						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	42,557,847	—	—	—	—	42,557,847
Loans receivable	—	13,285,505	392,602,960	167,469,559	118,782,392	692,140,416
Property and equipment	—	—	—	—	980,608	980,608
Intangible assets	—	—	—	—	704,178	704,178
Deferred tax assets	—	—	—	—	1,184,352	1,184,352
Other assets	—	—	863,549	1,039,227	8,209,255	10,112,031
Subtotal	<u>42,557,847</u>	<u>13,285,505</u>	<u>393,466,509</u>	<u>168,508,786</u>	<u>129,860,785</u>	<u>747,679,432</u>
Liabilities:						
Interest-bearing bank borrowing	—	—	—	100,000,000	—	100,000,000
Interest payable	—	—	138,542	—	—	138,542
Income tax payable	—	—	14,529,127	—	—	14,529,127
Other payables	—	—	3,894,183	—	—	3,894,183
Subtotal	<u>—</u>	<u>—</u>	<u>18,561,852</u>	<u>100,000,000</u>	<u>—</u>	<u>118,561,852</u>
Net	<u>42,557,847</u>	<u>13,285,505</u>	<u>374,904,657</u>	<u>68,508,786</u>	<u>129,860,785</u>	<u>629,117,580</u>
31 March 2016						
	On demand	Overdue	Less than 3 months	3 to less than 12 months	After 12 months	Total
Assets:						
Cash and cash equivalents	16,914,496	—	—	—	—	16,914,496
Loans receivable	—	12,433,384	464,633,863	176,162,843	100,686,115	753,916,205
Property and equipment	—	—	—	—	877,428	877,428
Intangible assets	—	—	—	—	592,023	592,023
Deferred tax assets	—	—	—	—	1,230,389	1,230,389
Other assets	—	—	1,233,350	1,662,325	8,209,255	11,104,930
Subtotal	<u>16,914,496</u>	<u>12,433,384</u>	<u>465,867,213</u>	<u>177,825,168</u>	<u>111,595,210</u>	<u>784,635,471</u>
Liabilities:						
Interest-bearing bank borrowing	—	—	—	138,300,000	—	138,300,000
Interest payable	—	—	188,935	—	—	188,935
Income tax payable	—	—	18,523,433	—	—	18,523,433
Other payables	—	—	3,254,136	—	—	3,254,136
Subtotal	<u>—</u>	<u>—</u>	<u>21,966,504</u>	<u>138,300,000</u>	<u>—</u>	<u>160,266,504</u>
Net	<u>16,914,496</u>	<u>12,433,384</u>	<u>443,900,709</u>	<u>39,525,168</u>	<u>111,595,210</u>	<u>624,368,967</u>

30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

The Company's financial assets mainly include cash at banks and loans receivable.

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

31. EVENTS AFTER THE RELEVANT PERIODS

Other than as mentioned in other notes, the Company has no other significant event after the Relevant Periods.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 March 2016.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth below does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the financial information included in the Accountants' Report set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Company is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Company attributable to ordinary equity holders of the Company as of 31 March 2016, as if the Global Offering had taken place on 31 March 2016.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Global Offering been completed as of 31 March 2016 or at any future date.

	Net tangible assets of the Company as of 31 March 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 <i>Note 1</i>	RMB'000 <i>Note 2</i>	RMB'000	RMB <i>Note 3</i>	HK\$ <i>Note 4</i>
Based on an Offer Price of HK\$1.55 per H Share	623,777	212,083	835,860	1.23	1.48
Based on an Offer Price of HK\$1.75 per H Share	623,777	241,332	865,109	1.27	1.53

Notes:

1. The net tangible assets of the Company as of 31 March 2016 is based on the net assets of the Company of RMB624,369 thousand as of 31 March 2016 after deduction of intangible assets of RMB592 thousand.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$1.55 and HK\$1.75 per H Share, respectively, after deduction of the underwriting fees and other related estimated expenses payable by the Company and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted net tangible assets per Share are arrived after the adjustments referred to in the preceding paragraphs and on the basis that 680,000,000 Shares expected to be in issue immediately following completion of the Global Offering and is converted into Renminbi at the rate of RMB0.8333 to HK\$1.00, the exchange rate set by the PBOC prevailing on 31 March 2016. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted net tangible assets per Share is translated into Hong Kong dollars at the exchange rate of RMB0.8333 to HK\$1.00. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.
5. No adjustment has been made to reflect any trading results or other transactions of the Company entered into subsequent to 31 March 2016.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.



22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
19 September 2016

To the Directors of Quanzhou Huixin Micro-credit Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Quanzhou Huixin Micro-credit Co., Ltd. (the “Company”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma net tangible assets as at 31 March 2016 and related notes as set out on pages II-1 of the Prospectus dated 19 September 2016 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of Shares of the Company on the Company’s financial position as at 31 March 2016 as if the transaction had taken place at 31 March 2016. As part of this process, information about the Company’s financial position has been extracted by the Directors from the Company’s financial statements for the period ended 31 March 2016, on which an accountants’ report has been published.

DIRECTORS’ RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of Shares of the Company on unadjusted financial information of the Company as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Company, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

This appendix contains a summary of laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION

A. Taxation in the PRC

Taxation of Dividends

Individual investors

According to the *Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法) (2011 Amendments) (the “IIT Law”), amended on 30 June 2011 and effective on 1 September 2011 and the *Regulations on Implementation of the Individual Income Tax Law of the PRC* (中華人民共和國個人所得稅法實施條例), amended on 19 July 2011 and effective on 1 September 2011, dividends paid by PRC companies are ordinarily subject to PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a company in the PRC is normally subject to withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the *Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45* (關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知) promulgated by SAT, generally the PRC individual income tax at the rate of 10% is applicable to dividends paid by non-foreign invested enterprises which have had their public offering in Hong Kong to the individual holders of H shares who are non-PRC nationals. For the individual holders of H shares receiving dividends who are citizens from countries that have entered into income tax treaties with the PRC with tax rates lower than 10%, the non-foreign invested enterprises whose shares are listed in Hong Kong will apply on behalf of the such holders for enjoying the lower preferential tax treatments, and upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into income tax treaties with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign invested enterprises whose shares are listed in Hong Kong are required to withhold the tax at the agreed rates under the treaties, and no application procedures will be necessary. For the individual holders of H shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, non-foreign-invested enterprises whose shares are listed in Hong Kong are required to withhold the tax at a rate of 20%.

Enterprise investors

In accordance with the *EIT Law* and the *Implementation Regulations for the Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法實施條例) (the “Implementation Regulations of EIT Law”), both effective on 1 January 2008, a non-resident enterprise is generally subject to a 10% withholding income tax on PRC-sourced income, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. Such withholding tax may be reduced pursuant to an applicable double taxation treaty.

According to the *Notice on Issues Related to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises which Hold H Shares* (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知), issued by the SAT on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold EIT at the rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H shares with respect to the dividends distributed out of profit generated for the year of 2008 and thereafter. Such tax rate may be reduced pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable. In accordance with the above two regulations, such withholding tax may be reduced pursuant to an applicable double taxation treaty.

Tax Treaties

Pursuant to *Arrangements between the Mainland of China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), signed on 21 August 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders shall pay income tax according to PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be not more than 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be not more than 10% of the distributed dividends. Investors who do not reside in the PRC and reside in countries that have entered into double taxation treaties with the PRC may be entitled to a reduction of the withholding tax imposed on the payment of dividends to investors of the Company who do not reside in the PRC.

The PRC currently has double-taxation treaties with many nations in the world, which include but not limited to the following countries: Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Taxation of Capital Gains

Individual investors

In accordance with *IIT Law* and the *Implementation Rules of IIT Law* (中華人民共和國個人所得稅法實施條例) (the “Implementation Rules”), individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. The *Implementation Rules* also provide that the MOF shall draft measures for collection of individual income tax from income on the transfer of shares, and such measures are subject to the approval of the State Council. However, as of the Latest Practicable Date, no such measures had been drafted and enacted. Under the *Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares* (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on 30 March 1998, from 1 January 1997 onwards, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the *IIT Law* on 30 June 2011 and the latest amendments to its implementation rules on 19 July 2011, the SAT has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, the Ministry of Finance, the SAT and the CSRC jointly issued the *Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares*

Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) on 31 December 2009, which states that individuals' income from transferring listed shares on Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations. As of the Latest Practicable Date, no legislation has expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practice the taxation administrations do not collect individual income tax on such income.

Enterprise investors

In accordance with the *EIT Law* and the *Implementation Regulations of EIT Law*, a non-resident enterprise is generally subject to withholding tax at a rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. As of the Latest Practicable Date, no legislation has expressly provided that withholding tax shall be collected from non-resident enterprises on their income derived by them from sale of the shares in PRC companies listed on overseas stock exchange. However, the possibility cannot be entirely excluded that taxation authorities will seek to collect withholding tax on such income in the future. However the possibility cannot be entirely excluded that taxation administrations will seek to collect EIT on such income in the future. In addition, such tax may be exempted in China if the tax treaty or agreement that China concluded with relevant jurisdictions, where applicable, states that China may not tax capital gains.

Estate Tax

Currently, no estate tax is imposed by the PRC Government.

PRC Stamp Duty

PRC stamp duty imposed on the transfer of shares of the PRC publicly traded companies under the *Provisional Regulations of China Concerning Stamp Duty* (中華人民共和國印花稅暫行條例) should not apply to the acquisition and disposal by non-PRC investors of H shares outside of the PRC by virtue of such *Provisional Regulations*, which became effective on 1 October 1988 and which provide that PRC stamp duty is imposed only on documents executed or received within the PRC that are legally binding in the PRC and are protected under the PRC law.

Enterprise Income Tax

The *EIT Law* and the *Implementation Regulations of EIT Law*, provide that the EIT rate applicable to all enterprises, resident or non-resident, shall be 25% generally.

Levying VAT in Lieu of Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. Companies in financial and insurance industries shall be subject to business tax at a rate of 5%.

The MOF and the SAT promulgated the *Pilot Proposals for Levying the Value-added Tax in Lieu of Business Tax* (營業稅改徵增值稅試點方案) (the “Pilot Plan”) on 16 November 2011, pursuant to which, the pilot work of the value-added tax in lieu of business tax was carried out in some industries nationally since 1 January 2012. Pursuant to the *Pilot Plan* and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some modern service industries in China. Under the *Pilot Plan*, a VAT rate of 6% applies to certain modern service industries. On 23 March 2016, the MOF and SAT promulgated the *Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Tax to Replace Business Tax* (關於全面推開營業稅改徵增值稅試點的通知), pursuant to which, starting from 1 May 2016, the VAT pilot program will cover construction industry, real estate industry, finance industry and life service industry nationally.

B. Taxation in Hong Kong

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trading, will be chargeable to Hong Kong profits tax. Currently, profits tax is imposed on corporations at the rate of 16.5% and on unincorporated businesses at a rate of 15%. Gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Share is effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred to or from each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required). Where a sale or purchase of the H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall

be chargeable with such duty, together with the stamp duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after 11 February 2006.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange except as otherwise specified by laws and regulations. The SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE, by complying with certain procedural requirements. Foreign-invested enterprises, which need foreign exchange for the distribution of profits to their shareholders and the PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign currency, may, on the strength of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay through the designated foreign exchange banks. However, except as otherwise specified by laws and regulations, approval from the appropriate government authorities is usually required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China. The PRC Government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future.

On 29 January 1996, the State Council promulgated the *Regulations of the PRC for the Control of Foreign Exchange* (中華人民共和國外匯管理條例) (the “Foreign Exchange Regulations”), which took effect on 1 April 1996. The *Foreign Exchange Regulations* classifies all cross-border foreign exchange payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to approval of SAFE while capital account items still are. The *Foreign Exchange Regulations* was subsequently amended on 14 January 1997 and on 5 August 2008. This latest amendment affirmatively states that the state will not restrict cross-border current account payments and transfers.

Pursuant to the *Rules on Administration of Settlement, Sale and Payment of Foreign Exchange Provisions* (結匯、售匯及付匯管理規定), issued by PBOC on 20 June 1996 and effective from 1 July 1996, enterprises in the PRC may purchase foreign currency, subject to a cap approved by SAFE, to settle current account transactions, without the approval from SAFE. Foreign exchange transactions under capital account are still subject to limitations and require approvals from or registrations with SAFE.

On 25 October 1998, PBOC and the SAFE promulgated the *Notice Concerning Closure of the Foreign Exchange Swap Business Activities* (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall come under the banking system for the settlement and sale of foreign exchange.

The PBOC announced that, beginning from 21 July 2005, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollars. The PBOC will publish the closing price of the Renminbi against foreign currencies such as the US dollars in the inter-bank foreign exchange market after the closing of the market on each business day, which will be used as the middle price for Renminbi transactions on the following business day.

Starting from 4 January 2006, the PBOC has authorized China Foreign Exchange Trading Center to publish the middle price for the exchange of Renminbi to the U.S. dollar, Euro, Japanese Yen and Hong Kong dollar at 9:15 am on each business day, which will be used as the middle price of exchange rates for transactions in inter-bank spot foreign exchange market (including over the counter and automatic price-matching transactions) and bank counter transactions.

On 5 August 2008, the State Council promulgated the revised *Foreign Exchange Control Regulations* (the “Revised Foreign Exchange Control Regulations”), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the *Revised Foreign Exchange Control Regulations* have adopted an approach of balancing the inflow and outflow of foreign exchange and foreign exchange settlement funds under repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are requirement to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the *Revised Foreign Exchange Control Regulations* have improved the mechanism for determining the Renminbi rate based on market supply and demand. Third, the *Revised Foreign Exchange Control Regulations* have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary or control measures. Fourth, the *Revised Foreign Exchange Control Regulations* have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enforce its supervisory and administrative powers.

On 13 February 2015, the SAFE promulgated the *Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment* (關於進一步簡化和改進直接投資外匯管理政策的通知) (“Circular 13”), to simplify foreign exchange rules for cross-border investments. According to *Circular 13*, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from the approval by the SAFE and the registration rights will be delegated from the SAFE to the qualified banks from 1 June 2015. Under the *Circular 13*, foreign investors could open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. By *Circular 13*, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and the SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

According to the *Circular on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises issued by the General Affairs Department of the SAFE* (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (“Circular 142”) on 29 August 2008, for each conversion and withdrawal, an FIE is required to provide various supporting documents evidencing the authenticity of the transaction to relevant bank for review and verification. Also the converted Renminbi should only be used by FIEs in line with their business scope as approved by the examination and approval authorities, for example, for acquiring equipment and real property for self-use. Except for special type of FIEs such as venture capital and private equity enterprises, ordinary FIEs are generally prohibited from using the Renminbi converted from their capital account balance to make equity investments in other companies in China. And except for foreign-funded real estate enterprises, foreign-funded enterprise shall not use the Renminbi converted from their capital account balance to purchase domestic real estate for any purpose other than its own use.

On 8 April 2015, the SAFE promulgated the *Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (“Circular 19”), which will relax the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015. According to *Circular 19*, *Circular 142* will cease to be effective on the same date of the implementation of *Circular 19*. On 9 June 2016, the SAFE further promulgated the *Circular of the SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items* (國家外匯管理局關於改革和規範資本專案結匯管理政策的通知) (“Circular 16”). According to the *Circular 16*, in case of any discrepancy between *Circular 19* and *Circular 16*, *Circular 16* shall prevail. *Circular 16* allows all foreign invested enterprises across the PRC to fully convert (subject to future adjustment at discretion of SAFE) their foreign currency capital (which has been processed through the equity interest confirmation procedure of SAFE for capital contribution in cash or registered by a bank under the system of SAFE for account-crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and goes through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth in the *Circular 16*.

On 28 December 2014, the SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Overseas Listing* (國家外匯管理局關於境外上市外匯管理有關問題的通知), which stipulates the foreign control matters for the domestic companies listed overseas:

1. SAFE and its branches (hereafter as the “Foreign Exchange Bureaus”) supervises, manages and inspects the business registration, account opening and its use, the cross-border receipts and payments, capital exchange, etc., involved in the overseas listing of the domestic companies.
2. Domestic companies shall register in relation to its offshore listing with Foreign Exchange Bureaus in the place it registered with related materials within 15 working days upon the completion of the initial public offering of shares for its overseas listing.

3. A domestic company shall open a “special foreign exchange account of domestic company for overseas listing” with a domestic bank respectively for the initial public offering (or follow-on offering) of shares and repurchase transactions by producing its overseas listing registration certificate. The account so opened shall be used for handling the exchange and transfer of funds corresponding to the relevant business;
4. A domestic company shall open a corresponding account for foreign exchange settlement and pending payment (“account for pending payment”) in the bank with which it opens its special account for overseas listing to deposit its RMB funds obtained from foreign exchange settlement, funds raised from overseas listing and repatriated in RMB, and the funds remitted abroad in RMB for repurchase of Overseas Shares and the surplus thereof;
5. The funds raised by a domestic company from overseas listing may be repatriated or be deposited overseas. The use of such funds shall be consistent with those listed in the prospectus documentation for shares or the prospectus documentation for corporate bonds, circulars to shareholders, resolutions of the board of directors or the general meeting and other public disclosure documents. Where a domestic company intends to repatriate the funds raised from issuing convertible corporate bonds, it shall repatriate the funds to its domestic special account for external debts and go through relevant formalities pursuant to the provisions on external debt management; where it intends to repatriate the funds raised by issuing other forms of securities, it shall repatriate the funds to its special account for overseas listing (foreign exchange) or the account for pending payment (RMB);
6. A domestic company may, according to its needs, apply to the deposit bank for domestic transfer of or payment from the special account for overseas listing or foreign exchange settlement and transfer to the account for pending payment.

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This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities law and regulations. It also contains a summary of certain Hong Kong law and regulations, including summaries of certain material differences between the PRC and Hong Kong company law, certain requirements of the Listing Rules and the summary of additional provisions required by the Stock Exchange for inclusion in the articles of association of the PRC issuers (as defined in the Listing Rules).

1. PRC LAWS AND REGULATIONS

(a) *The PRC Legal System*

The PRC legal system is based on the *PRC Constitution* and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC Government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

Pursuant to the *Constitution* and the *Legislation Law of the PRC (Amendment 2015)* (the “Legislation Law”), the NPC and the SCNPC are empowered to formulate and amend basic laws governing state organs, civil and criminal and other matters. The SCNPC enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the SCNPC may partially supplement and amend the laws enacted by the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The SCNPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the *PRC Constitution* and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people’s congresses of districted cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people’s congresses of provinces or autonomous regions for approval. The standing committee of the people’s congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People’s Government of the province or autonomous region concerned are identified in the examination of local regulations of districted cities by the standing committee of the people’s congresses of provinces or autonomous regions, a decision should be made to deal with the matter.

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The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on laws and administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and districted cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

Pursuant to the *PRC Constitution*, the power to interpret laws is vested in the SCNPC. Pursuant to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws passed on 10 June 1981, the Supreme People's Court is empowered to provide general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

(b) The PRC Judicial System

Pursuant to the *Constitution* and the *Law of Organization of the People's Courts of the PRC* ("Law of Organization of the People's Courts"), the judicial system in the PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further organized into civil, criminal, and administrative divisions. The intermediate people's courts are organized into divisions similar to those of the basic people's courts, and are further organized into other special divisions, such as the intellectual property division.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The higher level people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all of the people's courts.

The people's courts adopt the "second instance as final" appellate system. A party may appeal against a judgement or order of the people's court of first instance to the people's court at the next higher level. Second judgements or orders given at the next higher level are final and legally binding. First judgements or orders of the Supreme People's Court are also final. Where the Supreme People's Court or a people's court at a higher level finds an error in a judgement or order which has been given in any people's court at a lower level, or the president of the people's court finds an error in a judgement or order, the case may then be retried in accordance with the judicial supervision procedures.

The *Civil Procedure Law of the PRC* (the "Civil Procedure Law") which was promulgated on 9 April 1991 and last amended on 31 August 2012 and took effect from 1 January 2013, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All

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parties to a civil action conducted within the PRC must comply with the *PRC Civil Procedure Law*. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action, and provided that the provisions of the *PRC Civil Procedure Law* regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Where a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. Where any party to a civil action refuses to comply with a judgement or order made by a people's court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the people's court to request for enforcement of the judgement, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. Where a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgement.

Where a party applies to a people's court for enforcing an effective judgement or ruling by a people's court against a party who's not located within the territory of the PRC or whose property is not within the PRC, such party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or where the judgement or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

(c) The PRC Company Law, Special Regulations and Mandatory Provisions

The *PRC Company Law* was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and came into effect on 1 March 2014.

The *Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies* (the "Special Provisions") were adopted at the 22nd Standing Committee Meeting of the State Council on 4 July 1994 and became effective on 4 August 1994. The *Special Provisions* was formulated according to Article 85 and Article 155 of the *Company Law* and applies to the overseas share subscription and listing of joint stock limited companies.

The *Mandatory Provisions* was promulgated by the former Securities Commission of the State Council and the State Economic System Restructuring Commission on 27 August 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the *Mandatory Provisions* have been incorporated into the Articles of Association.

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(i) General provisions

A “joint stock limited company” (a “company”) is a corporate legal person incorporated under the *Company Law*, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

(ii) Incorporation

Pursuant to the *Company Law*, a company may be incorporated by promotion or public subscription. A company may be incorporated by 2 to 200 promoters, provided that at least half of the promoters must reside in the PRC. A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The *Company Law* provides that for companies incorporated by way of promotion, its registered capital shall be the total share capital subscribed by all of its promoters as recorded in the company registration authority. No shares shall be offered to any other person before the shares subscribed by the promoters are paid up. Where otherwise provided for in any other laws, administrative regulations and decisions of the State Council in respect of the actual paid-in registered capital and the minimum registered capital for joint stock limited companies, the provisions thereof shall prevail.

Pursuant to the *PRC Securities Law*, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange shall not be less than RMB30.0 million.

According to the *Company Law*, the promoters shall convene an establishment meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the establishment meeting 15 days prior to the meeting. The establishment meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the establishment meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

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Within 30 days after the conclusion of the establishment meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant AIC and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

According to the *Provisional Regulations Concerning the Issue and Trading of Shares* promulgated by the State Council on 22 April 1993 (股票發行與交易管理暫行條例) (which is only application to the issue and trading of shares in the PRC and relevant activities), if a company is incorporated by means of public subscription, the promoters of the company are required to assume joint liability for the accuracy of the contents of this document and to ensure that this document does not contain any misleading statement or omission of any material information.

(iii) Share capital

Where a joint stock limited company is established by way of promotion, the promoters shall fully subscribe in writing for the shares and pay the corresponding capital provided for in its articles of association. In the case of capital contributions are made by means other than in cash, the promoters shall go through the relevant procedures for the transfer of property rights in accordance with the law.

There is no limit under the *Company Law* as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The *Special Regulations* and the *Mandatory Provisions* provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the *Special Regulations* and the *Mandatory Provisions*, overseas listed shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified Foreign Institutional Investors (“QFII”) approved by the CSRC may hold domestic listed shares.

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A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the *Special Regulations*. According to the *Special Regulations*, upon the approval of CSRC, a company may agree, in the underwriting agreement on issuing overseas listed foreign invested shares, to retain not more than 15% of the aggregate amount of underwritten shares. The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the H share certificates to the transferee.

No modification registration shall be made to the registrar of shareholders within twenty (20) days prior to the shareholders' meeting being held or within five (5) days prior to the benchmark date set for the purpose of distribution of dividends.

(iv) Increase in capital

Pursuant to the *Company Law*, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders at the general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the *Company Law*, the *PRC Securities Law* requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant AIC and issue a public notice accordingly.

(v) Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures stipulated by the *Company Law*:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and

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- the company must apply to the relevant AIC and commerce for registration of the reduction in registered capital.

(vi) Repurchase of shares

A company shall not purchase its own shares other than for one of the following purposes:

- to reduce its registered capital;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The *Mandatory Provisions* stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through outside-market contract.

(vii) Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations.

Shares held by the promoter(s) of a company shall not be transferred within one (1) year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one (1) year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management personnel of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one (1) year from the listing date.

(viii) Shareholders

Pursuant to the *Company Law* and the *Mandatory Provisions*, a shareholder's rights include:

- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;
- the right to attend in person or appoint a representative to attend the shareholders' general meeting and to vote in respect of the amount of shares held;

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- the right to inspect the company's articles of association, shareholders' registers, records of short-term debentures, minutes of shareholders' general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- where a resolution approved by the shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds; to claim against other shareholders who abuse their rights of shareholders for the damages;
- the right to receive dividends based on the number of shares held; and
- any other shareholders' rights specified in the articles of association.

The obligations of shareholders include:

- to comply with the articles of association of the company;
- to pay the subscription monies in respect of shares subscribed for;
- be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up;
- no abuse of shareholders' rights to damage the interests of the company or other shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and
- any other obligation specified in the articles of association of the company.

(ix) Shareholders' general meeting

The shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the *Company Law*. The shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or remove the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;

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- to review and approve annual financial budgets and financial accounts proposed by the company;
- to review and approve proposals for profit distribution and for recovery of losses of the company;
- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The annual shareholders' general meeting must be convened once a year. An extraordinary shareholders' general meeting shall be held within two months upon the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the *Company Law* or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or shareholders holding in aggregate, 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors. The notice to convene the shareholders' general meeting shall be dispatched to all the shareholders 20 days prior to the general meeting pursuant to the *Company Law*, and 45 days prior to the general meeting pursuant to the *Special Regulations* and the *Mandatory Provisions*, stating the matters to be reviewed at the general meeting. Under the *Special Regulations* and the *Mandatory Provisions*, shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting.

According to the *Special Regulations*, at the annual shareholders' general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the shareholders' general meeting, are required to be added to the agenda of the general meeting. Shareholders present at the shareholders' general meeting possess one vote for each share they

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hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the shareholders' general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division or reduction of registered capital, the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. There is no specific provisions in the *Company Law* regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the *Special Regulations* and the *Mandatory Provisions* provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or where the 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The *Mandatory Provisions* require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

(x) Directors

A company shall have a board of directors, which shall consist of five to nineteen members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the *Company Law*, the board of directors exercises the following functions and powers:

- to convene the shareholders' general meeting and report on its work to the shareholders;
- to implement the resolution of the shareholders' general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;

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- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division or dissolution of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the *Mandatory Provisions* provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Where a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

Where a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, where it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the *Company Law*, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and has been liquidated due to mismanagement, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

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- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the *Mandatory Provisions* (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over shareholders' general meetings and convene and preside over meetings of the board of directors;
- to check on the implementation of the resolutions of the board of directors.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager. The *Special Regulations* provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The *Mandatory Provisions* (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix V) contains further elaborations of such duties.

(xi) Supervisors

A joint stock limited company shall establish a board of supervisors comprised of no less than three members. The board of supervisors shall include shareholders' representatives and an appropriate proportion of employee representatives. The proportion of employee representatives shall be specified in the articles of association but in any event shall account for no less than one-third of the supervisors appointed. Employee representatives who serve as members of the board of supervisors shall be democratically elected through the employee representatives' assembly, the employees' assembly or in any other way.

No director or senior management of a company may concurrently act as one of its supervisors.

The board of supervisors exercises the following functions and powers:

- to check the financial affairs of the company;
- to supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;

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- to require the director or senior manager to make corrections if his act is detrimental to the interests of the company;
- to propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- to put forward proposals at shareholders' general meetings;
- to initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

(xii) Managers and senior management

A company shall have a manager who shall be appointed or removed by the board of directors. The manager reports to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's internal rules;
- recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

Pursuant to the *Company Law*, other senior management personnel of a company include the financial officers, secretary of the board of directors and other executives as specified in the articles of association of the company.

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The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company.

(xiii) Duties of directors, supervisors, managers and senior management

Directors, supervisors, managers and other senior management of a company are required under the *Company Law* to abide by the relevant laws, regulations and the company's articles of association, to carry out their duties honestly and protect the interests of the company. Each director, supervisor, manager and senior management of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any directors, supervisors, managers and other senior management who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The *Special Regulations* and the *Mandatory Provisions* provide that a director, supervisor, manager and other senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

No director or senior management may:

- misappropriate company funds;
- divert company funds into an account held in his own name or in the name of any other individual;
- loan company funds or provide any guaranty to any other person by using company property in violation of the articles of association without first obtaining the consent of the board of shareholders, the general meeting of shareholders or the board of directors;
- become a party to any contract or business dealings with the company in violation of the articles of association without first obtaining the consent of the board of shareholders or the general meeting of shareholders;
- seek business opportunities for himself or for any other person by taking advantage of his position, or operate on his own behalf or on behalf of any other person any business similar in nature to that of the company, without first obtaining the consent of the board of shareholders or the general meeting of shareholders;
- personally accept any commission on any transaction to which the company is a party;
- unlawfully disclose confidential company information; or

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- act in any way that is inconsistent with his duty of fidelity to the company. Any income received by any director or senior management in violation of this Article shall be treated as the property of the company.

(xiv) Finance and accounting

A company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the regulations of the responsible financial department of the State Council. A company shall prepare a financial report which shall be audited and verified as provided by law at the end of each fiscal year.

A company shall make available its financial statements at the company for the inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' meeting or the shareholders' general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the aggregate balance of the company's statutory surplus reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making good the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and statutory surplus reserves have been set aside, the remaining profits shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association.

The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company on issue, and other amounts required by the financial department of the State Council to be treated the capital reserve.

A company's common reserves shall be used to make up losses, to enhance the company's productivity and expand its business or to increase its registered capital; however a company's capital reserve shall not be used to cover the company's losses. Where the statutory common reserve is converted into capital, the value of the remaining common reserve shall be no less than 25% of the company's registered capital prior to the conversion.

(xv) Appointment and retirement of auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual reports and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

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If a company removes or ceases to continue to appoint the auditors, it is required by the *Special Regulations* to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

A company shall provide the accounting firm appointed as its auditor with accurate and complete accounting books and records, financial and accounting statements, and other accounting documents, and may not refuse to do so or conceal any such accounting records or make any false statement to its auditor.

(xvi) Profit distribution

The *Special Regulations* provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the *Mandatory Provisions*, the payment of foreign currency to shareholders shall be made through a receiving agent.

(xvii) Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the *Mandatory Provisions* will only be effective after approval by the companies' approval department of the State Council and CSRC. In relation to matters involving the company's registration, the company shall modify its registration with the companies' registration authority.

(xviii) Dissolution and liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Pursuant to the *Company Law*, a company may be dissolved where:

- its term of business as prescribed in the articles of association expires or any cause of dissolution as prescribed in the articles of association of the company occurs;
- the board of shareholders or the general meeting resolves to dissolve the company;
- dissolution of the company is necessary due to any merger or demerger to which the company is a party;
- its business license is revoked or it is ordered to close down or be dissolved in accordance with the law; or

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- in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the People's Court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days from the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders in the general meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court for its establishment. A liquidation committee shall, within ten days of its formation, notify the company's creditors of its formation, and shall make a public announcement in a newspaper on the formation of a liquidation committee within 60 days of its formation. Any creditor shall, within 30 days of receipt of a notice or within 45 days of the public announcement in the event that the relevant creditor does not receive a notice, make a claim to the liquidation committee on the debt owed to it/him.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- handle the company's assets and to prepare a balance sheet and an inventory of assets;
- notify creditors or issue public notices;
- deal with and settle any outstanding business of the company;
- pay any tax overdue;
- settle the company's financial claims and liabilities;
- handle the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

Where the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

A company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the People's Court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

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Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his wilful or material default.

(xix) Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC and the listing must be arranged in accordance with the procedures specified by the State Council.

According to the *Special Regulations*, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the CSRC may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

(xx) Loss of H share certificates

A shareholder may apply, in accordance with the relevant provision set out in the *PRC Civil Procedure Law*, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The *Mandatory Provisions* provide for a separate procedure regarding loss of H share certificates.

(xxi) Suspension and termination of listing

Pursuant to the *PRC Securities Law*, in any of the following circumstances, the relevant stock exchange shall decide to suspend the listing of the relevant stock:

- the market capitalization or share ownership structure, etc. of the company changes, thus causing the company to breach the listing requirements;
- the company fails to make public its financial status as required, or includes any false record in its financial and accounting reports, which may mislead investors;
- the company commits any major illegal activity;
- the company has been operating at a loss for the last three consecutive years; or
- any other circumstances prescribed in the listing rules of the relevant stock exchange.

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In any of the following circumstances, the relevant stock exchange shall decide to terminate the listing of the relevant stock:

- the market capitalization or share ownership structure, etc. of the company changes, thus causing the company to breach listing requirements, and the company subsequently fails to meet listing requirements within the period of time prescribed by the stock exchange;
- the company fails to make public its financial status as required, or includes any false record in its financial and accounting reports, and refuses to take any remedial steps;
- the company has been operating at a loss for the last three consecutive years and fails to make a profit in the following year;
- the company is dissolved or declared bankrupt; and
- any other circumstances prescribed in the listing rules of the relevant stock exchange

(xxii) Merger and demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. Where it merges by absorption, the company which is absorbed shall be dissolved. Where it merges by forming a new corporation, both companies will be dissolved.

(d) Securities Law and Regulations and Regulatory Regimes

Since 1992, the PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. In October 1992, the Securities Commission and the CSRC were established under the State Council. The Securities Commission is responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising the CSRC. The CSRC is the regulatory and execution arm of the Securities Commission and is responsible for drafting regulations governing the securities market, supervising securities companies, regulating the domestic and overseas public issue of securities by PRC companies, supervising securities trading, compiling securities related statistics and conducted research and analysis.

On 25 December 1995, the State Council promulgated the *Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies*. These regulations deal mainly with the issue, subscription, trading, declaration of dividends and other distributions of domestic listed foreign shares and the disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

On 29 December 1998, the SCNPC promulgated the *PRC Securities Law* which came into effect on July 1, 1999. This is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities market. On 28 August 2004, 27 October 2005 and 29 June 2013, the *PRC Securities Law* was respectively revised three times. The *PRC Securities Law* is applicable to the issuance and trading of shares in the PRC, company bonds and other

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securities designated by the State Council according to law, and provisions of the issuance and transaction of securities, acquisitions of listed companies, stock exchanges, security companies and the duties and responsibilities of securities regulatory authority under the State Council, etc. Article 238 of the *PRC Securities Law* provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC. Article 239 of the *PRC Securities Law* provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Where the *PRC Securities Law* does not apply, the provisions of the *PRC Company Law* and other applicable laws and administrative regulations will apply.

(e) Arbitration and enforcement of arbitral awards

The *Arbitration Law of the People's Republic of China* (中華人民共和國仲裁法) (the "PRC Arbitration Law") was promulgated by the SCNPC on 31 August 1994 and became effective on 1 September 1995, and was amended on 27 August 2009. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to settle disputes by arbitration before an arbitration committee constituted in accordance with the *PRC Arbitration Law*. Where parties have by agreement stipulated arbitration as the method for dispute settlement, the people's court shall refuse to handle the proceeding.

The Hong Kong Listing Rules and the *Mandatory Provisions* require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, in a contract between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the *PRC Company Law* or other relevant laws and administrative regulations concerning the affairs of the company between: (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of H shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the CIETAC or the HKIAC. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of HKIAC.

Pursuant to the *PRC Arbitration Law*, an arbitral award shall be final and binding on the parties involved in the arbitration proceeding. Where any party fails to comply with the award, the other party may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there's any procedural irregularity (including irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the territory of PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts pursuant to the principles of the reciprocity or any international treaty concluded or acceded to by the PRC.

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The PRC acceded to the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (the “New York Convention”) adopted on 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 1986. The *New York Convention* provides that all arbitral awards made in a state which is a party to the *New York Convention* shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the *New York Convention*, the SCNPC declared that:

- the PRC will only recognize and enforce foreign arbitral awards based on the principle of reciprocity; and
- the PRC will only apply the *New York Convention* to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

The *Arrangement for Reciprocal Enforcement of Arbitral Awards between Hong Kong and the PRC* (the “Arrangement”) was signed on 18 June 1999, approved by the Supreme People’s Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. The *Arrangement* reflects the spirit of the *New York Convention*, allowing awards made by PRC arbitral authorities to be enforced in Hong Kong and awards by Hong Kong arbitral authorities to be enforced in the PRC.

2. HONG KONG LAWS AND REGULATIONS

(1) *Summary of Material Differences between certain Company Law Matters in the PRC and Hong Kong*

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the *Company Law* and all other rules and regulations promulgated pursuant to the *Company Law*.

Set out below is a summary of the material differences between the Hong Kong law applicable to a company incorporated in Hong Kong and the *Company Law* applicable to a joint stock limited company incorporated and existing under the *Company Law*. This summary is, however, not intended to be an exhaustive comparison.

(i) Corporate existence

Under Hong Kong law, a company having share capital, is incorporated and will acquire an independent corporate existence after the company registrar of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company’s articles of association does not contain such pre-emptive provisions.

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Under the *Company Law*, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5.0 million, or a higher amount as may otherwise be required by laws and regulations. Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company. Under the *Company Law*, the monetary contributions by all the shareholders must not be less than 30% of the registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(ii) Share capital

Under Hong Kong law, the shares of a Hong Kong company have no nominal value and the directors may, with the prior approval of the shareholders if required, cause the company to issue new shares up to the maximum number (if any) set out in its articles of association. The *Company Law* does not provide for authorized share capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and the relevant PRC governmental and regulatory authorities.

Under the *Company Law*, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. The monetary contribution shall not be less than 30% of a joint stock limited company's registered capital. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, the domestic shares ("domestic shares") in the share capital of a joint stock limited company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors, except as allowed under *Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities* (合格境內機構投資者境外證券投資管理試行辦法).

Under the *Company Law*, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

(iv) Financial assistance for acquisition of shares

Although the *Company Law* does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the *Mandatory Provisions* contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(v) Variation of class rights

The *Company Law* makes no specific provision relating to variation of class rights. However, the *Company Law* states that the State Council can promulgate regulations relating to other kinds of shares. The *Mandatory Provisions* contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V to this Prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in the class in question or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the *Mandatory Provisions*) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and Domestic Shares are defined in the Articles of Association as different classes of Shareholders, provided however that the special procedures for approval by separate class Shareholders shall not apply to the following circumstances: (i) the Company issues Domestic Shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued Domestic Shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of Domestic Shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the Shareholders of Domestic Shares of the Company transfer their Shares to overseas investors and such shares are listed and traded in foreign markets.

(vi) Directors

The *Company Law*, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The *Company Law* provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The *Mandatory Provisions*, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix V to this Prospectus.

(vii) Board of supervisors

Under the *Company Law*, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a board of supervisors but there is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The *Mandatory Provisions* provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors for their misfeasance committed against the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors for their misfeasance committed against the company in its own name. The *Company Law* gives shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irreparable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The *Mandatory Provisions* provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against the directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong Government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The *Company Law* provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company. The *Mandatory Provisions*, however, contain provisions to the effect that a

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controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(x) Notice of shareholders' meetings

Under the *Company Law*, notice of a shareholders' general meeting must be given not less than 20 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the *Special Regulations* and the *Mandatory Provisions*, at least 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of an extraordinary general meeting is 14 days and for an annual general meeting is 21 days. The notice period for an annual general meeting is 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The *Company Law* does not specify any quorum requirement for a shareholders' general meeting, but the *Special Regulations* and the *Mandatory Provisions* provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the *Company Law*, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(xiii) Financial disclosure

A company is required under the *Company Law* to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public subscription under the *Company Law* must publish its financial

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position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. The financial statements of a Hong Kong company must be prepared in accordance with the standards issued or specified by the Hong Kong Institute of Certified Public Accountants. A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The *Mandatory Provisions* require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or HKAS and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

The *Special Regulations* require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and shareholders

The *Company Law* gives the shareholders of a company the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the *Company Law* and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The *Mandatory Provisions* require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(xvi) Corporate reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant Division 2 of Part 13 of the Companies Ordinance which requires the sanction of the court. Under *Company Law*, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

(xvii) Arbitration of disputes

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The *Mandatory Provisions* provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(xviii) Mandatory deductions

Under the *Company Law*, a company shall draw 10% of the profits as its statutory reserve fund before it declares any dividends after taxation. The company may not be required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(xix) Remedies of a company

Under the *Company Law*, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Listing Rules.

(xx) Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) Fiduciary duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the *Company Law* and the *Special Regulations*, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the *Company Law*, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

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(2) The Listing Rules

The Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company:

(i) Compliance adviser

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full year commencing after the listing date, to provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountants' report

The accountants' report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

(iii) Process agent

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(iv) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share

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capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK\$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of over HK\$10,000,000,000.

(v) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi) Restrictions on purchase and subscription of its own securities

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H Shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which the Directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

(vii) Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the *Mandatory Provisions* and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix V to this Prospectus.

(viii) Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(ix) Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with Articles of Association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the Company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Council, the shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(x) Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules issued by the Stock Exchange.

The Company is required to obtain the approval of its Shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The remuneration and assessment committee of the Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote.

(xi) Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Listing Rules and the *Mandatory Provisions* or the *Company Law*.

(xii) Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges of the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return filed with AIC or other competent PRC authority; and
- for Shareholders only, copies of minutes of meetings of Shareholders.

(xiii) Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

(xiv) Statements in H Share certificates

The Company is required to ensure that all of its listing documents and H Share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its Shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of Shares:

- agrees with the Company and each shareholder of the Company, and the Company agrees with each shareholder of the Company, to observe and comply with the *Company Law*, the *Special Regulations*, the Articles of Association and other relevant laws and administrative regulations;

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- agrees with the Company, each shareholder, director, supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the *Company Law* or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorizes the Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

(xv) Compliance with the Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the *Company Law*, the *Special Regulations* and the Articles of Association.

(xvi) Contract between the Company and its Directors, officers and Supervisors

The Directors are required to comply with the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules relating to securities transactions by Directors.

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the *Company Law*, the *Special Regulations*, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;
- an undertaking by the Director or officer to the Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the *Company Law* or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance

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with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- disputes over who is a Shareholder and over the register of Shareholders do not have to be resolved through arbitration;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or offer with the Company on its own behalf and on behalf of each Shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

The Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

(xvii) Subsequent listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(xviii) English translation

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

(xix) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

(3) *Other Legal and Regulatory Provisions*

Upon the Company's Listing, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

(4) *Securities Arbitration Rules*

The Articles of Association provide that certain claims arising from the Articles of Association or the *Company Law* shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

(5) *PRC Legal Matter*

Our PRC Legal Advisers, have sent to us a legal opinion confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in "Appendix VII — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection." Any person wishing to have detailed advice on PRC law and the laws of any jurisdictions is recommended to seek independent legal advice.

This Appendix contains a summary of the principal provisions of the Articles of Association, which was adopted by our Shareholders in the Shareholders' general meeting held on 25 January 2016. The principal objective of this Appendix is to provide an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important.

The Articles of Association and relevant amendments thereto were adopted or authorized by the Shareholders in Shareholders' general meetings in accordance with applicable laws and regulations, including the *PRC Company Law*, the *PRC Securities Law*, the *Special Provisions of the State Council on Stock Raising and Listing Overseas by Limited Stock Companies*, the *Essential Clauses in Articles of Association of Companies Listed Overseas*, the *Guidance on Articles of Association Listed Company* and the Listing Rules, and will be effective on the Listing Date.

1. DIRECTORS AND BOARD OF DIRECTORS

(1) Power to Allocate and Issue Shares

The Articles of Association does not contain clauses that empower the Board of Directors to allocate or issue Shares.

Any kind of share allotment or issue shall be subject to approval by our Shareholders at the Shareholders' general meetings in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws and administrative regulations.

(2) Power to Dispose of the Assets of our Company or Assets of any of our Subsidiaries

Where the sum of the expected value of the fixed assets to be disposed of, together with the amount or value of the cost received from the disposed fixed assets of our Company within the immediately preceding four months of this proposal for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet submitted to our Shareholders at the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of Shareholders at the Shareholders' general meeting.

The above-mentioned disposal refers to the transfer of rights and interests in certain cases but does not include the provision of fixed assets as security.

The validity of a transaction for the disposal of fixed assets by our Company shall not be affected by the violation of the above-mentioned restriction contained in the Articles of Association.

(3) Compensation or Payment for Loss of Office

As stipulated in the contracts entered into between our Company and the Directors or the Supervisors regarding their emoluments, the Directors and Supervisors are entitled to, subject to the prior approval of our Shareholders at the Shareholders' general meeting, compensation or payment due to loss of office resulting from the acquisition of our Company.

The aforesaid acquisition of our Company refers to any of the following circumstances:

- An offer is made by any person to all of our Shareholders;

- An offer is made by any person with a view that the offeror will become a controlling Shareholder of our Company as defined in the Articles of Association.

If the relevant Directors or Supervisors fail to comply with the above requirements, any sum received by them shall belong to those people who have sold their Shares as an acceptance of such offer. All related expenses shall not be deducted from the distributed payments which shall be borne by the Directors or Supervisors on pro rata basis.

(4) Loans or Guarantees to Directors

Our Company shall not, directly or indirectly, provide any loans or guarantees to the Directors, Supervisors, general manager and other senior management of our Company or of any parent company, nor to any persons related with the above personnel.

Circumstances below are not subject to the above-mentioned prohibition:

- (i) provision of a loan or loan guarantees by our Company to its subsidiary;
- (ii) the provision by our Company of loan, guarantee or other funds to its Directors, Supervisors, general manager and other senior management officer to meet expenditure incurred or to be incurred by him for the purposes of our Company or for the purpose of enabling him to perform his duties properly, in accordance with the terms of a service contract approved by the Shareholders in a general meeting; and
- (iii) where the ordinary scope of our Company's business includes the provision of loans or loan guarantees, our Company may provide loans or loan guarantees to any of the Director, Supervisor, general manager, a senior management or their related personnel, provided that the terms of the loan or the loan guarantees shall be normal commercial terms.

Loans made by our Company in violation of the above prohibitions shall be forthwith repayable by the recipient of the loans regardless of the terms of the loans.

Any loan guarantee provided by our Company in breach of above prohibition in the Articles of Association shall be unenforceable against our Company, unless under the following circumstances:

- (i) the loan provider, at the time of the provision, unknowingly provides loans to personnel related to the Directors, Supervisors, general manager and other senior management of our Company or its parent company; and
- (ii) the collateral provided by our Company has been sold legitimately by the lender to the buyer in good faith.

For the purpose of the above provisions, a guarantee includes acts where a guarantor undertaking the liabilities or providing properties to ensure that the obligor performs the obligations.

Where a Director, Supervisor, general manager or other senior management officer is in breach of his/her obligations to our Company, our Company shall, apart from the various rights and remedies provided by laws and administrative regulations, be entitled to take the following measures:

- (i) to request the relevant Director, Supervisor, general manager or the senior management to pay damages for the loss of our Company as a result of his/her negligence;
- (ii) to rescind any contract or transaction entered into between our Company and the relevant Director, Supervisor, general manager or other senior management officer, and any contract or transaction entered into between our Company and a third party (if such third party knows or should have known that such Director, Supervisor, general manager or other senior management officer representing our Company is in breach of his/her obligations to our Company);
- (iii) to demand the relevant Director, Supervisor, general manager or other senior management account for the profits obtained as a result of the breach of his/her obligations;
- (iv) to recover from the relevant Director, Supervisor, general manager or other senior management the monies which should have been received by our Company including, but not limited to, commissions; and
- (v) to request the relevant Director, Supervisor, general manager or other senior management to return the interest earned or may have earned from the funds which should have been paid to our Company.

(5) *Financial Assistance for Purchasing Shares of our Company or any of our Subsidiaries*

Our Company or our subsidiaries shall not by any means at any time provide financial assistance to a person who acquires or proposes to acquire Shares in our Company. The said person includes anyone who has directly or indirectly incurred any liability as a result of the acquisition of Shares in our Company.

Neither our Company nor any of our subsidiaries shall by any means at any time provide financial assistance to a person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following acts shall not be deemed to be acts prohibited by the above:

- (i) the provision of the financial assistance by our Company which is in good faith and in the interests of our Company, and the principal purpose of the financial assistance is not to acquire our Company's Shares or is an incidental part of the overall plan of our Company;
- (ii) the lawful distribution of our Company's assets by way of dividend;
- (iii) distribution of dividends in the form of Shares;
- (iv) reduction of our Company's registered capital, repurchase of Shares or reorganization of the shareholding structure in accordance with the Articles of Association;

- (v) the provision of loans by our Company within our scope of business and in the ordinary course of business, provided that the net assets of our Company shall not be thus reduced; or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of our Company; and
- (vi) the provision of money by our Company for contributing to the employees' stock ownership plan, provided that our Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the financial assistance is provided out of the distributable profits of our Company.

(6) *Disclosure of Interests in Contracts with our Company or any of our Subsidiaries*

Where any of the Director, Supervisor, general manager or other senior management officer of our Company is in any way, directly or indirectly, materially interested in an existing contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company (other than the employment contracts our Company entered into with its Directors, Supervisors, Manager and other senior management officers), the above personnel shall disclose the nature and extent of his interests to the Board of Directors at the earliest opportunity, whether or not such contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board of Directors under normal circumstances.

Unless the interested Director, Supervisor, general manager and other senior management of our Company discloses his/her interests to the Board in light of the aforesaid provisions and the interested Director, Supervisor, general manager and other senior management is not counted in the quorum and refrains from voting, our Company is entitled to rescind the contracts, transactions or arrangements, except as against a party in good faith thereto acting without notice of the breach of such duties by the Directors, Supervisors, general manager or other senior management officer.

A Director, Supervisor, Manager or other senior management officer of our Company is deemed to be interested in a contract, transaction or arrangement in which his/her affiliate is interested.

Where a Director, Supervisor, Manager or other senior management of our Company notifies the Board in writing that, by reason of the facts specified in the notice, he/she is interested in contracts, transactions or arrangements, which may subsequently be entered into by our Company, then within the content stated in the notice he/she shall be deemed to have made a disclosure in accordance with the relevant provisions in the Articles of Association.

(7) *Remuneration*

Our Company shall enter into written agreements with our Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholder's meeting. The said remuneration matters include:

- (i) remuneration as the Directors or Supervisors of our Company;
- (ii) remuneration as the Directors, Supervisors of the subsidiaries of our Company;

- (iii) remuneration for providing other services for management of our Company and its subsidiaries; and
- (iv) compensation received by the Directors or Supervisors as a result of loss of office or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relative to the above unless provided in the above-mentioned contracts.

(8) *Resignation, Appointment and Removal*

The following persons shall not serve as Directors, Supervisors, general managers or other senior management personnel of our Company:

- (i) anyone who has no civil capacity or has restricted civil capacity;
- (ii) persons who have been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or have been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;
- (iii) persons who served as directors, factory manager or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise whose business license was revoked and was ordered to close down due to a violation of the law and who were personally liable, where less than three years have elapsed since the date of the revocation of such business license;
- (v) persons who have failed to pay a relatively large debt when due and outstanding;
- (vi) persons who have committed criminal offenses and are still under investigation by judicial authorities;
- (vii) persons who are not allowed to be heads of enterprises as stipulated by laws and administrative regulations;
- (viii) persons who are not natural persons; and
- (ix) persons who have been convicted of offenses of violating provisions of the relevant securities laws and regulations or offenses of fraud or acting in bad faith by the relevant authority, where less than five years have elapsed since the date of conviction.

The Board of Directors shall be elected by our Shareholders at the Shareholders' general meeting with a term of office of three years. Directors are eligible for re-election upon expiry of their terms of office.

The Shareholders' general meeting shall not remove the Directors from their duties without justifiable grounds. Independent Directors may be elected by our Company upon needs, and shall be elected by Shareholders at the Shareholders' general meetings, with candidates nominated by the Shareholder(s) holding more than 1% of the issued Shares of our Company. The office term of an independent Director is the same as a Director and is entitled for re-election upon expiry of their terms of office. The Shareholders' general meeting may, in accordance with relevant laws and regulations, remove any Directors prior to the expiry of their office terms by ordinary resolution (while the claims of loss based on any contracts are not impacted).

Provided that relevant laws and administrative regulations in the place our Company listed have been complied with, where the Board appoints a new Director to fill the temporary vacancy of the Board, the office term of such new Director shall come to the end when the next Shareholders' general meeting is convened, while such Director is qualified to be re-elected and re-appointed. Where the Board appoints new Directors to increase the number of Directors, the office terms of such new Directors shall come to the end when the next Shareholders' annual general meeting is convened, while such Directors are qualified to be re-elected and re-appointed.

Written notices concerning proposed nomination of Director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Company no later than seven days prior to the date of the Shareholder's general meeting. The seven-day notice period shall commence no earlier than the day immediately following the date of dispatch of the notice of Shareholder's general meeting concerning the election of Directors and shall end no later than the day falling seven days prior to the date of the Shareholder's general meeting.

The chairman and vice-chairman of the Board shall be elected and removed by more than half of all of the Directors. The office terms of the chairman and vice-chairman shall be three years and they are eligible for re-election upon expiry of their terms of office.

The Directors need not to hold the Shares of our Company.

(9) Borrowing Powers

Subject to compliance with the laws and administrative regulations of the PRC, our Company is entitled to raise capital and borrow money, including (without limitation to) the issue of bonds, the mortgaging or pledging of part or whole of our Company's properties and other rights permitted by the laws and administrative regulations of the PRC provided that such action does not damage or abrogate rights of any Shareholder. The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than: (a) provisions which give the Directors the power to formulate proposals for the issuance of debentures by our Company; and (b) provisions which provide that the issuance of debentures must be approved by our Shareholders in a general meeting by way of a special resolution.

2. ALTERNATIONS TO CONSTITUTIONAL DOCUMENTS

The amendments to the Articles of Association regarding the contents of the *Mandatory Provisions* shall become effective upon approvals by the approval authorities of the State Council and the CSRC. Where the alternation involves any registered particulars of our Company, application shall be made for registration of changes with the registration authorities in accordance with law.

3. VARIATIONS OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Any Shareholder who holds different classes of Shares is a classified Shareholder.

Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the Shareholders' general meeting by a special resolution and the approval of a separate general meeting as convened by the affected classified Shareholder in accordance with the requirements contained in the Articles of Association. The quorum of this classified is exclusive must be the number of Shareholders holding at least one-third of the issued Shares of such class.

The following circumstances shall be deemed to be a variation or abrogation of the rights of a classified Shareholder:

- (i) to increase or decrease the number of classified Shares, or to increase or decrease the number of classified Shares having voting or equity rights or any other privileges equal or superior to those of the Shares of such class;
- (ii) to convert all or part of the classified Shares into other types or convert all or part of another type of Shares into this type of classified Shares or grant such conversion right;
- (iii) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to classified Shares;
- (iv) to reduce or remove a dividend preference or a liquidation preference attached to classified Shares;
- (v) to remove or reduce conversions, options, voting, transfer or pre-emptive rights, or rights to obtain securities of our Company;
- (vi) to remove or reduce rights to receive payment payable by our Company in certain currencies attached to classified Shares;
- (vii) to create a new class of Shares having voting or equity rights or privileges equal or superior than those of the classified Shares;
- (viii) to restrict the transfer of ownership of the classified Shares or increase such restriction;
- (ix) to issue subscription or conversion rights for this or other classified Shares;
- (x) to increase the rights and privileges of other types of Shares;

- (xi) to restructure our Company where the proposed restructuring will result in assumption of responsibility by different classes of Shareholders disproportionately; and
- (xii) to vary or abrogate provisions as stipulated in the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at Shareholders' general meetings, shall be entitled to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but interested Shareholder(s) shall not be entitled to vote at class meetings.

The "interested Shareholder(s)" mentioned above shall mean:

- (i) in the case of a repurchase of Shares by offers to all Shareholders pro rata in accordance with the Articles of Associations, or public dealing on a stock exchange, an "interested Shareholder" means a "controlling Shareholder" as stipulated in the Articles of Association;
- (ii) in the case of a repurchase of Shares by an off-market agreement in accordance with the Articles of Associations, an "interested Shareholder" means a holder of the Shares to which the proposed agreement relates; and
- (iii) in the case of a restructuring of our Company, an "interested Shareholder" means a Shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring plan or who has an interest different from the interest of Shareholders of that class.

Resolution of a class meeting shall be passed by votes of more than two-thirds of Shareholders attending the relevant meeting with voting rights at such meeting.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the Shareholders holding Shares of the class of the matters proposed to be considered at the meeting and the date and the place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver a written reply confirming attendance at the class meeting to our Company 20 days prior to the date of the meeting.

Where the number of Shares carrying voting rights at the meeting represented by the Shareholders who intend to attend the meeting reaches more than half of the voting Shares of such class carrying voting rights at the meeting, our Company may hold the class meeting; if not, our Company shall notify our Shareholders of such class again by public notice, of the matters to be considered at the meeting and the date and place for the class meeting within five days. Our Company may convene the class meeting after publication of such notice.

Notice of class meetings needs only be served to Shareholders who are entitled to vote at the meetings.

Meetings of any class of Shareholders shall be conducted in a similar way as possible to the provisions for general meetings of Shareholders set out in the Articles of Association.

The special procedures for voting by classified Shareholders shall not be applicable under the following circumstances:

- (i) upon the approval by a special resolution at the general Shareholders' general meeting, our Company either separately or concurrently issues Domestic Shares and overseas listed foreign shares every 12 months, and the number of Shares of each class to be issued shall not account for more than 20% of the outstanding Shares of such class; and
- (ii) the issuance of Share of such class which is a part of the plan to issue Domestic Shares and overseas listed foreign shares upon the establishment of our Company, and which is completed within 15 months of the date of approval by CSRC or other qualified securities regulatory authorities under the State Council.

4. SPECIAL RESOLUTIONS — MAJORITY REQUIRED

Resolutions of the Shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution by a Shareholders' general meeting, more than half of the votes represented by the Shareholders (including proxies of Shareholders) present at the meeting shall be exercised in favor of the resolution. To adopt a special resolution by a Shareholders' general meeting, more than two-thirds of the votes represented by the Shareholders (including proxies of Shareholders) present at the meeting shall be exercised in favor of the resolution.

5. VOTING RIGHTS (GENERAL RIGHT ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary Shareholders of our Company have the right to attend or appoint a proxy to attend Shareholders' general meetings and to vote at the meeting.

A Shareholder (including a proxy) when voting at a general meeting may exercise voting rights in accordance with the number of Shares with voting power held with each Share representing one vote.

On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes needs not cast all his/her votes in the same way. In the event when the number of dissenting votes equals the number of affirmative votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to one additional vote.

6. ANNUAL GENERAL MEETING REQUIREMENTS

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year and within six months from the end of the preceding fiscal year.

7. ACCOUNTING AND AUDITS

(1) Financial and Accounting Policies

The financial and accounting system of our Company shall be established in accordance with the laws, administrative regulations and PRC accounting standards developed by the competent department in charge of finance under the State Council.

The Board of Directors of our Company shall submit the financial reports at every annual general Shareholder's meeting as required by the applicable laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company.

Our Company shall make its financial reports available for inspection by our Shareholders 20 days prior to the annual general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report. Our Company shall send the financial reports to each of our Shareholders of overseas listed foreign shares by postage-prepaid mail at least 21 days prior to the annual general meeting to the recipient's address as shown in the share register.

Our Company's financial reports which include the annual accounts and the auditor's reports shall, at least 21 days before the date of convening the annual general meeting and within 4 months after the end of relevant financial year, be delivered by prepaid mail to the registered address of every holder of overseas listed shares.

The financial statements of our Company shall, in addition to complying with PRC accounting standards, rules and regulations, be prepared in accordance with either international accounting standards or that of the overseas area in which our Company's Shares are listed. Where there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When our Company is to distribute its after-tax profits of the relevant financial year, the lower of the after-tax profits as shown in the two financial statements prepared in accordance with (i) PRC accounting standards, rules and regulations; or (ii) international accounting standards or that of the overseas area in which our Company's Shares are listed shall be adopted.

Any interim results or financial information published or disclosed by our Company shall also be prepared and presented in accordance with PRC accounting standards and regulations as well as either International Financial Reporting Standards or that of the overseas place in which our Shares are listed.

Our Company shall publish its interim results announcement within 60 days after the expiration of the first six months of each financial year and the annual results announcement within 120 days after the expiration of each financial year.

Our Company shall not keep any other books of accounts other than those stipulated by law.

(2) *Appointment and Removal of Accountants*

Our Company shall appoint an independent qualified accounting firm that meets appropriate requirements of the state to be responsible for auditing its annual report and reviewing its other financial reports. The accounting firm that our Company appoints from time to time will be its auditor.

The first accounting firm of our Company may be appointed by the inaugural meeting of our Company prior to the first annual general Shareholders' meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual Shareholders' general meeting. Where the inaugural meeting fails to perform this duty, it shall be performed by the Board instead.

Our Shareholders in general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its office term, notwithstanding the stipulations in the contract between the firm and our Company, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration or the manner of which to be determined of an accounting firm shall be determined by the general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

Decisions on matters relating to the appointment, removal or non-reappointment of an accounting firm shall be made at Shareholders' meetings and such decisions shall be reported to the competent securities department under the State Council for the record.

Where the general meeting of Shareholders proposes to retain an accounting firm not currently retained to fill in any vacancy in relation to the accounting firm, or re-retain an accounting firm retained by the Board of Directors to fill in any vacancy, or remove an accounting firm the tenure of which has not expired by means of resolution, the following provisions shall be met:

- (i) Proposal in relation to appointment or removal prior to the issuance of notice of the general meeting of Shareholders shall be sent to the accounting firm proposed to be retained or removed or that has been removed from office in relevant accounting year. Removal from office includes being fired, resignation and leaving office.
- (ii) Where the accounting firm that is about to leave office makes any written representation and demands the Company to notify the same to the Shareholder, then the Company shall take the following measures unless the receipt of the same is too late:
 - state on the notice issued for making resolution that the accounting firm about to leave office has made representation; and
 - send the representation copy as an appendix to the notice to the Shareholders by means of Articles of Association.
- (iii) Where the Company fails to send out the relevant representation of the accounting firm stipulated in Paragraph 2 hereof, the accounting firm concerned may demand such representation to be read at the general meeting of Shareholders and may further appeal.

(iv) The accounting firm that has left office may attend the following meetings:

- general meeting of Shareholders at which its tenure will expire;
- general meeting of Shareholders for filling the vacancy due to its being fired; and
- general meeting of Shareholders convened due to its proactive resignation;

The accounting firm that has left office is entitled to receive all notice of the said meetings or other information with respect thereto, and speak at the said meetings with respect to matters concerning its being the former accounting firm of the Company.

Where a resolution at a general meeting of Shareholders is passed to appoint an accountants firm which is not the existing auditor of our Company to fill a causal vacancy or to remove an accountants firm before the expiration of its term of office, the following provisions shall apply:

- (i) a copy of the proposal shall be sent to the accountants firm proposed to be appointed or proposing to leave its post or the accountants firm who has left its post prior to notice of the general meeting is given to the Shareholders. Leaving includes leaving by removal, resignation and retirement.
- (ii) where the accountants firm leaving its post makes representation in writing and requests our Company to notify our Shareholders of their representation, unless the written representation is received out of time, our Company shall take these measures:
 - state the fact of the representation having been made in the notice of the general meeting given to Shareholders;
 - send a copy of the representation as an attachment to the notice to every Shareholder entitled to notice of general meeting.
- (iii) where the accountants firm's representation is not sent in accordance with the second measure of the above paragraph, the accountants firm may require that the representation be read out in the meeting and may pursue any further claim.
- (iv) such accountants firm shall be entitled to present its views at the following Shareholders' general meetings:
 - the Shareholders' general meeting at which its term of office would otherwise have expired;
 - any Shareholders' general meeting at which it is proposed to fill the casual vacancy caused by its removal; or
 - any Shareholders' general meeting convened on its resignation.

The accounting firm may resign by placing a written resignation notice at our Company's legal address. The notice shall take effect on the date of delivery to that address or any such later date as may be specified in the notice. Such notice shall contain any one of the following statements:

- (i) a statement to the effect that there are no circumstances relevant with its resignation which it considers should be brought to the notice of Shareholders or creditors of our Company;
- (ii) a statement of any circumstances that should be disclosed.

Our Company shall, within 14 days upon receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to the relevant competent authorities. If the notice contains a statement referred to in the second item of the preceding paragraph, a copy thereof shall be deposited at our Company for reference of our Shareholders, and such copy shall also be delivered to holders of overseas listed foreign shares by postage-prepaid mail with recipients' addresses as shown in the share register.

Where the notice of resignation of the accounting firm contains a statement relevant with item (ii) in the above paragraph, it may request the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances referred to in the said notice.

8. NOTICE OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

The Shareholders' general meeting is the organ of authority of our Company and its functions and powers shall be exercised in accordance with the law.

Without the prior approval of Shareholders in general meeting, our Company shall not enter into any contract with any person other than a Director, Supervisor, general manager or senior management whereby such person is entrusted with the management of the whole or a material part of any business of our Company.

A Shareholders' general meeting is divided into an annual general meeting or an extraordinary general meeting. Annual general meetings are held once every year within six months after the end of a fiscal year. An extraordinary general meeting shall be held when necessary. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (i) when the number of Directors is less than the number of Directors required by the *PRC Company Law* or two-thirds of the number of Directors stipulated in the Articles of Association;
- (ii) when the unaccounted losses of our Company amount to one-third of its share capital;
- (iii) when Shareholder(s) individually or collectively holding 10% or more of the outstanding Shares of our Company carrying voting rights request so in writing;
- (iv) when the Board of Directors considers necessary or upon the request of the Board of Supervisors; and

- (v) any other circumstances stipulated in the laws, administrative regulations, regulations of the competent authorities, the Listing Rules or the Articles of Association.

Where our Company convenes a Shareholders' general meeting, it shall give written notices 45 days prior to the date of the meeting, informing all registered Shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who intend to attend the meeting shall return the written replies of attendance to the Company 20 days before the date of the meeting.

Where our Company convenes a Shareholders' annual general meeting, the Shareholders who individually or collectively hold more than 5% or more of the total voting Shares of our Company shall have the right to propose new motions, and our Company shall place matters in the proposed motions within the scope of functions and powers of the Shareholders' general meeting on the agenda.

Our Company shall, based on the written replies received 20 days before the date of the Shareholders' general meeting, calculate the number of voting Shares represented by Shareholders who intend to attend the meeting. Where the number of voting Shares represented by the Shareholders who intend to attend the meeting reaches more than half of our Company's total voting Shares, our Company may hold the meeting. If not, then our Company shall notify the Shareholders again by public notice of the matters proposed to be considered, within five days, the place and the date for the meeting. Our Company may hold the meeting after the publication of such notice.

Notice of a Shareholders' general meeting shall meet the requirements as below:

- (i) be given in writing;
- (ii) specify the place, date and time of the meeting;
- (iii) state the matters to be discussed at the meeting;
- (iv) provide such information and explanation as necessary for our Shareholders to make an informed decision on the matters to be discussed. This principle includes but not limited to that, in case of proposals made to amalgamate our Company with another, to repurchase Shares of our Company, to restructure its share capital, or otherwise, the details of the agreed terms of, and the contract (if any) for the proposed transaction must be provided, and the reason for and the consequences thereof must be properly explained;
- (v) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, Manager or other senior management officer in the transaction proposed and the effect of the proposed transaction on such Director, Supervisor, Manager or other senior executive officer in their capacity as Shareholders in so far as it is different from the effect on the interests of the Shareholders of the same class;
- (vi) contain the full text of any special resolution proposed to be proposed for adoption at the meeting;

(vii) contain a clear statement that a Shareholder entitled to attend and vote at the meeting shall be entitled to appoint one or more proxies to attend such meeting and to vote on his or her behalf and that such proxy may not necessarily be a Shareholder; and

(viii) specify the time and place for lodging proxy form(s) for the meeting.

Notice of Shareholders' general meeting shall be served on our Shareholders (whether or not entitled to vote at the meeting), by delivery or prepaid mail to their addresses as shown in the register of Shareholders. Shareholders of Domestic Shares may also be notified by public announcement. The public announcement shall be published in one or more newspapers designated by the CSRC between 45 days and 50 days before the date of the meeting. After the publication of such announcement, Shareholders shall be deemed to have received the notice of the relevant Shareholders' general meeting.

The following matters shall be adopted by the Shareholders' general meeting through ordinary resolutions:

- (i) work reports of the Board of Directors and the Board of Supervisors;
- (ii) plans formulated by the Board of Directors for the distribution of profits and for making up losses;
- (iii) appointment or removal of members of the Board of Directors and members of Board of Supervisors and their remuneration and manner of payment thereof;
- (iv) annual preliminary and final budgets, balance sheets, income and other financial statements of our Company; and
- (v) matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolutions.

The following matters shall be resolved by a special resolution at the Shareholders' general meeting:

- (i) the increase or decrease in our Company's share capital, and issue of Shares of any class, warrants and other similar securities;
- (ii) the issue of debentures of our Company;
- (iii) division, merger, dissolution and liquidation of our Company and any change in the form of our Company;
- (iv) amendments to the Articles of Association;
- (v) matters relating purchase and sale of major assets and guaranteed amount which exceeds 30% of the latest audited total assets of our Company within a year; and
- (vi) any other matters decided by the Shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company and should be adopted by a special resolution.

9. TRANSFER OF SHARES

Unless otherwise provided by law and administrative regulations, the Shares of our Company shall be freely transferable and free from any lien. The alteration to, or rectification of each part of the share register shall be carried out in accordance with the laws of the place where the share register is maintained.

10. RIGHTS OF OUR COMPANY TO PURCHASE ITS OWN SHARES

Our Company may reduce its registered share capital in accordance with the provisions of the Articles of Association. Our Company may, with approval according to the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its issued Shares under the following circumstances:

- (i) cancellation of Shares for the reduction of our Company's capital;
- (ii) merger with another company which holds our Company's Shares;
- (iii) providing Shares as bonus to our Company's employees;
- (iv) requests from our Shareholders who demand our Company to buy back their Shares due to dissents to the resolution of merger or dissolution of our Company adopted by the Shareholders' general meeting; and
- (v) other circumstances permitted by laws and administrative regulations.

In the event our Company buys back its Shares for reasons stated in (i) to (iii) of the preceding paragraph, related resolutions must be adopted at the Shareholders' general meeting. Where our Company buys back the Shares according to the provisions of the preceding paragraph under the circumstances set forth in (i), the Shares bought back must be canceled within ten days of the date on which they are bought back. In the event of the circumstances set forth in (ii) and (iv), the Shares bought back must be transferred or canceled within six months.

In the event that our Company buys back the Shares pursuant to the provisions of (iii) in the preceding paragraph, the Shares bought back must not exceed 5% of the total issued Shares of our Company. The fund used for such buyback must be allocated from the after-tax profit of our Company and the Shares bought back must be transferred to the employees within one year.

Our Company may, subject to the approval of the competent authorities, repurchase its Shares in any of the following ways:

- (i) making a pro-rata offer of repurchase to all its Shareholders;
- (ii) repurchasing Shares through public trading on a stock exchange; and
- (iii) repurchasing Shares by an off-market agreement.

Where our Company repurchases its Shares by an off-market agreement, the prior approval by our Shareholders at general meeting shall be obtained in accordance with the Articles of Association. Our Company may, upon the prior approval of the Shareholders' general meeting obtained in the same manner, revoke or alter a contract so entered into by our Company mentioned above, or waive any of its rights under such contract.

A contract to repurchase Shares includes (without limitation to) an agreement to become obliged to repurchase or an acquisition of the right to repurchase Shares. Our Company shall not assign any contract to repurchase Shares or any of its rights specified under such contract.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- (i) Where our Company repurchases its Shares at par value, payment shall be made out of book surplus distributable profits of our Company, or out of proceeds of a new issue of Shares made for that purpose;
- (ii) Where our Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of our Company, or out of the proceeds of a new issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - Where the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company;
 - Where the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company, and out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of proceeds of the new issue shall neither exceed the aggregate premiums received by our Company on the issue of the Shares being repurchased nor the amount in the capital reserve account when the repurchase take place (including the premiums on the new issue). Where the repurchase of Shares is conducted in the method of off-market or bidding, the pricing of repurchase must be restricted at a certain highest price. Where the repurchase is conducted via bidding, the invitations shall be delivered to all Shareholders at the same time.
- (iii) Payment by our Company for the following purposes shall be made within our Company's distributable profits:
 - acquisition of rights to repurchase the Shares;
 - variation of any contract to repurchase the Shares;
 - release of any of our Company's liabilities under a contract to repurchase the Shares;

- (iv) After the total par value of the canceled Shares is deduced from the registered capital pursuant to the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the Shares repurchased shall be credited to our Company's capital reserve account.

11. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

Our Company may distribute dividends in the following manners:

- (i) Cash;
- (ii) Shares.

Cash dividend and other payments paid by our Company to the holders of Domestic Shares shall be distributed in RMB. Cash dividend and other payments paid by our Company to the Shareholders of overseas listed shares shall be paid in the currency of the listed location. (Where there is more than one listed location, the currency of the main listed location determined by the Board shall be adopted). Dividends of non-listed foreign shares shall be paid in HKD.

Our Company shall appoint receiving agents for holders of overseas listed shares. Such agents shall receive on behalf of such Shareholders dividends and other monies payable by our Company in respect of their Shares. The receiving agents appointed by our Company shall comply with the requirements of the laws in the jurisdiction where the Shares are listed or the requirements of the stock exchanges on which the Shares are listed. The receiving agent appointed for holders of overseas listed shares listed in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

12. PROXIES

Any Shareholder entitled to attend and vote at a meeting of the Shareholders shall be entitled to appoint one or more persons (whether a Shareholder or not) as his proxies to attend and vote on his behalf, and a proxy so appointed shall:

- (i) have the right as the Shareholder to speak at the meeting;
- (ii) have authority to demand or join in demanding a poll; and
- (iii) have the right to vote by a show of hands or by ballot, however, where a Shareholder has appointed more than one proxies, those proxies may only vote on a poll.

The instrument appointing a proxy shall be in writing and shall be signed by the appointer or a person duly authorized in writing. Where the appointer is a legal person, the stamp of the legal person shall be affixed, or signed by the Director or a duly authorized agent. Such instrument shall state the number of Shares every proxy represents.

The instrument appointing a proxy must be in writing and deposited at the residence of our Company or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the proxy is put to vote is convened or 24 hours before the designated time at which the resolution is adopted. If the instrument is signed by another person authorized by the

appointer by means of power of attorney or other instrument of authorization, the power of attorney or other instrument of authorization must be verified by a notary. The power of attorney or other instrument verified by the notary must be deposited together with the instrument appointing the proxy at the residence of our Company or other location designated at the notice convening the meeting. If the appointer is a legal person, its legal representative or such person as authorized by resolution of its Board of Directors or other governing bodies to act as its representative may attend at any general meetings of our Company.

Any form issued to a Shareholder by the Board of our Company for use of appointing a proxy shall be such as to enable our Shareholder according to his intention, to instruct the proxy to vote in favor of or against each resolution at the meeting. Such a form shall contain a statement that in the absence of instructions by such Shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Share in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by our Company at its domicile before the commencement of the meeting at which proxy is used.

13. INSPECTION OF REGISTER OF SHAREHOLDERS

Our Company may keep overseas a register of members of the overseas listed foreign shares and entrust an overseas agency to manage it according to the understanding reached and agreement entered into between CSRC and the overseas securities regulatory agency.

The original register of members of the overseas listed foreign shares listed in Hong Kong shall be kept in Hong Kong. Our Company shall keep a copy of the register of members of the overseas listed foreign shares at its residential address. The overseas entrusted agency shall at all time guarantee consistency between the original and copy of the register of members of the overseas listed foreign shares.

In the event that there's inconsistency between the original and copy of the register of members of the overseas listed foreign shares, the original shall prevail.

Our Company shall keep a complete register of members. The register of members shall include the contents below:

- (i) Register of members kept at our Company's residential address other than those specified in (ii) and(iii) below;
- (ii) Register of members of our Company's overseas listed foreign shares kept at the location of the overseas stock exchange where such Shares are listed; and
- (iii) Register of members kept in other locations in light of the decision of the Board of Directors as required for the listing of the Shares.

Different parts of the register of members shall not overlap. The transfer of Shares registered in a certain part of the register of members shall not be registered elsewhere in the register of members as long as the Shares are remained to be registered. Any alteration or rectification to any part of the register of members shall be made in accordance with the laws in the place where such part of the register of members is maintained.

14. QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND SEPARATE CLASS MEETINGS

Our Company may convene a Shareholders' general meeting where the number of voting Shares represented by those Shareholders who intend to attend the meeting reaches more than one half of our Company's voting Shares; if that number is not reached, our Company shall within five days notify the Shareholders again of the matters proposed to be considered at the meeting, the date and the place of the meeting by way of public announcement. After such public announcement, our Company may convene the Shareholders' general meeting.

Please refer to the paragraph headed "3. Variations of Rights of Existing Shares or Classes of Shares" above for the requirements and quorum for convening a Shareholders' separate class meeting.

15. RIGHTS OF MINORITY SHAREHOLDERS IN CONNECTION WITH FRAUD OR OPPRESSION

In addition to the obligations imposed by laws, administrative regulations or the listing rules required by the stock exchange on which Shares of our Company are listed, controlling Shareholders (within the meaning of the Articles of Association) shall not exercise their voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of our Shareholders:

- (i) to release the responsibility of a Director or Supervisor to act honestly in the best interests of our Company;
- (ii) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any disguise, of our Company's assets, including (without limitation to) any opportunities beneficial to our Company; and
- (iii) to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the personal rights of other Shareholders, including (without limitation to) rights of distributions and voting but does not include a restructuring proposal submitted to Shareholders for approval in accordance with the Articles of Association.

16. LIQUIDATION PROCEDURES

Our Company shall be dissolved and liquidated in accordance with laws upon the occurrence of any of the following events:

- (i) a resolution for dissolution is passed by a Shareholders' general meeting;
- (ii) the dissolution is necessary due to a merger or division of our Company;
- (iii) our Company is legally declared insolvent due to its failure to repay debts which are due;

- (iv) our Company is ordered to close down due to its violation of laws or administrative regulations;
- (v) the operation term of our Company expires;
- (vi) the occurrence of other dissolution circumstances as stipulated in the Articles of Association; and
- (vii) where our Company encounters significant difficulties in business and management, continuous survival will be significantly detrimental to the interests of Shareholders, and the difficulties may not be overcome through other means, Shareholders who hold more than 10% of the Shares carrying voting rights may request a People's court to dissolve our Company.

Where our Company is dissolved due to the provisions set forth in (i) and (v) above, the liquidation committee shall be established within 15 days and the personnel of the liquidation committee shall be determined by a Shareholders' general meeting by means of ordinary resolution. Where the liquidation committee is not set up within the stipulated period of time above, creditors may request the People's Court to designate relevant personnel to form a liquidation committee and conduct the liquidation.

In the event that our Company is dissolved in accordance with the provisions set forth in (iii) above, the People's court shall organize Shareholders, related agencies and professionals to form a liquidation committee to conduct the liquidation.

In the event that our Company is dissolved in accordance with the provisions set forth in (iv) above, the competent authority shall organize Shareholders, relevant agencies and professionals to establish a liquidation committee and conduct the liquidation.

Where the Board decides to liquidate our Company (due to reasons other than the declaration of insolvency), the Board shall state in the notice of the Shareholders' general meeting convened that the Board has conducted adequate research of the affairs of our Company and deem that our Company is capable to pay its debts in full within 12 months after the commencement of the liquidation.

Upon the resolution of liquidation of our Company is approved by our Shareholders at general meeting, all functions and powers of the Board of our Company shall terminate immediately.

The liquidation committee shall act in accordance with the instructions of the Shareholders' general meeting and report at least once per year to the Shareholders' general meeting on the committee's income and payments, the business operation of our Company and the progress of the liquidation. It shall present a final report to the Shareholders' general meeting by the time of completion of the liquidation.

The liquidation committee shall, within ten days of its establishment, notify creditors and make a public announcement in the press at least three times within sixty days. The liquidation committee shall register all claims.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (i) categorize our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (ii) notify the creditors or publish public announcements;
- (iii) dispose of and liquidate any pending businesses of our Company;
- (iv) pay outstanding taxes;
- (v) settle claims and debts;
- (vi) dispose of the surplus assets remaining after our Company's debt having been fully paid; and
- (vii) represent our Company in any civil proceedings.

After it has categorized our Company's assets and prepared the balance sheet and the inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a Shareholders' general meeting or to the relevant competent authority for confirmation.

Where our Company is liquidated by reason of dissolution, upon completion of the categorization of our Company's assets and preparation of a balance sheet and an inventory of assets, if the liquidation committee discovers that our Company's assets are insufficient to repay its debts in full, the liquidation committee shall immediately apply to the People's court for a declaration of insolvency. After our Company is declared insolvent by a ruling of the People's court, the liquidation committee shall transfer all matters regarding the liquidation to the People's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the income and payments and financial books and records during the period of liquidation, which shall be audited by the PRC certified public accountants and submitted to the Shareholders' general meeting or the relevant and competent authorities for confirmation. The liquidation committee shall also submit the documents referred to in the preceding paragraph to the company registration authority and apply for cancellation of registration of our Company, and publish an announcement relating to the termination of it within 30 days after such confirmation.

17. OTHER PROVISIONS MATERIAL TO OUR COMPANY OR ITS SHAREHOLDERS

(1) General Provisions

The term of business of our Company is 30 years.

Our Company may invest in other companies; however, unless stipulated by law, it may not become a jointly liable investor for the liability commitments of the invested company.

The Articles of Association is a legally binding document regulating our Company's affairs and the rights and obligations between our Company and each Shareholder and among our Shareholders since the date it becomes effective.

Subject to the provisions of the Articles of Association, our Shareholders may sue our Company and other Shareholders; Shareholders may also sue Directors, Supervisors, general manager and other senior management of our Company. Our Company may also sue Shareholders pursuant to the Articles of Association.

For the purpose of the above paragraph, the term “sue” shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.

(2) *Shares and Transfers*

Our Company may, based on the needs for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase in capital.

Our Company may increase its capital in the following ways:

- (i) public offer of new Shares;
- (ii) private issue of Shares;
- (iii) distributing bonus Shares or placing of new Shares to its Existing Shareholders;
- (iv) transferring Shares from the capital reserve; and
- (v) other means approved by laws, administrative regulations and the CSRC under the State Council.

The Company’s increase in capital by issuing new Shares shall, after being approved in accordance with the provisions of the Articles of Association, be conducted pursuant to the procedures stipulated by relevant laws and administrative regulations.

When our Company reduces its registered share capital, it must draw up a balance sheet and an inventory of assets. Our Company shall notify creditors within ten days of the date of our Company’s resolution for reduction of share capital and shall publish a notice in a newspaper at least three times within 30 days from the date of such resolution is approved. Creditors is entitled to, within 30 days of receiving the notice or, in the case of a creditor who does not receive the notice, within 90 days of the date of the first public notice, demand our Company to repay its debts or provide a corresponding guarantee for such debt. Our Company’s registered capital after reduction shall not be less than the statutory minimum amount.

(3) *Shareholders*

Shareholders of our Company are people who lawfully hold the Shares of our Company and whose names (titles) are listed in the register of Shareholders.

Shareholders are entitled to rights and assume obligations according to types of their Shares and their shareholdings. Shareholders who hold the same type of Shares are entitled to the same rights and assume the same obligations.

Shareholders of ordinary shares of our Company are entitled the following rights:

- (i) to receive dividends and other types of distributions in proportion to the number of Shares held;
- (ii) to participate in or appoint a proxy of Shareholder to participate in and exercise voting rights at the Shareholders' general meeting;
- (iii) to supervise our Company's business operations, and to propose suggestions and inquiries;
- (iv) to transfer the Shares held in accordance with laws, administrative regulations and the Articles of Association;
- (v) to obtain relevant information according to the Articles of Association, including:
 - (a) to obtain the Articles of Association after paying the costs;
 - (b) to inspect and photocopy the following materials after payment of reasonable fees:
 - (1) the whole and every part of the share register;
 - (2) personal information of the Directors, Supervisors, general manager and other senior managing officers, which includes:
 - current and past names, aliases;
 - main address (domicile);
 - nationality;
 - professional occupation and all the other professions and positions that they hold at the same time;
 - identification files and the number;
 - (3) the condition of the share capital of our Company;
 - (4) the latest audited financial charts as well as the report of Board of Directors, auditors and board of Supervisors;
 - (5) special resolution of our Company;
 - (6) the report of repurchase of every kind of Shares of our Company conducted from the preceding financial year, including the par value, quantity, maximum price, minimum price and the total expense our Company has paid;
 - (7) the minutes of the Shareholders' meetings, resolutions of the Directors' meetings and Supervisors' meetings;
 - (8) counterfoil of corporate bonds of our Company.

Our Company shall place the above documents from item (1) to (8) and other applicable documents except for item (2) at its Hong Kong domicile pursuant to the Listing Rules for free reference for Shareholders and the public. Item (7) is only available for inspection by Shareholders.

Where Shareholders request for the above relevant information or to obtain the above documents, they shall provide written certificates stating the types and quantity of Shares they hold to our Company. Our Company shall provide such documents after verifying the identifications of the above mentioned Shareholders according to the requests.

- (vi) to participate in the distribution of the remaining assets of our Company in proportion to the number of Shares held upon our termination or liquidation;
- (vii) other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company may not exercise any power to freeze or otherwise impair any of the rights attaching to any Share by reason only that any person interested directly or indirectly in the Shares of our Company has failed to disclose his/her interests to our Company.

(4) Board

The Board of Directors shall be accountable to the general meeting of our Shareholders, and shall exercise the following functions and powers:

- (i) convene the Shareholders' general meeting and report on work to the Shareholders' general meeting;
- (ii) implement the resolutions of the Shareholders' general meeting;
- (iii) decide our Company's business operation plans and investment proposals;
- (iv) formulate our Company's proposed annual financial budget and final accounts;
- (v) formulate our Company's profit distribution plan and plan for making up for losses;
- (vi) formulate the plans for increasing or decreasing the registered capital and the issuance of debentures;
- (vii) formulate plans for corporate merger, separation, and dissolution of our Company;
- (viii) decide on the setup of our Company's internal management organization;
- (ix) appoint or dismiss the general manager of our Company; and appoint or dismiss the deputy general manager and senior management officers (including chief financial officer) based on the nomination of the general manager, and determine their remuneration;
- (x) formulate our Company's basic management systems;
- (xi) formulate plans for the amendment of the Articles of Association; and

(xii) other powers and rights authorized by the Articles of Association or the Shareholders' general meeting.

All of the above resolutions adopted by the Board of Directors, except for those in (vi), (vii) and (xi), which must be approved by more than a two-thirds vote of the Directors, are to be approved by a simple majority of votes by the Directors.

Meetings of the Board shall be held at least 2 times a year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors and Supervisors 10 days before the date of the meeting via delivery, post, fax and e-mail.

Meetings of the Board shall be held only if more than half of the Directors (including the proxies) are present. Each Director shall have one vote. Where the numbers of dissenting votes and affirmative votes against a resolution are equal, the chairman of the Board shall have an additional vote.

The Director who attends the meeting on behalf of another Director is to exercise the right of the Director within the scope of authorization. Where any Director fails to attend the Board meeting or entrust a proxy to be present on his/her behalf, such Director is deemed to have waived his/her voting rights at the meeting.

(5) *Secretary to the Board*

The secretary to the Board must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors. He/she shall be deemed as one of our Company's senior management.

(6) *Board of Supervisors*

Our Company shall have a Supervisory Committee composed of seven persons. The Directors, general manager, financial personnel and senior management shall not act as Supervisors. The terms of office of Supervisors shall be three years, renewable upon re-election and reappointment. The Supervisory Committee shall have one chairman. The election or removal of the chairman of the Supervisory Committee shall be made by the affirmative vote of at least two-thirds (including two-thirds) of the members of the Supervisory Committee. Resolutions of the Supervisory Committee shall be made by the affirmative vote of at least two-thirds (including two-thirds) of the members of the Supervisory Committee.

At least one third of the Supervisors shall be the representatives of staff and of our Company. The representative of staff of our Company as Supervisors shall be elected and replaced by the staff of our Company democratically thereby.

The Supervisory Board is responsible to the Shareholders' general meeting and lawfully exercises the following powers:

(i) examine the financial standing of our Company;

- (ii) supervise the performance of Directors, general manager and senior management officers of their duties where any violations of the applicable laws, regulations or the Articles of Association are occurred;
- (iii) require the Directors, general manager and other senior management to take corrective measures when their actions are detrimental to our Company's interests;
- (iv) verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the Shareholders' general meetings and, should any queries arise, to entrust, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;
- (v) propose to convene extraordinary Shareholders' meetings, where the Board of Directors fails to perform the duties in relation to convening or presiding over the general meeting as required by the *PRC Company Law*, to convene and preside over the general Shareholders' meeting;
- (vi) represent our Company in negotiating with or in bringing actions against the Directors pursuant to Article 151 of the *PRC Company Law*; and
- (vii) other powers and duties entrusted by the Shareholders' general meeting.

Supervisors shall be allowed to present at meetings of the Board.

(7) General Manager

Our Company shall have one general manager, who shall be appointed and dismissed by the Board. The Manager shall be accountable to the Board and exercise the following functions and powers:

- (i) be in charge of the production and operation management of our Company, and to organize the enforcement of resolutions of the Board of Directors;
- (ii) organize the implementation of the annual operation plans and investment schemes of our Company;
- (iii) formulate the structure scheme of the internal management of our Company;
- (iv) formulate the basic management system of our Company;
- (v) formulate basic rules and regulations of our Company;
- (vi) propose the appointment or dismissal of the deputy general manager and other senior management (including chief financial officer) of our Company;
- (vii) appoint or dismiss management personnel other than those to be appointed or dismissed by the Board of Directors; and
- (viii) other powers and duties authorized by the Articles of Association and the Board of Directors.

(8) Common Reserve Fund

Our Company's after-tax profits shall be used subject to the order as below:

- (i) Offset our losses;
- (ii) Allocate to the statutory reserve fund;
- (iii) Discretionary common reserve may be allocated to subject to the resolution of the Shareholders' general meeting;
- (iv) Pay for the dividends of common shares. Our Company shall not distribute dividends or distribute in the form of bonus or other ways prior to loss offset and statutory reserve fund allocation.

(9) Dispute Resolution

Our Company shall comply with the following rules governing the settlement of disputes:

- (i) Whenever any disputes or claims arise between (i) our Company's Directors, Supervisors, General Manager or other senior management; (ii) the holders of foreign shares (including holders of overseas listed foreign shares and holders of non-listed foreign shares) and our Company, holders of foreign shares (including holders of listed foreign shares and holders of non-listed foreign shares) and our Company's Directors, Supervisors, general manager or other senior management, or holders of overseas listed foreign shares and non-listed foreign shares and holders of Domestic Shares, based on the Articles of Association, or any rights or obligations imposed by our *Company Law*, or any other relevant laws and administrative regulations concerning the affairs of our Company, such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to it, and all persons who have a cause of action based on the same facts resulting in the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration provided that such person is our Company or our Shareholders, Directors, Supervisor, General Manager, or other senior management.

Disputes in relation to the identification of Shareholders and disputes in relation to the share register may not be referred to arbitration;

- (ii) A claimant may choose for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body as chosen by the claimant.

If a claimant elects for arbitration at Hong Kong International Arbitration Centre, any party to the dispute may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre;

- (iii) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights as stated in item (i), unless otherwise stipulated in laws and administrative regulations; and
- (iv) The award of an arbitration body shall be final and conclusive and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Predecessor Company was established in Quanzhou City, the PRC as a limited liability company under the *PRC Company Law* on 8 January 2010. On 18 August 2014, our Predecessor Company was converted into a joint stock limited company and renamed as 泉州匯鑫小額貸款股份有限公司 (Quanzhou Huixin Micro-credit Co., Ltd.*), namely our Company. Our Company has established a place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Ms. Ng Ka Man (吳嘉雯) has been appointed as our agent for the acceptance of service of process in Hong Kong on behalf of the Company.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Associations is set out in Appendix V to this Prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix IV of this Prospectus.

2. Changes in the Registered Share Capital of Our Company

Our Predecessor Company was established in Quanzhou City, the PRC as a limited liability company with a registered capital of RMB300,000,000 under the *PRC Company Law* on 8 January 2010. The following table sets forth the shareholding structure of our Predecessor Company upon its establishment:

Name of Shareholders	Approximate shareholding percentage
Fujian Septwolves Group	20%
Fujian Xiyuan	10%
Jinjiang Henglong	10%
Quanzhou Haoxiang	10%
Quanzhou Xingyuan	8%
Cai Yuxiu	8%
Quanzhou Yuanpeng	7%
Xie Anju	7%
Quanzhou Jianyuan	6%
Dai Guoliang	5%
Jinjiang Shuncheng	3%
Jinjiang Xinhong	3%
Shishi Yingfeng	3%

On 20 November 2012, Quanzhou Xingyuan entered into a share transfer agreement with Quanzhou Anping pursuant to which Quanzhou Xingyuan agreed to transfer its 8% equity interest in our Predecessor Company to Quanzhou Anping for a consideration of RMB24,000,000 which was determined with reference to the registered capital of our Predecessor Company at the time of transfer. On 26 July 2013, Dai Guoliang entered into a share transfer agreement with Fujian Septwolves Group pursuant to which Dai Guoliang agreed to transfer his 5% equity interest in our Predecessor Company to Fujian Septwolves Group for a consideration of RMB15,000,000 which was determined with reference to the registered capital of our Predecessor Company at the time of transfer. On 11 November 2013, Cai Yuxiu entered into a share transfer agreement with Xiamen Gaoxinhong pursuant to which Cai Yuxiu agreed to transfer her 8% equity interest in our Predecessor Company to Xiamen Gaoxinhong for a consideration of RMB30,320,000 which was determined with reference to the aggregate value of the net asset of the Company and the distributable profit as at 31 October 2013. The following table sets forth the shareholding structure of our Predecessor Company upon completion of the above share transfers:

<u>Name of Shareholders</u>	<u>Approximate shareholding percentage</u>
Fujian Septwolves Group	25%
Fujian Xiyuan	10%
Jinjiang Henglong	10%
Quanzhou Haoxiang	10%
Quanzhou Anping	8%
Xiamen Gaoxinhong	8%
Quanzhou Yuanpeng	7%
Xie Anju	7%
Quanzhou Jianyuan	6%
Jinjiang Shuncheng	3%
Jinjiang Xinhong	3%
Shishi Yingfeng	3%

On 31 December 2013, the registered capital of our Predecessor Company was increased from RMB300,000,000 to RMB500,000,000 and was fully paid up and such increase of registered capital was registered with the competent AIC on 29 January 2014. The following table sets forth the shareholding structure of our Predecessor Company upon completion of the capital increase:

Name of Shareholders	Approximate shareholding percentage
Fujian Septwolves Group	25.91%
Fujian Xiyuan	10%
Jinjiang Henglong	10%
Quanzhou Haoxiang	10%
Xiamen Gaoxinhong	8.29%
Quanzhou Anping	8%
Quanzhou Yuanpeng	7.26%
Xie Anju	7.26%
Quanzhou Jianyuan	4.18%
Shishi Yingfeng	3.10%
Jinjiang Shuncheng	3%
Jinjiang Xinhong	3%

On 10 July 2014, the Shareholders of our Company (also being the Promoters) as set out in the table below entered into a Promoters' agreement, pursuant to which each of them agreed to convert our Predecessor Company into a joint stock limited company in the PRC with a registered share capital of RMB500,000,000 divided into 500,000,000 Domestic Shares of a par value of RMB1.00 each. On 18 August 2014, our Predecessor Company was converted into a joint stock limited company and renamed as 泉州匯鑫小額貸款股份有限公司 (Quanzhou Huixin Micro-credit Co., Ltd.*), namely our Company. The following table sets forth the shareholding structure of our Company upon completion of the conversion and up to the Latest Practicable Date:

Name of Promoters	Approximate shareholding percentage
Fujian Septwolves Group	25.91%
Fujian Xiyuan	10%
Jinjiang Henglong	10%
Quanzhou Haoxiang	10%
Xiamen Gaoxinhong	8.29%
Quanzhou Anping	8%
Quanzhou Yuanpeng	7.26%
Xie Anju	7.26%
Quanzhou Jianyuan	4.18%
Shishi Yingfeng	3.10%
Jinjiang Shuncheng	3%
Jinjiang Xinhong	3%

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued by our Company pursuant to the Over-allotment Option, our registered share capital will increase to RMB680,000,000, made up of 500,000,000 Domestic Shares and 180,000,000 H Shares fully paid up or credited as fully paid up, representing approximately 73.53% and 26.47% of the registered share capital, respectively. Save as aforesaid, there has been no alteration in our registered share capital since our establishment.

3. Resolutions Passed at Our Company's Extraordinary General Meeting on 25 January 2016

At the extraordinary general meeting of our Company held on 25 January 2016, among other things, the following resolutions were passed by our Shareholders:

- (a) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall become effective on the Listing Date;
- (b) approving the issue of H Shares with a par value of RMB1.00 each. The number of the H Shares so issued shall not exceed 180,000,000 H Shares (about 26.47% of the total issue share capital of our Company after the Global Offering) and granting of the Over-allotment Option shall be no more than 15% of the number of H Shares issued as above mentioned; and
- (c) authorizing the Board to handle all matters relating to, among other things, the issue of H Shares and the Listing of H Shares on the Stock Exchange.

B. OUR SUBSIDIARIES

Our Company does not have any subsidiary.

C. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business), within two years preceding the date of this Prospectus which are or may be material to our business:

- (a) the Deed of Indemnity;
- (b) the Non-competition Agreement; and
- (c) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

Trademark

As of the Latest Practicable Date, we have registered one trademark in Hong Kong with the Trademark Registry of the Intellectual Property Department:

<u>No.</u>	<u>Trademark</u>	<u>Place of Registration</u>	<u>Applicant</u>	<u>Application Number</u>	<u>Class</u>	<u>Duration</u>
1		Hong Kong	the Company	303024521	36	6 June 2014 – 5 June 2024

Domain Name

As at the Latest Practicable Date, we have registered the following domain name which our Directors consider is material to our business:

<u>Entity Name</u>	<u>Domain Name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
The Company	www.qzhuixin.net	20 April 2011	21 April 2020

D. DISCLOSURE OF INTERESTS

1. Disclosure of our Directors' and Supervisors' Interests in the Registered Capital of Our Company and its Associated Corporations

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the beneficial interests or short positions of our Directors, Supervisors and the chief executives in any shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which once the shares are listed, will be required (a) to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the

register required to be kept therein once the H Shares are listed; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the H Shares are listed are as follows:

The Company

<u>Director/Supervisor</u>	<u>Nature of interest</u>	<u>Number of Shares held after the Global Offering⁽¹⁾</u>	<u>Approximate shareholding percentage in the relevant class of Shares after the Global Offering⁽²⁾</u>	<u>Approximate percentage of shareholding in the total share capital of the Company after the Global Offering⁽³⁾</u>
Mr. Zhou Yongwei	Interest in controlled corporation ⁽⁴⁾	129,550,000 Domestic Shares (L)	25.91%	19.05%
Mr. Wang Wenbin	Interest in controlled corporation ⁽⁵⁾	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Jiang Haiying	Interest in controlled corporation ^{(6)&(7)}	50,000,000 Domestic Shares	10%	7.35%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The calculation is based on the percentage of shareholding in Domestic Shares.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue after the Global Offering.
- (4) Fujian Septwolves Group will be directly interested in approximately 19.05% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option). The disclosed interest represents the interest in the Company held by Fujian Septwolves Group which is in turn approximately 31.09% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong, approximately 31.09% owned by Mr. Zhou Shaoming, approximately 5.18% owned by Ms. Chen Pengling (spouse of Mr. Zhou Yongwei) and approximately 1.55% owned by Mr. Hong Guorong. Mr. Zhou Yongwei and his spouse control more than one-third of the voting rights of Fujian Septwolves Group and are deemed to be interested in its interest in the Company by virtue of the SFO.
- (5) Fujian Xiyuan will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option). The disclosed interest represents the interest in the Company held by Fujian Xiyuan which is in turn approximately 51% owned by Mr. Wang Wenbin, approximately 10% owned by Mr. Wang Wenchao and approximately 39% owned by Mr. Wang Wenli. Therefore, Mr. Wang Wenbin is deemed to be interested in Fujian Xiyuan’s interest in the Company by virtue of the SFO.

- (6) Quanzhou Haoxiang will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option). The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening, approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by 福建省惠安豪達建設有限公司 (Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited)). Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.
- (7) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening. Fujian Haoxiang Gardening is approximately 53.33% owned by Mr. Jiang Haiying. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the Global Offering (without taking into account any H Shares that may be issued upon the exercise of the Over-allotment Option), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in any circumstance at general meetings of our Company:

Shareholders	Nature of interest	Number of Shares held after the Global Offering ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering ⁽³⁾
Fujian Septwolves Group ⁽⁴⁾	Beneficial Owner	129,550,000 Domestic Shares (L)	25.91%	19.05%
Mr. Zhou Yongwei ⁽⁵⁾	Interest of controlled corporation	129,550,000 Domestic Shares (L)	25.91%	19.05%
Ms. Chen Pengling ⁽⁶⁾	Interest of spouse	129,550,000 Domestic Shares (L)	25.91%	19.05%
Fujian Xiyuan ⁽⁷⁾	Beneficial Owner	50,000,000 Domestic Shares (L)	10%	7.35%

<u>Shareholders</u>	<u>Nature of interest</u>	<u>Number of Shares held after the Global Offering⁽¹⁾</u>	<u>Approximate shareholding percentage in the relevant class of Shares after the Global Offering⁽²⁾</u>	<u>Approximate percentage of shareholding in the total share capital of the Company after the Global Offering⁽³⁾</u>
Mr. Wang Wenbin ⁽⁸⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Wang Wenli ⁽⁸⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Jinjiang Henglong ⁽⁹⁾	Beneficial Owner	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Zeng Jiayi ⁽¹⁰⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Quanzhou Haoxiang ⁽¹¹⁾	Beneficial Owner	50,000,000 Domestic Shares (L)	10%	7.35%
Fujian Haoxiang Gardening ⁽¹²⁾	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Mr. Jiang Haiying ^{(12)&(13)}	Interest of controlled corporation	50,000,000 Domestic Shares (L)	10%	7.35%
Xiamen Gaoxinhong ⁽¹⁴⁾	Beneficial Owner	41,460,000 Domestic Shares (L)	8.29%	6.1%
Xiamen Sifang ⁽¹⁵⁾	Interest of controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.1%
Ms. Zhou Zehui ⁽¹⁶⁾	Interest of controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.1%

<u>Shareholders</u>	<u>Nature of interest</u>	<u>Number of Shares held after the Global Offering⁽¹⁾</u>	<u>Approximate shareholding percentage in the relevant class of Shares after the Global Offering⁽²⁾</u>	<u>Approximate percentage of shareholding in the total share capital of the Company after the Global Offering⁽³⁾</u>
Quanzhou Anping ⁽¹⁷⁾	Beneficial Owner	40,000,000 Domestic Shares (L)	8%	5.88%
Sand Beach ⁽¹⁸⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%	5.88%
Xing Ying Investments Hong Kong Limited ⁽¹⁹⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%	5.88%
Mr. Ng Kar Cheong ⁽¹⁹⁾	Interest of controlled corporation	40,000,000 Domestic Shares (L)	8%	5.88%
Quanzhou Yuanpeng ⁽²⁰⁾	Beneficial Owner	36,280,000 Domestic Shares (L)	7.26%	5.34%
Wealth Success ⁽²¹⁾	Interest of controlled corporation	36,280,000 Domestic Shares (L)	7.26%	5.34%
Ms. Hong Jingxiao ⁽²²⁾	Interest of controlled corporation	36,280,000 Domestic Shares (L)	7.26%	5.34%
Mr. Xie Anju	Beneficial Owner	36,280,000 Domestic Shares (L)	7.26%	5.34%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the Domestic Shares.
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares.
- (3) The calculation is based on the total number of 680,000,000 Shares in issue after the Global Offering.

- (4) Fujian Septwolves Group will be directly interested in approximately 19.05% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (5) The Company will be held as to approximately 19.05% by Fujian Septwolves Group immediately following the completion of the Global Offering (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).

The disclosed interest represents the interest in the Company held by Fujian Septwolves Group which is in turn approximately 31.09% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong, approximately 31.09% owned by Mr. Zhou Shaoming, approximately 5.18% owned by Ms. Chen Pengling (spouse of Mr. Zhou Yongwei), and approximately 1.55% owned by Mr. Hong Guorong. Mr. Zhou Yongwei and his spouse control more than one-third of the voting rights of Fujian Septwolves Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

- (6) Ms. Chen Pengling, the spouse of Mr. Zhou Yongwei, is deemed to be interested in Mr. Zhou Yongwei's interest in the Company by virtue of the SFO.
- (7) Fujian Xiyuan will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (8) The disclosed interest represents the interest in the Company held by Fujian Xiyuan which is in turn approximately 51% owned by Mr. Wang Wenbin, approximately 10% owned by Mr. Wang Wenchao and approximately 39% owned by Mr. Wang Wenli. Therefore, Mr. Wang Wenbin and Mr. Wang Wenli are deemed to be interested in Fujian Xiyuan's interest in the Company by virtue of the SFO.
- (9) Jinjiang Henglong will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (10) The disclosed interest represents the interest in the Company held by Jinjiang Henglong which is in turn approximately 95% owned by Mr. Zeng Jiayi and approximately 5% owned by Mr. Wu Jianchang. Therefore, Mr. Zeng Jiayi is deemed to be interested in Jinjiang Henglong's interest in the Company by virtue of the SFO.
- (11) Quanzhou Haoxiang will be directly interested in approximately 7.35% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (12) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening, approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by 福建省惠安豪達建設有限公司 (Fujian Huian Haoda Construction Company Limited (formerly known as Fujian Huian Haoda Stoning Company Limited)). Therefore, Fujian Haoxiang Gardening and Mr. Jiang Haiying are deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.
- (13) The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujian Haoxiang Gardening. Fujian Haoxiang Gardening is approximately 53.33% owned by Mr. Jiang Haiying. Therefore, Mr. Jiang Haiying is deemed to be interested in Quanzhou Haoxiang's interest in the Company by virtue of the SFO.
- (14) Xiamen Gaoxinhong will be directly interested in approximately 6.1% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (15) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong which is in turn approximately 59% owned by Xiamen Sifang, approximately 23% owned by Ms. Zhou Zehui and approximately 18% owned by Ms. Wu Changfeng. Therefore, Xiamen Sifang is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.
- (16) The disclosed interest represents the interest in the Company held by Xiamen Gaoxinhong which is in turn approximately 59% owned by Xiamen Sifang. Xiamen Sifang is approximately 95% owned by Ms. Zhou Zehui. Therefore, Ms. Zhou Zehui is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.

- (17) Quanzhou Anping will be directly interested in approximately 5.88% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (18) The disclosed interest represents the interest in the Company held by Quanzhou Anping which is in turn 100% owned by Sand Beach. Therefore, Sand Beach is deemed to be interested in Quanzhou Anping's interest in the Company by virtue of the SFO.
- (19) The disclosed interest represents the interest in the Company held by Quanzhou Anping which is in turn 100% owned by Sand Beach. Sand Beach is 100% owned by Xing Ying Investments Hong Kong Limited which is in turn 100% owned by Mr. Ng Kar Cheong, the father of Mr. Ng Seng Chuan (our Supervisor). Therefore, Xing Ying Investments Hong Kong Limited and Mr. Ng Kar Cheong are deemed to be interested in Quanzhou Anping's interest in the Company by virtue of the SFO.
- (20) Quanzhou Yuanpeng will be directly interested in approximately 5.34% in our Company (but without taking into account any H Shares which may be allotted and issued upon exercise of the Over-allotment Option).
- (21) The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng which is in turn 100% owned by Wealth Success. Therefore, Wealth Success is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.
- (22) The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng which is in turn 100% owned by Wealth Success, which is in turn 100% owned by Ms. Hong Jingxiao, an Independent Third Party. Therefore, Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.

3. Particulars of Service Contracts

Each of our Directors and Supervisors, has entered into a service contract with our Company. The principal particulars of these service contract are (a) for a term of three (3) years commencing from the Listing Date; and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules or regulations.

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observance of the Articles of Association and provision on arbitration with our Company.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

4. Directors' and Supervisors' Remuneration

For the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by us to our Directors and Supervisors were RMB294,399, RMB1,115,553, RMB2,043,697 and RMB634,042 respectively. Save as disclosed under Note 8 of Section II of the Accountants' Report attached as Appendix I to this Prospectus, no Director or Supervisor received other remuneration or benefits in kind from the Company in respect of the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016.

Save as disclosed above, no other payments have been paid or are payable by us to the Directors and Supervisors in respect of the years ended 31 December 2013, 2014 and 2015 and the three months ended 31 March 2016.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director or Supervisor during the current financial year.

Under the current arrangements, our Directors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2016 under arrangement in force as of the date of this Prospectus which is expected to be approximately RMB1,800,000 in aggregate.

Under the current arrangements, our Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending 31 December 2016 under arrangement in force as of the date of this Prospectus which is expected to be approximately RMB600,000 in aggregate.

5. Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed “Underwriting” in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries within the two years ended on the date of this Prospectus.

6. Related Party Transactions

During the two years preceding the date of this Prospectus, we have engaged in the material related party transactions as described in Note 23 of Section II of the Accountants’ Report attached as Appendix I to this Prospectus.

7. Disclaimers

Save as disclosed in this Prospectus and as of the Latest Practicable Date:

- (a) our Directors are not aware of any other person (not being a Director or Supervisor or the chief executive of our Company) who will, immediately following completion of the Global Offering, have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital of our Company carrying rights to vote in all circumstances at general meetings of our Company;
- (b) none of our Directors or Supervisors or the chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of our Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is

deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of our Directors or Supervisors nor any of the parties listed in “— E. Other Information — 13. Consents of Experts” of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to our Company, or were proposed to be acquired or disposed of by or leased to our Company;
- (d) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed “— E. Other Information — 13. Consents of Experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this Prospectus which was significant to the business of our Company taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in “— E. Other Information — 13. Consents of Experts” of this Appendix has any shareholding in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company; and
- (f) none of our Directors or Supervisors or their respective associates nor, to the knowledge of the Directors, any Shareholders who held more than 5% of the total Shares as of the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of our Company.

E. OTHER INFORMATION

1. Indemnities

On 6 September 2016, our Substantial Shareholders entered into the Deed of Indemnity with and in favor of the Company, pursuant to which our Substantial Shareholders agreed and undertook with the Company, subject to the terms of the Deed of Indemnity, to indemnify and keep the Company indemnified on a joint and several basis against any and all tax liabilities falling on the Company which might be payable by us in respect of, among others, any incomes, profits or gains earned, accrued or received prior to the date on which the Global Offering becomes unconditional (the “Effective Date”), save in the following circumstances:

- (a) to the extent that provision has been made for such taxation in any audited accounts of the Company for any period up to 31 March 2016; or
- (b) for which the Company is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets (if any) after the Effective Date; or

- (c) to the extent that such taxation or liability falling on the Company in respect of its accounting period commencing from 1 April 2016 unless liability for such taxation would not have arisen but for some act or omission of or transaction voluntarily effected by the Company (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of our Controlling Shareholders, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or as part of an acquisition and disposition of capital assets (if any) conducted in the ordinary course on or before the Effective Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or
- (d) to the extent that such taxation arises or is incurred as a result of a retrospective change in laws or interpretation and practice by the SAT or other relevant authority or a retrospective of tax rates coming into force after the Effective Date; or
- (e) to the extent that any provisions or reserve made for taxation in the audited accounts of the Company up to 31 March 2016 which is finally established to be an over-provision or an excessive reserve in which case our Substantial Shareholders' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (e) to reduce our Substantial Shareholders' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, our Substantial Shareholders also agreed and undertook to indemnify and keep the Company indemnified against any costs, expenses, claims, liabilities, penalties, fines, losses and damages that the Company may suffer due to: (i) the non-compliance with the relevant PRC laws including but not limited to the non-compliance referred to in “Business — Approvals, Compliance-Related Matters and Legal Proceedings — Non-compliance Incidents During the Track Record Period” in this Prospectus including the non-compliance with the social insurance and housing provident funds; (ii) any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against our Company accrued or arising on or before the Listing Date including but not limited to any losses with regard to the Company's non-compliance with the social insurance and housing provident funds; and (iii) the outstanding lawsuits referred to in “Business — Approvals, Compliance-Related Matters and Legal Proceedings — Legal Proceedings” in this Prospectus.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

3. *Litigation*

As of the Latest Practicable Date, save as disclosed in the section headed “Business — Approvals, Compliance-Related Matters and Legal Proceedings” in this Prospectus, our Company is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

4. *Restrictions on Share Repurchase*

Please see the section headed “Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions — 2. Hong Kong Laws and Regulations — (2) The Listing Rules — (vi) Restrictions on purchase and subscription of its own securities” in this Prospectus for details.

5. *Sole Sponsor*

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules. Our Company has agreed to pay the Sole Sponsor a fee of HK\$4,000,000 to act as the Sole Sponsor to the Company in relation to the Global Offering. The above sponsor fee relates solely to services provided by the Sole Sponsor in the capacity of a sponsor, and not other services which it may provide, such as (without limitation) bookbuilding, pricing and underwriting.

The Sole Sponsor has made an application on our behalf to the Listing Committee for Listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

6. *Preliminary Expenses*

Our estimated preliminary expenses are approximately RMB150,010. All preliminary expenses and all expenses relating to the Global Offering will be borne by the Company.

7. *Qualification of Experts*

The qualifications of the experts who have given opinions in this Prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Changjiang Corporate Finance (HK) Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified public accountants
AllBright Law Offices	PRC Legal Advisers
Ipsos Limited	Independent industry consultant

8. No Material Adverse Change

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since 31 March 2016 (being the date to which the latest audited financial information of the Company were made up to).

9. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Compliance Adviser

The Company has appointed Changjiang Corporate Finance as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

12. Miscellaneous

Save as disclosed in this Prospectus,

- (a) within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) within the two years immediately preceding the date of this Prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

- (h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (i) our Company is not a Sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and
- (j) our Company currently do not intend to apply for the status of a Sino-foreign investment joint stock limited company and do not expect to be subject to the *PRC Sino-Foreign Joint Venture Law*.

13. Consents of Experts

Each of the experts as referred to in “7. Qualification of Experts” in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

Save as disclosed in this Prospectus, none of the experts named above has any shareholding interests in any securities of our Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

14. Promoters

The Promoters of our Company are Fujian Septwolves Group, Fujian Xiyuan, Jinjiang Henglong, Quanzhou Haoxiang, Xiamen Gaoxinhong, Quanzhou Anping, Quanzhou Yuanpeng, Mr. Xie Anju, Quanzhou Jianyuan, Shishi Yingfeng, Jinjiang Shuncheng and Jinjiang Xinhong.

Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given to the Promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in “13. Consents of Experts” under “E. Other Information” of Appendix VI to this Prospectus, and certified copies of the material contracts referred to in “1. Summary of Material Contracts” under “C. Further Information about the Business” of Appendix VI to this Prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Troutman Sanders at 34th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;
- (c) the audited financial statements of the Company for each of the three financial years ended 31 December 2015 and the three months ended 31 March 2016;
- (d) the report on the unaudited pro forma financial information of our Company from Ernst & Young, the text of which is set out in Appendix II to this Prospectus;
- (e) the *PRC Company Law*, the *Special Regulations* and the *Mandatory Provisions* together with unofficial English translations thereof;
- (f) the PRC legal opinions issued by AllBright Law Offices, the PRC Legal Advisers of our Company;
- (g) the material contracts referred to in “1. Summary of Material Contracts” under “C. Further Information about the Business” in Appendix VI to this Prospectus;
- (h) the written consents referred to in “13. Consents of Experts” under “E. Other Information” in Appendix VI to this Prospectus;
- (i) the service contracts referred to in “D. Disclosure of Interests — 3. Particulars of Service Contracts” in Appendix VI to this Prospectus; and
- (j) Ipsos Report.



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