汇鑫小额贷款
HUIXIN MICRO-CREDIT

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

(Established in the People's Republic of China with limited liability)
Stock Code: 1577

Annual Report 2016

* For Identification only

Contents

Corporate Information

Directors

Executive Directors

Mr. Zhou Yongwei *(Chairman)*
Mr. Wu Zhirui
Mr. Yan Zhijiang

Non-executive Directors

Ms. Liu Aiqin (appointed in March 2017)
Mr. Jiang Haiying
Mr. Zhu Jinsong
Mr. Wang Wenbin (resigned in March 2017)

Independent Non-executive Directors

Mr. Cai Yi
Mr. Zhang Lihe
Mr. Wang Yiming

Supervisors

Ms. Hong Lijun *(chairwoman)*
Mr. Li Jiancheng
Mr. Ng Seng Chuan
Ms. Ruan Cen
Mr. Wang Shijie
Mr. Chen Jinzhu
Mr. Wu Lindi
Mr. Ng Hong Hung (resigned in February 2016)
Mr. Fang Qichao (resigned in March 2016)

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

Joint Company Secretaries

Mr. Yan Zhijiang
Ms. Ng Ka Man *(ACS, ACIS)*

Authorised Representatives

Mr. Wu Zhirui
Mr. Yan Zhijiang

Registered Address

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou
Fujian
PRC

Headquarters/Principal Place of Business in the PRC

12/F, Former Finance Building
No. 361 Feng Ze Street
Quanzhou
Fujian
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

Stock Code

1577

Auditor

Ernest & Young
Certified Public Accountants

Legal Advisers to Our Company

Troutman Sanders *(as to Hong Kong laws)*
AllBright Law Offices *(as to PRC laws)*

Compliance Adviser

Changjiang Corporate Finance (HK) Limited

H Share Registrar

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

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
PRC

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

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

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

Chairman's Statement

The Company was listed on the Main Board of the Hong Kong Stock Exchange on 30 September 2016, marking a major milestone and new start for the Company.

Since its inception in 2010, the Company has conducted its business in compliance with national financial laws and regulations and local micro-credit regulations with gradually increased profitability, steadily enhanced anti-risk capacity and increasingly improved corporate governance and internal control systems. The Company is mainly committed to providing local individual entrepreneurs, SMEs and micro-enterprises with flexible short-term financial solutions to support their business development and solve their need for working capital. With the rapid growth of our business, we built a solid customer base, and we have been striving to deliver satisfactory returns to our investors.

Here I am pleased, on behalf of the Company's Board of Directors, to present to the Shareholders the Company's operating results in 2016.

As at 31 December 2016, our outstanding loans amounted to RMB817.6 million; for the year then ended, our net interest income amounted to RMB137.7 million, up 5.8% as compared to the same period of the previous year, and our net profit amounted to RMB85.5 million, up 13.6% as compared to the same period of the previous year.

In 2017, we will further optimize and streamline our main business processes to support our business growth. Meanwhile, we will conduct market research and internal discussions on service normalization to launch normalized credit granting products that meet market demand and further diversify our product mix and optimize our customer structure. We will further take advantage of the financial reform of Quanzhou City to provide financial service to more SMEs and help facilitate the financing of the real economy.

Quanzhou Huixin Micro-credit Co., Ltd.
ZHOU Yongwei
Chairman

24 March 2017

Industry Overview

Since the CBRC and the People's Bank of China (中國人民銀行) promulgated the *Guiding Opinions on the Pilot Operation of Microfinance Companies* (關於小額貸款公司試點的指導意見) in 2008, which first formalized the registration procedures for microfinance companies at the national level, China's microfinance industry has seen rapid expansion. In 2012, the State Council 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 National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou City as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises.

Competition within the microfinance industry in Fujian Province and Quanzhou City is increasingly intense. According to the Fujian Economic and Information Technology Commission, there were 119 registered microfinance companies in Fujian Province as of 31 December 2016, of which 32 were in Quanzhou City. The total registered capital of microfinance companies in Fujian Province amounted to RMB27.1 billion as of 31 December 2016, of which RMB8.5 billion was the total registered capital of microfinance companies in Quanzhou City, according to the Fujian Economic and Information Technology Commission. As of 31 December 2016, the average principal amount of outstanding loans per microfinance company amounted to RMB237.0 million in Fujian Province and RMB271.0 million in Quanzhou City.

Business Overview

Our loan business

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

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

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

Notes:

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

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

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

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

Notes:

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

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

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

Loan portfolio

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

Revolving loans and term loans

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

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

Loan portfolio by security

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

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

Maturity profile of loan portfolio

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

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

Note:

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

Past due loans

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

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

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

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

Loan portfolio by exposure size

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

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

Notes:

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

Compliance with key regulatory requirements

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

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian Province shall not be lower than RMB100 million.	The Company complied with such requirement for the year ended 31 December 2016.
With certain exceptions, the ratio of financing obtained from banking financial institutions to net capital for a microfinance company in Fujian Province is capped at 50%. In August 2015, in recognition of our sound and compliant operations since our incorporation, the Quanzhou Financial Affairs Bureau permitted us to obtain financing through two more sources other than financing through banking financial institutions, namely inter-company borrowings through Haixia Equity Exchange and issuing corporate bonds or other debt instruments. In addition, we were approved by Quanzhou Financial Affairs Bureau to raise our ratio of financing obtained from these three sources to our net capital up to 100%.	The Company complied with such requirement for the year ended 31 December 2016.
The interest rates charged by microfinance companies may not exceed the maximum loan interest rate specified by judicial departments, or lower than 0.9 times of the prevailing People's Bank of China benchmark lending rate, pursuant to the *Interim Measures of Fujian Province for the Administration of Microfinance Companies* (福建省小額貸款公司暫行管理辦法).	The Company complied with such applicable requirement for the year ended 31 December 2016.
The *Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) promulgated by the Supreme People's Court (最高人民法院) on 1 September 2015 provide that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.	

Key requirements	Compliance status
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	The Company complied with such requirement for the year ended 31 December 2016.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 5% of the net capital of such microfinance company.	The Company complied with such requirement for the year ended 31 December 2016.
Upon the Listing, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Despite the fact that we were not required to comply with the Amended 70% Requirement until after the Listing, the Company voluntarily adopted and implemented a series of internal control procedures as well as managed its loan portfolio since 1 July 2014 to be in accordance and in full compliance with the Amended 70% Requirement. The Company complied with the Amended 70% Requirement for the year ended 31 December 2016.

Financial Overview

Interest income, net

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

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

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

Note:

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

Interest income

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

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

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

Notes:

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

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

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

Interest expense

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

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

Notes:

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

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

Net charge of impairment allowance on loans receivable

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

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

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

Operating and administrative expenses

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

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

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

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

Other income and gains, net

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

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

Income tax expense

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

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

Net profit and total comprehensive income for the year

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

Liquidity and capital resources

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

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

Cash flows

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

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

Net cash flows (used in)/from operating activities

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

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

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

Net cash flows used in investing activities

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

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

Net cash flows from/(used in) financing activities

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

Cash management

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

Selected items of the statements of financial position

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

Cash and cash equivalents

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

Loans receivable

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

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

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

Notes:

(1) Performing loans are collectively assessed for impairment.

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

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

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

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

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

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

Other assets

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

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

Income tax payable

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

Other payables

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

Indebtedness

Interest-bearing bank borrowings

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

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

Contingent liabilities

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

Capital expenditures

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

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

Related party transactions

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

Commitment and contractual obligations

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

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

Capital commitments

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

Key financial ratios

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

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

Notes:

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

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

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

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

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

Off-balance sheet arrangements

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

Employment and Emoluments

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

Prospects

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

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

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

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

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

Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Zhou Yongwei (周永偉) (formerly known as Mr. Zhou Lianqi (周連期)), aged 54, has been the Chairman 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 29 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 Fujian Septwolves Clothing Industry Company Limited* (福建七匹狼制衣實業有限公司), 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 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 bauhinia 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 the People's Congress of Fujian Province* (福建省人民代表大會) for a term from January 2013 to January 2018, a member of the Standing Committee of the People's Congress of Jinjiang City (晉江市人民代表大會) for a term from December 2011 to December 2016, the vice president of the Federation of Industry and Commerce of Xiamen City* (廈門市工商業聯合會) for a term from December 2011 to December 2016, the vice chairman of Fujian Overseas Chinese Federation* (福建省僑聯) for a term from September 2012 to September 2017, and was elected as the first president of Oversea Chinese Businessmen Federation of Quanzhou City* (泉州市僑商聯合會) in December 2012.

Mr. Wu Zhirui (吳智鋭), aged 40, 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 16 years of experience in enterprise management. Prior to joining our Company, he worked as the branch representative of Zhengzhou branch of Xiahua Monitor System Co., Ltd.* (廈華顯示系統有限公司) (being principally engaged in selling colorful monitor), being a subsidiary of Xiamen Overseas Chinese Electronic Co., Ltd.* (廈門華僑電子股份有限公司), 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 devises 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 Guangzhou Zhenglue Junce Management Consultancy Company Limited* (廣州正略均策管理諮詢有限公司) 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 35, has been our executive Director, secretary to the Board and deputy general manager/ joint company secretary since 11 November 2013, 10 July 2014 and 3 September 2014, respectively. He resigned as a secretary to the Board in March 2017. He is primarily responsible for 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. Mr. Yan has approximately 13 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 Xiamen Xintaiyang Import and Export Trading Company Limited* (廈門新泰陽進出口貿易有限公司) (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 Dehua County People's Court* (德化縣人民法院) and he was responsible for assisting the judge and records keeping. Mr. Yan worked as a trainee lawyer and lawyer in Xiamen Jianchang Law Office* (廈門建昌律師事務所) 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. He resigned as a non-executive Director in March 2017. Mr. Wang has approximately 19 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 An'xi County Fu Qian Farm (安溪縣福前農場) 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 Bama Tea Company Limited* (八馬茶業股份有限公司) 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 Fujian Anxi Xiyuan Tourism Development Company Limited* (福建安溪溪源旅遊開發有限公司) 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 No. 8 Middle school of Fujian Anxi* (福建安溪八中) in the PRC from September 1980 to June 1983.

Ms. Liu Aiqing (**劉愛琴女士**), aged 40, has been our non-executive Director since 24 March 2017. She is primarily responsible for providing strategy advice to the business and operation of our Company. She has been the senior manager of the budget management department of Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司) since June 2015. She was a financial manager of Xiamen Septwolves Venture Capital Co., Ltd.* (廈門七匹狼創業投資有限公司) from September 2011 to June 2015. Ms. Liu worked as a remuneration and project accountant in Xiamen Broadcast and Television Group* (廈門廣播電視集團) from July 2008 to August 2011. From July 2000 to September 2004, she was employed by Xiamen Jinyang Harness Industry Company Limited* (廈門金洋馬具工業有限公司) and had served as a deputy general manager during the period.

Ms. Liu obtained a bachelor's degree in philosophy from Xiamen University, the PRC (廈門大學) in July 1999 and a master degree in management from Xiamen University, the PRC in June 2008. She obtained a certificate of intermediate level accountant qualification in August 2011.

Mr. Jiang Haiying (蔣海鷹), aged 41, 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 23 years of experience in enterprise management. Mr. Jiang worked as the business manager of Fujian Huian Haoda Construction Company Limited* (formerly known as Fujian Huian Haoda Stoning Company Limited*) (福建省惠安豪達建設有限公司) 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 the Young Entrepreneur Association of Quanzhou City* (泉州市青年企業家協會) and the Junior Chamber of Quanzhou City* (泉州市青年商會) since 2005. He also has been the vice president of the Stoning Trade Council of Huian County* (惠安縣石雕石材同業公會) since 2008. Since 2012, he has been served as a member of the Standing Committee of Huian County* (惠安縣常委會) and the vice president of the Stone Association of Fujian Province* (福建省石材行業協會). Mr. Jiang serves as a member of the People's Congress of Quanzhou City (泉州市人民代表大會) and an executive member of the Federation of Industry and Commerce of Quanzhou City* (泉州市工商業聯合會) since January 2017.

Mr. Zhu Jinsong (朱金松), aged 48, 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 16 years of experience in enterprise management. Mr. Zhu worked as the chief accountant and director of finance department of Xiamen Xiangyu Baoshui District Yincheng Information Technology Development Company Limited* (廈門象嶼保稅區銀城信息技術發展有限公司) (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 Xiamen Germany Food Co., Ltd* (廈門德大食品集團有限公司) 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 Xiamen Andersen Food Group Company Limited* (廈門安德魯森食品集團有限公司) 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 Minneng Group Co., Ltd.* (閩能集團有限公司) (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 China Union Engineering Co., Ltd* (中聯環有限公司) (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 Fujian Agricultural Institute, the PRC (福建農學院) (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.

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 Chinese Shipping Agency Company* (中國外輪代理公司) which was principally engaged in shipping agency and transportation agency. He was responsible for shipping agency. He worked as a clerk in Hong Kong Huamin Shipping company* (香港華閩船務公司) (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 Ju Heng Xing Company* (聚恒興公司) which was principally engaged in clothing production and exporting. He was responsible for daily operation management. He worked as the general manager in Hing Chung Group (Hong Kong) Limited* (興祥實業(香港)公司) (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 Hing Chung Group (International) Limited* (興祥集團(國際)有限公司) (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 China Social Workers Building Construction Limited* (中國社工大廈建設有限公司). 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 Hainan Xinjiyuan Real Estate Development Co., Ltd* (海南新紀元房地產開發有限公司), 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 Shanghai Maritime University, the PRC (上海海運學院) (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 40, 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 Xiamen Tianjian Huatian Accounting Firm* (廈門天健華天會計師事務所), Tianjian Huazheng Zhongzhou (Beijing) Accounting Firm (Xiamen Branch)* (天健華証中洲(北京)會計師事務所(廈門分所)), Tianjian Guanghua Accounting Firm (Xiamen Branch)* (天健光華會計師事務所(廈門分所)) and Tianjian Zhengxin Accounting Firm* (Xiamen Branch)* (天健正信會計師事務所(廈門分所)) respectively from December 1999 to May 2012, and the partner of Grant Thornton Accounting Firm (Xiamen Branch)* (致同會計師事務所(廈門分所)) from June 2012 until now.

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 40, 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.

Supervisors

Ms. Hong Lijun (洪麗君), aged 30, 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 an client manager of the Quanzhou Tian'an Road sales office of Haitong Securities Co., Ltd.* (海通證券股份有限公司), 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.

Mr. Li completed his four-year study in art design from Zhejiang University (浙江大學) in July 2011.

Mr. Ng Seng Chuan (黃成泉), aged 60, 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. Since 12 May 2016, Mr. Ng has been served as a director of Xing Ying Investments Hong Kong Limited* (興英投資香港有限公司).

Mr. Ng graduated from Singapore Chung Cheng High School in December 1972.

Ms. Ruan Cen (阮岑), aged 36, 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 Quanzhou Qingyi Importing and Exporting (Group) Co., Ltd.* (泉州輕藝工藝進出口(集團)公司) (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 Quanzhou Qingyi Co., Ltd.* (泉州輕藝股份有限公司) (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.

Mr. Wang Shijie (王世傑), aged 29, 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 Liweisi (Fujian) Sports Products Limited* (李惟斯(福建)體育用品有限公司) from September 2013 to June 2014. He worked as a legal executive of Qibu (China) Company Limited* (起步(中國)有限公司) 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 Zhangzhou Normal College* (漳州師範學院)) 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 Xiamen Xinhua Borui Productivity Development Company Limited* (廈門新華博瑞生產力發展有限公司). He worked as a trainee lawyer and lawyer in Fujian Jianchang Law Office* (福建建昌律師事務所) from May 2002 to October 2011. From November 2011 to January 2017, he worked as a lawyer of the Yingke (Xiamen) Law Firm* (北京盈科(廈門)律師事務所). Since January 2017, he has been a lawyer of Shanghai Co-effort (Xiamen) Law Firm* (上海協力(廈門)律師事務所). 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 39, has been an independent Supervisor since 15 December 2015. Mr. Wu worked as a marketing engineer in China Unicom Zhangzhou Branch* (中國聯通漳州分公司) from July 2001 to September 2003. From October 2005 to December 2009, he worked as the project investment director in Xiamen International Trade Corporation* (廈門國貿集團股份有限公司). He was the general manager assistant of Xiamen Chuangyi Venture Investment Company Limited* (廈門創翼創業投資有限公司) from December 2009 to September 2015. Since October 2015, he worked as the senior manager of New Times Securities Co., Ltd* (新時代證券股份有限公司).

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.

Senior Management

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 45, 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 Beijing Chunxue Accounting Services Co., Ltd* (北京春雪會計服務公司) 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 Quanzhou Shilaixin Commerce Chain Co., Ltd* (泉州史萊辛格商貿連鎖有限公司) 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 Quanzhou Huijin Real Estate Development Co., Ltd* (泉州匯金置業有限公司) (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.

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 46, has joined our Company as our risk management controller since 1 January 2011. Mr. Zhang resigned in February 2017. Prior to joining our Company, he worked as an engineer of Fujian Nanping Aluminum Factory* (福建南平鋁廠) (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 Fujian Ruimin Aluminum Plate Co., Ltd* (福建瑞閩鋁板帶有限公司) 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 Fujian Zhongmei Law Firm* (福建中美律師事務所) 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 Wuhan Steel College, the PRC (武漢鋼鐵學院) (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.

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance and protecting the interests of its Shareholders in an open manner. The Board and the management of the Company has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code and Corporated Governance Report (the "**CG Code**") set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. As the H Shares were not listed on the Stock Exchange until 30 September 2016, the Code Provisions were not applicable to the Company for the period from 1 January 2016 up to (and excluding) the Listing Date. Throughout the period from the Listing Date to the date of this annual report, the Company has fully complied with the Code Provisions.

Composition of the Board of Directors

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established three Board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), and the nomination committee (the "**Nomination Committee**") (each a "**Board Committee**" and collectively the "**Board Committees**"), to oversee different areas of the Company's affairs.

As of 31 December 2016, the Board comprised three executive Directors, namely Mr. Zhou Yongwei, Mr. Wu Zhirui and Mr. Yan Zhijiang, three non-executive Director, namely, Mr. Wang Wenbin (resigned in March 2017), Mr. Jiang Haiying and Mr. Zhu Jinsong, and three independent non-executive Directors, namely, Mr. Cai Yi, Mr. Zhang Lihe and Mr. Wang Yiming.

Their biographical details are set out in the section headed "Directors, Supervisors and Senior Management" on pages 23 of this annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors are available on the websites of the Stock Exchange and the Company.

There is no financial, business, family or other material or relevant relationships among members of the Board and members of the senior management of the Company.

Duties of the Board of Directors and the Senior Management

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 for the issue of bonds; preparing plans for merger, division or dissolution of the Company; hiring or dismissing the general manager, the secretary of the Board, the vice general manager and other senior management, and deciding their remuneration; preparing the plan to amend the Articles of Association and exercising other power, functions and duties as conferred by the Articles of Association.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Company, and the training and continuous professional development of Directors and senior management of the Company. The Board also reviews the disclosures in the Company's Corporate Governance Report to ensure compliance.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Company's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

All Board members have separate and independent access to the Company's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Company's expense upon their request.

The major duties of the senior management are formulating and implementing our corporate governance measures and risk management and financial management and supervising daily operations of the Company.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

During the year, the Board held 4 meetings to develop, review and monitor the policies and practices on corporate governance and legal and regulatory compliance of the Company. The senior management supervised the daily operations of the Company, identified and reported the potential risks to the Board.

Directors' Continuous Training and Professional Development

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Company. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Company and that he is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

In December 2016, the Company, together with its legal advisers, organized specialized training sessions in relation to the continuing obligations of Hong Kong listed companies and Directors' duties for each of the Directors. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in continuous professional development and provided a record of training they received for the period since the Listing Date.

A summary of training received by the Directors for the year ended 31 December 2016 is as follows:

Name of Directors	Type of training In-house training dated 29 January 2016	Reading materials regarding new rules and regulations
Executive Directors		
Zhou Yongwei	✓	✓
Wu Zhirui	✓	✓
Yan Zhijiang	✓	✓
Non-executive Directors		
Wang Wenbin (resigned in March 2017)	✓	✓
Jiang Haiying	✓	✓
Zhu Jinsong	✓	✓
Independent non-executive Directors		
Cai Yi	✓	✓
Zhang Lihe	✓	✓
Wang Yiming	✓	✓

Chairman and Chief Executive Officer

Mr. Zhou Yongwei is the Chairman responsible for planning the Company's strategies, developing the overall business and managing the Company, providing leadership for the Board, ensuring that Board works effectively and act in the best interest of the Company and all Shareholders. The Chairman is also responsible for ensuring good corporate governance practices.

Mr. Wu Zhirui, as the general manger of the Company, is in charge of formulating and implementing our corporate strategies, overseeing our overall business development, implementing operation plans and participating in the day-to-day management.

Directors' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Independence of Independent Non-executive Directors

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Company to protect the overall interests of the Shareholders and the Company. They serve actively on the Board and Board Committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing one-third of the Board. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all of the independent non-executive Directors are independent under these independence criteria and are capable of effectively exercising independent judgement.

Board Committees

The Board is supported by a number of committees, including the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are respectively available on the websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The Audit Committee consists of three members, namely Mr. Zhang Lihe (independent non-executive Director), Mr. Zhu Jinsong (non-executive Director) and Mr. Wang Yiming (independent non-executive Director). Mr. Zhang Lihe currently serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise our financial reporting process, risk management and internal control systems, nominate and monitor external auditors and to provide advice and comments to the Board.

Pursuant to the meeting of the Audit Committee on 23 March 2017, the Audit Committee has reviewed the financial statements of the Company for the year ended 31 December 2016, including the accounting principles and practices adopted by the Company, report prepared by the external auditors covering major findings in the course of the audit, selection and appointment of the external auditors and the Company's risk management and internal control procedures and systems.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Yiming (independent non-executive Director), Mr. Cai Yi (independent non-executive Director) and Mr. Wu Zhirui (executive Director). Mr. Wang Yiming currently serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to evaluate the performance, make recommendations on the remuneration of our senior management, executive Directors and non-executive Directors to members of the Board, review and approve compensation payable to executive directors and management for any loss or termination of office, and also review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct.

The major objective of our remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to review and determine the level of remuneration and compensation packages (including incentive plans) of the Directors, Supervisors and senior management, the Remuneration Committee will make reference to, among other things, the level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors, Supervisors and senior management and the performance of the Company. No Director takes part in any discussion on his/her own remuneration.

Pursuant to the meeting of the Remuneration Committee on 24 March 2017, the Remuneration Committee has reviewed: (i) the remuneration policy and structure relating to the Directors, Supervisors and senior management of the Company; and (ii) the service contract with Ms. Liu Aiqin.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Zhou Yongwei (executive Director), Mr. Cai Yi (independent non-executive Director) and Mr. Zhang Lihe (independent non-executive Director). Mr. Zhou Yongwei currently serves as the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to assess the independence of independent non-executive Directors, make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management and recommend to the Board on the appointment or re-appointment of Directors.

Pursuant to the meeting of the Nomination Committee on 24 March 2017, the Nomination Committee has: (i) reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors; and (ii) made recommendations to the Board on the appointment of Ms. Liu Aiqin as non-executive Director.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and the disclosures in this Corporate Governance Report.

Attendance Record of Directors and Supervisors

The attendance record of each of (i) the Directors at the Board and Board Committee meetings and the general meeting of the Company; and (ii) the Supervisors at the meeting of Supervisory Committee held during the year ended 31 December 2016 is set out in the table below. The Directors did not authorise any alternate Director to attend Board or Board Committee meetings.

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Zhou Yongwei	4/4	1/1	N/A	N/A
Wu Zhirui	4/4	N/A	1/1	N/A
Yan Zhijiang	4/4	N/A	N/A	N/A
Wang Wenbin (resigned in March 2017)	4/4	N/A	N/A	N/A
Jiang Haiying	4/4	N/A	N/A	N/A
Zhu Jinsong	4/4	N/A	N/A	1/1
Cai Yi	4/4	1/1	1/1	N/A
Zhang Lihe	4/4	1/1	N/A	1/1
Wang Yiming	4/4	N/A	1/1	1/1

	Attendance/Number of Meetings	
Name of Supervisors	**5 February 2016**	**6 September 2016**
Hong Lijun	1/1	1/1
Li Jiancheng	1/1	1/1
Ng Seng Chuan	1/1	1/1
Ruan Cen	1/1	1/1
Wang Shijie	N/A	1/1
Chen Jinzhu	1/1	1/1
Wu Lindi	1/1	1/1
Ng Hong Hung (resigned in February 2016)	1/1	N/A
Fang Qichao (resigned in March 2016)	1/1	N/A

Board Proceedings

Pursuant to the Articles of Association, the Board is required to hold at least two Board meetings each year, to be convened and hosted by the Chairman. In compliance with code provision A.1.3 of CG Code, a notice of at least fourteen days shall be dispatched for a regular Board meeting. The notice shall state the time and venue by which the Board meeting will be convened.

The quorum for a Board meeting is the presence of more than half of the total number of Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the documents and records of Board meetings.

During the year ended 31 December 2016, there were 4 Board meetings held and all Directors attended the meetings that they were required to attend.

General Meetings

During the year ended 31 December 2016, the Company convened 3 general meetings of the Company held on 25 January 2016, 21 March 2016 and 30 August 2016, respectively. All Directors attended the meetings that they were required to attend.

Board Diversity Policy

The Board adopted a board diversity policy (the "**Board Diversity Policy**") on 6 September 2016 in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard to the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates could bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

Supervisory Committee

The Supervisory Committee consists of seven Supervisors, comprising two representatives of Shareholders, namely Mr. Li Jiancheng and Mr. Ng Seng Chuan; three representatives of employees, namely Ms. Hong Lijun (the chairman of the Supervisory Committee), Ms. Ruan Cen, Mr. Wang Shijie and two independent Supervisors, namely Mr. Chen Jinzhu and Mr. Wu Lindi. Except for the employee representative Supervisors 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, but not limited to: 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.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company and each service contract is for a term of three years. Directors and Supervisors shall be elected by our Shareholders at the Shareholders' general meeting with a term of three years. Each independent Director can be extended upon re-election.

Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and/or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Updated on Directors' and Supervisors' Information

Saved as disclosed in this report, there was no other changes in Directors and Supervisors of the Company during the reporting period. Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out below:

- Mr. Wang Wenbin resigned as a non-executive Director due to his personal commitment on other business in March 2017.
- Ms. Liu Aiqin was appointed by the Board as a non-executive Director in March 2017.
- Mr. Yan Zhijiang resigned as a secretary to the Board in March 2017.
- Mr. Fang Qichao resigned as Supervisor in March 2016.
- Mr. Ng Hong Hung resigned as Supervisor in February 2016.

Model Code for Securities Transactions

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

Joint Company Secretaries

Mr. Yan Zhijiang is one of the joint company secretaries. He is an executive Director. Ms. Ng Ka Man, an assistant vice president of the Listing Department of TMF Hong Kong Limited, the external service provider, is our joint company secretary. Mr. Yan Zhijiang, an executive Director, is her primary contact person of the Company. Both Mr. Yan and Ms. Ng, as the joint company secretaries, have complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Responsibilities of Financial Reporting

The Board acknowledges its responsibility to prepare the Company's financial statements which give a true and fair view of the Company's state of affairs, results and cash flows for the year in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. To the best knowledge of the Directors, there are no material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as a going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

External Auditor

Ernst & Young has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of these audit and non-audit services performed by Ernst & Young and considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2016, the Company paid Ernest & Young a total fee of RMB875,000 (tax inclusive) for audit services and HK$11,500 for non-audit service in connection with profit tax declaration in Hong Kong.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year under review.

Communication with Shareholders

The Company aims to, via its corporate governance structure, provide all Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. The Company convenes the Shareholders' general meetings in compliance with the relevant rules and Shareholders' communication policy which was adopted by the Company on 25 January 2016 and highly values the opinions, suggestions and concerns of the Shareholders. Directors, Supervisors and senior management of the Company will attend the meetings.

Shareholders' Rights

Under the Company's Articles of Association, the Shareholders enjoy, among others, the following rights:

- **Participation at general meetings**

  The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings.

- **Enquires and proposals to the Board**

  The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the company secretary of the Company at its principal place of business in Hong Kong at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

- **Convening extraordinary general meetings**

  Pursuant to the Articles of Association, the Board shall convene an extraordinary general meeting within two months when Shareholder(s) individually or collectively holding 10% or more of the outstanding Shares of our Company carrying voting rights request so in writing. The Board shall convene an extraordinary general meeting or class Shareholders' meeting as soon as practicably upon receipt of the foresaid written request. The aforesaid number of Shareholding shall be calculated as of the date of the submission of the written request by the Shareholder(s). A Shareholder's general meeting shall be convened in accordance with the Articles of Association.

- **Procedures for putting forward proposals at a general meeting**

  In overseeing and monitoring the business operation of the Company, the Shareholders have the right to put forward proposals and raise inquiries. Shareholders holding 5% or more of the Company's voting shares have the right to put up ad hoc proposals in writing to the Company, and the Company shall include such ad hoc proposals into the agenda for such general meeting if they are matters falling within the functions and powers of general meeting.

Constitutional Documents

Pursuant to the resolutions of the Shareholders passed on 25 January 2016, the Articles of Association were adopted with effect from the Listing Date. Save as disclosed above, no change was made to the Articles of Association during the year ended 31 December 2016.

The Articles of Association are available on the websites of the Stock Exchange and the Company.

Investor Relations

During the year ended 31 December 2016, the Company has maintained corporate transparency and communications with the Shareholders and the investment community through timely distribution of announcements and/or other publications and well-organized meetings and visits to enhance understanding by investors. The Company's website provides an effective communication platform to keep the market abreast of the latest developments.

Risk Management and Internal Control

During the year ended 31 December 2016, the Board complied with the Code Provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Company. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. In addition to the Board's oversight responsibilities, the Company has developed a risk management process to identify, evaluate and manage significant risks and to resolve material internal control defects (if any). Senior management of the Company is responsible for the annual risk reporting process. Manager of the risk management department meets with members of the senior management to review and assess risks and discuss solutions to address material internal control defects (if any), including any changes relevant to a given year. The risk assessment is reviewed by certain members of the senior management of the Company. Senior management of the Company monitors risks and takes measures to mitigate risks in day-to-day operations and presents the results of risk assessment to the Audit Committee and the Board for their review.

As a microfinance company, 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. 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 Company has 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 operational procedures and internal control system, and utilizing 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 senior managers with the owner or management of the customers;
- implementing a performance-based compensation scheme for employees;
- establishing procedures for business manager in charge to rotate among revolving loans projects annually; and
- providing employees with professional training, especially to those who are responsible for assessment and approval process.

The Company is fully aware of its obligations under Chapter 13 of the Listing Rules and the SFO and the overriding principle that inside information of the Company should be announced immediately. Stringent internal structures have been designed for the handling and dissemination of inside information. The Company reviews from time to time its internal policies and guidelines on inside information or potentially price sensitive information with reference to its own and industry circumstances and the Guide on Disclosure of Inside Information issued by the SFO. The Company's policy contains a strict prohibition on unauthorised use of confidential or inside information and has established and implemented procedures for responding to external enquiries about the Company's affairs.

From the Listing Date to 31 December 2016, the Company followed the rules and procedures on regulating the disciplines and actions of all employees in external media communications and designated key spokespersons of the Company in all external media communications. The purpose of streamlining the communications of the Company with the media is to regulate all media communication activities, protect the interests of the Company and keep inside information strictly confidential prior to its disclosure. The Board has overseen the Company's risk management and internal control systems on an ongoing basis. The Board has reviewed the risk management and internal control systems of the Company annually. The systems are considered to be effective and adequate in reducing the exposure to the carious quantifiable risks inherent in our operations. For details of the key risks and uncertainties facing the Company, please refer to sub-section headed "Key Risk Factors" set out in the section of "Report of the Directors" of this annual report. The Company does not have in place an independent internal audit function as the Board is of the view that the appointment is not imminent under current circumstances, taking into account the current structure and scope of the Company's operations.

The report is the first report on environment, society and governance by Quanzhou Huixin Micro-credit Co., Ltd. (the "**Company**") (Stock Code: 1577). This report was prepared primarily according to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. This report covers the work in the financial year ended 31 December 2016, which aims to introduce to the Shareholders of the Company the work on the aspects of the environment, society and governance. Please also refer to the Corporate Governance Report in this annual report for details of corporate governance of the Company.

Environment

The Company respects the environment and is committed to minimizing its carbon footprints as a socially responsible enterprise. Carbon footprint is defined as the total amount of direct and indirect emission of green house gases expressed in terms of the equivalent amount of carbon dioxide emission. Non-hazardous wastes produces from the Company mainly consist of used paper such as office papers and marketing materials, and use of vehicles in ordinary business. To minimize the impact of carbon footprint on the environment, the Company implements the following practices to use paper efficiently:

- Duplex printing is set as the default mode for the most of the network printers;
- Employees are reminded to practice photocopying wisely;
- Employees are encourages to use both sides of paper;
- Paper waste is recycled instead of being directly disposed in landfills;
- Paper is separated from other waste for easier recycling; and
- Boxes and trays are placed beside photocopiers as containers to collect single-sided paper for reuse purpose.

Electricity consumption is identified as having an adverse impact on the environment and natural resources. A typical commercial building uses more energy for lighting than for other electric equipment. The Company is determined to reduce energy consumption and implement conservation practices to reduce the effect of carbon footprint. Air conditioning and light zone arrangements reduce unnecessary electricity usage; employees enforce good practices in maintenance of lighting and electric equipment to ensure they are kept in good and proper condition to maximize efficiency.

Social and Governance

Employment and labor

As of 31 December 2016, the Company had 32 employees, all of which were based in Quanzhou City. The management of the Company values its employees and promotes a transparent appraisal system for all of them who are seeking career advancement across different business departments. The employees' remuneration, including base salary and performance-based compensation, depend primarily on the type of work, position, capabilities and performance. The Company strictly complies with the *Labor Law of the PRC* (中華人民共和國勞動法), the *Labor Contract Law of the PRC* (中華人民共和國勞動合同法), the *Protection of Minors Law of the PRC* (中華人民共和國未成年人保護法), *Special Provisions on the Labor Protection of Female Employees* (女職工勞動保護特別規定) and other laws and regulations, conforms to the national and regional regulations in recruitment and staff administration, treats all staff fairly and equally, applies no discrimination policy and never refuses to recruit infectious pathogen carriers out of their sickness. Before the establishment of employment relationships, we strictly implement the employee screen procedures to avoid hiring minors (child labor).

The Company upholds the genders equality principle and employs women employees who take up about 41% of the total number of staff. The Company treats employees equally and has never influenced their recruitment, treatment, promotion, etc. because of their nation, race, nationality, religion, age, sexual orientation, political party, marital status and other social identities.

The Company has strictly complying with national and regional laws and regulations during recruitment activity, equally treating each candidate and has never influenced his/her employment due to his/her nation, race, nationality, gender, religious belief, age, sex orientation, political party, marital status and other social identities. The establishment of labor relations has all been based on legality, fairness and equal negotiation.

When terminating labor relations, the Company has strictly executing related national and local regulations. For resignation requested by employees, the Company negotiates with employees and respects their decision, and proceeds with labor contract, labor contract termination upon negotiation, dismission and other procedures in accordance with regulations. For discharge resulting from employee violating laws, regulations and discipline, the Company implements the discharge within the scope allowed by laws and regulations.

Training and development

Employees of the Company regularly receive professional trainings covering various subjects, including PRC macroeconomic and market conditions, analysis of the Company's strategies and microfinance industry, financial management and sales management, financing and accounting and relevant laws and regulations. During the year ended 31 December 2016, employees of the Company had received 12 professional trainings. Our performance-driven and motivated corporate culture offers our employees opportunities for career development.

Health and safety

The Company maintains mandatory social insurance policies for its employees as required by the PRC social security laws and regulations and the Company makes contributions to mandatory social insurance and has purchased certain personal health and accident insurance for its employees. During the year ended 31 December 2016, there was no work-related death or workrelated injury of staff at the workplace.

According to requirements of national and regional governments, the Company practices a working hour system of no more than 8 working hours every day and no more than 40 hours every week. Meanwhile, based on the principle of staff worklife balance, we safeguard their reasonable holiday rights and interests and provide them with all kinds of vocations and holidays: public off-days, statutory holidays, annual leave, marital leave, maternity leave and paternity leave, nursing leave, funeral leave, sick leave, absence leave, work-related injury leave, etc.

Anti-Corruption and Anti-Money Laundering

The Company values credibility and integrity and prohibits any form of corruption or malpractice, such as bribery, money laundering, extortion and fraud. The Company believes that strong ethical conduct is essential in building a sustainable business and gaining the trust from our employees, customers and other business partners.

Binding terms have been included in their respective employment or service contracts to ensure that directors and employees act in accordance with the Company's requirements on anti-corruption. Under no circumstances are they permitted to use inside information for their own private gains. At the same time, the Company have been consistently improving its internal control system in order to prevent corruption and fraud.

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. The Company is not subject to any laws or regulations relating to anti-money laundering except for Circular 137 as of 31 December 2016, since such law and regulations do not specifically require any micro-credit company to meet the compulsory requirements in respect of anti-money laundering monitoring and reporting activities applicable to financial institutions, or special non-financial institutions, and the scope of such institutions does not refer to micro-credit companies. The Company has fully complied with Circular 137 as of 31 December 2016. As part of the due diligence process and assessment and approval procedures, the Company has established certain standard procedures to ensure its customers have a genuine business and ascertainable needs for financing as well as verifiable source of funds for repayments. In addition, the Company ensures its loans are deposited to the bank accounts specified in the loan agreement, and uses commercial banks as an intermediary for settlement and payment, which may, to a certain extent, reduces money laundering risks.

Report of the Directors

The Directors are pleased to present the annual report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal Place of Business

The Company was incorporated in the PRC on 8 January 2010. Its principal place of business is in the PRC and its registered office is at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, the PRC. Its principal place of business in Hong Kong is at 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

Principal Activities

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.

Business Review

A review of the Company's business as of 31 December 2016 and a discussion on the Company's future business development are set out in the sections of "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Certain financial key performance indicators are provided in the section of "Financial Summary" of this annual report.

Important events affecting the Company are provided in the subsection of "Events after the reporting period" of this Report of the Directors.

Environment, Social and Governance

The Company strictly complies with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules, whereby the Company is committed to incorporating the sustainable development principle into its corporate development strategies and daily operation and management and acting as responsible corporate citizen. For details, please refer to the "Environmental, Social and Governance Report" in this annual report.

Company's Compliance with Relevant Laws and Regulations

The Company is able to comply with relevant requirements of laws, regulations, rules and provisions of the Companies Ordinance, the Listing Rules and SFO in Hong Kong, the *Company Law of the PRC* (中華人民共和國公司法), the *Guiding Opinions on the Pilot Operation of Microfinance Companies* (關於小額貸款公司試點的指導意見) and the *Interim Measures of Fujian Province for the Administration of Microfinance Companies* (福建小額貸款公司暫行管理辦法) in PRC. For details, please refer to the sub-section headed "Compliance with key regulatory requirements" set out in section headed "Management Discussion and Analysis" of this annual report.

Key Risk Factors

The key risks and uncertainties facing the Company are set out below:

Risks relating to our business

The Company operates in a highly regulated industry that is subject to continually evolving laws, regulations and policies, and the Company may be required to make significant changes to its operations from time to time in order to comply with changes in these laws, regulations and policies. 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 the Company. If the Company does not respond to the changes in a timely manner or fail to fully comply with the applicable laws and regulations, its financial condition, results of operations and business prospects could be adversely affected.

The Company mainly relies on the creditworthiness of its customers and/or their guarantors, rather than on collateral, which may limit its ability recover payments, from defaulting customers. If a customer defaults on a credit loan, which is a loan that is neither secured by collateral nor backed by any guarantee, the Company's only option is to go after the customer for collection. However, a 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 his business, and the local economy of the regions where he 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, the Company may suffer losses. If a customer defaults on a guaranteed loan, he may demand the customer and the guarantors to repay the principal of the loan and any interest accrued. However, in the event that the Company is 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, the Company's financial condition and results of operations may be materially adversely affected.

The sustainability of the Company's business and future growth depends largely on its ability to effectively manage the credit risk of its loans and maintain a low impaired loan ratio. Any deterioration in its loan portfolio quality and increase in the impaired loan ratio could materially adversely affect its results of operations. If the Company fail to effectively manage credit risk of its loans and maintain a low impaired loan ratio, its business, financial condition and results of operations may be adversely affected.

The Company's 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 its financial condition and results of operations.

Risks relating to employees and senior managements

The Company may be exposed to fraud or other misconduct committed by its employees, customers or other third parties. Although the Company has established risk management and internal control systems to monitor its operations and overall compliance, the Company can give no assurance that it 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 the Company takes to prevent and detect such activities may not be effective, which could lead it to suffer financial losses as well as reputational damage.

The Company's inability to attract, retain or secure key management and qualified personnel for its operations could hinder its continuing growth and success. Competition for experienced management and other qualified personnel is intense among microfinance companies and financial services providers, and there can be no assurance that the Company will be able to continue to attract and retain the qualified employees essential for its growth. Under such circumstances, if the Company is unable to recruit and retain replacement personnel with equivalent qualifications in time or at all, its growth and business prospects could be adversely affected.

The Company's normal course of business is also exposed to a variety of key risks including credit risk, foreign currency risk, interest rate risk, price risk and liquidity risk. Details of the aforesaid risks are set out in note 28 to the Financial Statements of this annual report.

Major Customers and Suppliers

Interest income from our top five customers combined accounted for less than 30% of our total interest income for the year ended 31 December 2016.

During the year ended 31 December 2016, all of our top five customers were Independent Third Parties and none of our Directors, their close associates or our 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.

As a micro-finance company, the Company does not have any supplier.

Financial Summary

A summary of the results and of the assets and liabilities of the Company are set out in the section of "Financial Summary" of this annual report. This summary does not form part of the audited financial statements.

Financial Statements

The profits of the Company for the year ended 31 December 2016 and the state of the Company's affairs as at that date are set out in the section of "Financial Statements" of this annual report.

A discussion and analysis of the Company's performance during the year and material factors underlying its results and financial position are set out in the section of "Management Discussion and Analysis" of this annual report.

Reserves

Details of movements in reserves of the Company during the year are set out in the section of "Statement of Changes in Equity" of this annual report, of which details of reserves available for distribution to Shareholders are set out in note 22 to the "Financial Statements" of this annual report.

Dividend

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

Closure Of Register Of Members

In order to ascertain Shareholder's entitlement to attend and vote at the AGM, the H Share register of members of the Company will be closed from Friday, 12 May 2017 to Monday, 12 June 2017, both days inclusive, during which period no share transfers will be registered. In order to qualify for attending and voting at the AGM, holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, or to the Company's registered office in the PRC at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, PRC, for registration no later than 4:30 p.m. on Thursday, 11 May 2017.

The payment of the proposed final dividend is subject to the approval of the Shareholders at the AGM. For the purpose of determining the entitlement to the proposed final dividend, the H Share register of members of the Company will be closed from Tuesday, 20 June 2017 to Monday, 26 June 2017 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. In order to be entitled to the proposed final dividend, unregistered holders of H Shares of the Company should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Monday, 19 June 2017.

Bank Borrowings and Other Borrowings

As of 31 December 2016, the Company had no bank borrowings and other borrowings.

Share Capital

Details of movements in the share capital of the Company during the year are set out in the section of "Statement of Changes in Equity" of this annual report.

Global Offering

The H Shares of the Company became listed on the Main Board of the Stock Exchange on 30 September 2016. The Company issued 18,000,000 H Shares at price of HK$1.68 each in respect of Global Offering. Net proceeds from the global offering amounted to approximately HK$271.3 million (after deducting underwriting commissions, the incentive fees and other estimated expenses in connection with the global offering), which are intended to be applied in the manner as disclosed in the Company's prospectus dated 19 September 2016.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rules as at the date of this annual report.

Pre-Emptive Rights

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Equity-Linked Agreements

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

Directors and Supervisors

The following table sets forth information concerning the Directors and Supervisors:

Directors

Name	Age	Position	Appointment Date
Mr. Zhou Yongwei (周永偉)	54	Chairman and executive Director	8 January 2010
Mr. Wu Zhirui (吳智銳)	40	Executive Director	20 November 2012
Mr. Yan Zhijiang (顏志江)	35	Executive Director	11 November 2013
Mr. Wang Wenbin (王文彬)	49	Non-executive Director	8 January 2010 (resigned in March 2017 due to his personal commitments on other business)
Ms. Liu Aiqin (劉愛琴)	40	Non-executive Director	24 March 2017
Mr. Jiang Haiying (蔣海鷹)	41	Non-executive Director	12 June 2015
Mr. Zhu Jinsong (朱金松)	48	Non-executive Director	10 July 2014
Mr. Cai Yi (蔡毅)	56	Independent Non-executive Director	10 July 2014
Mr. Zhang Lihe (張立賀)	40	Independent Non-executive Director	10 July 2014
Mr. Wang Yiming (王藝明)	40	Independent Non-executive Director	10 July 2014

Supervisors

Name	Age	Position	Appointment Date
Ms. Hong Lijun (洪麗君)	30	Chairperson of the Supervisory Committee and employee representative Supervisor	10 July 2014
Mr. Li Jiancheng (李建成)	29	Shareholder representative Supervisor	4 February 2016
Mr. Ng Seng Chuan (黃成泉)	60	Shareholder representative Supervisor	10 July 2014
Ms. Ruan Cen (阮岑)	36	Employee representative Supervisor	10 July 2014
Mr. Wang Shijie (王世傑)	29	Employee representative Supervisor	16 March 2016
Mr. Chen Jinzhu (陳金助)	40	Independent Supervisor	15 December 2015
Mr. Wu Lindi (吳麟弟)	39	Independent Supervisor	15 December 2015
Mr. Ng Hong Hung (吳杭雄)	33	Shareholder representative Supervisor	10 July 2014 (resigned in February 2016)
Mr. Fang Qichao (方祺超)	39	Employee representative Supervisor	15 September 2015 (resigned in March 2016)

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

Biographies of Directors, Supervisors and Senior Management

Biographical details of Directors, Supervisors and senior management of the Company are set out in the section of "Directors, Supervisors and Senior Management" of this annual report.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company and each service contract is for a term of three years. Save as disclosed above, the Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors and/or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Indemnity of Directors

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

Remuneration of Directors, Supervisors and Senior Management

Details of the remuneration of the Directors and Supervisors are set out in note 8 to the "Financial Statements" of this annual report. The emolument to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board, having regard to their performance, the Company's operating results and comparable market statistics.

Remuneration paid to each of the two members of the senior management of the Company (except for three executive Directors) for the year ended 31 December 2016 is less than RMB500,000.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2016.

Directors', Supervisors' and Chief Executives' Interests in Securities

As of 31 December 2016, the interests or short positions of the Directors, Supervisors and the chief executive in the Company's shares, underlying shares and debentures of the associated corporations of the Company, within the meaning of Part XV of the SFO which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name	Position	Nature of interest	Number of shares(1)	Percentage in the relevant class of share capital(2)	Percentage in the total issued share capital(3)
Mr. Zhou Yongwei	Chairman and executive Director	Interest in controlled corporation(4)	129,550,000 Domestic Shares (L)	25.91%	19.05%
Mr. Wang Wenbin	Non-executive Director	Interest in controlled corporation(5)	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Jiang Haiying	Non-executive Director	Interest in controlled corporation(6) & (7)	50,000,000 Domestic Shares (L)	10.00%	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 as of 31 December 2016.

(3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 31 December 2016.

(4) Fujian Septwolves Group is directly interested in approximately 19.05% of the issued share capital in the Company as of 31 December 2016. The disclosed interest represents the interest in the Company held by Fujian Septwolves Group which is in turn approximately 37.82% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong and approximately 31.09% owned by Mr. Zhou Shaoming. Mr. Zhou Yongwei controls more than one-third of the voting rights of Fujian Septwolves Group and is deemed to be interested in its interest in the Company by virtue of the SFO.

(5) Fujian Xiyuan is directly interested in approximately 7.35% of the issued share capital in our Company. 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 is directly interested in approximately 7.35% of the issued share capital in our Company. The disclosed interest represents the interest in the Company held by Quanzhou Haoxiang which is in turn approximately 61.08% owned by Fujiang 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.

Interests and Short Positions of Substantial Shareholders

As at 31 December 2016, the persons or corporations who had an interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholders	Nature of interest	Number of shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Fujian Septwolves Group[4]	Beneficial owner	129,550,000 Domestic Shares (L)	25.91%	19.05%
Ms. Chen Pengling[5]	Interest of spouse	129,550,000 Domestic Shares (L)	25.91%	19.05%
Fujian Xiyuan[6]	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Wang Wenli[7]	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Jinjiang Henglong[8]	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Zeng Jiayi[9]	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Quanzhou Haoxiang[10]	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Fujian Haoxiang Gardening[11]	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Xiamen Gaoxinhong[12]	Beneficial owner	41,460,000 Domestic Shares (L)	8.29%	6.10%

Shareholders	Nature of interest	Number of shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Xiamen Sifang[13]	Interest in controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.10%
Ms. Zhou Zehui[14]	Interest in controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.10%
Quanzhou Anping[15]	Beneficial owner	40,000,000 Domestic Shares (L)	8.00%	5.88%
Sand Beach[16]	Interest in controlled corporation	40,000,000 Domestic Shares (L)	8.00%	5.88%
Xing Ying Investments Hong Kong Limited[17]	Interest in controlled corporation	40,000,000 Domestic Shares (L)	8.00%	5.88%
Mr. Ng Kar Cheong[17]	Interest in controlled corporation	40,000,000 Domestic Shares (L)	8.00%	5.88%
Quanzhou Yuanpeng[18]	Beneficial owner	36,280,000 Domestic Shares (L)	7.26%	5.34%
Wealth Success[19]	Interest in controlled corporation	36,280,000 Domestic Shares (L)	7.26%	5.34%
Ms. Hong Jingxiao[20]	Interest in 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%
Anta Capital Limited[21]	Beneficial owner	16,660,000 H Shares (L)	9.26%	2.45%
Anta Capital Holdings Limited[21]	Interest in controlled corporation	16,660,000 H Shares (L)	9.26%	2.45%
Mr. Ding Shijia[21]	Interest in controlled corporation	16,660,000 H Shares (L)	9.26%	2.45%
Mr. Ding Shizhong[21]	Interest in controlled corporation	16,660,000 H Shares (L)	9.26%	2.45%

Shareholders	Nature of interest	Number of shares[1]	Percentage in the relevant class of share capital[2]	Percentage in the total issued share capital[3]
Mr. Lam Sze Woon	Beneficial owner	16,660,000 H Shares (L)	9.26%	2.45%
Lead Choice International Limited[22]	Beneficial owner	16,660,000 H Shares (L)	9.26%	2.45%
Mr. Yang Tse Yung[22]	Interest in controlled corporation	16,660,000 H Shares (L)	9.26%	2.45%
Mr. Cai Jianchu	Beneficial owner	16,354,000 H Shares (L)	9.09%	2.41%
Mr. Hong Erguan	Beneficial owner	13,680,000 H Shares (L)	7.60%	2.01%
Mr. Yeung Wing Cheong	Beneficial owner	11,780,000 H Shares (L)	6.54%	1.73%
Mr. Xu Yingyi	Beneficial owner	11,508,000 H Shares (L)	6.39%	1.69%
Cheer Spread Enterprise Limited[23]	Beneficial owner	9,000,000 H Shares (L)	5.00%	1.32%
Mr. Hong Weilong[23]	Interest in controlled corporation	9,000,000 H Shares (L)	5.00%	1.32%
Glory Asiapac Holdings Limited[23]	Interest in controlled corporation	9,000,000 H Shares (L)	5.00%	1.32%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Domestic Shares or the H Shares (as the case may be).

(2) The calculation is based on the percentage of shareholding in Domestic Shares or H Shares (as the case may be) as of 31 December 2016.

(3) The calculation is based on the total number of 680,000,000 Shares in issue which comprised of 180,000,000 H Shares and 500,000,000 Domestic Shares as of 31 December 2016.

(4) Fujian Septwolves Group is directly interested in approximately 19.05% of the issued share capital in the Company.

(5) The Company is held as to approximately 19.05% by Fujian Septwolves Group. The disclosed interest represents the interest in the Company held by Fujian Septwolves Group which is in turn approximately 37.82% owned by Mr. Zhou Yongwei, approximately 31.09% owned by Mr. Zhou Shaoxiong and approximately 31.09% owned by Mr. Zhou Shaoming. Mr. Zhou Yongwei controls more than one-third of the voting rights of Fujian Septwolves Group and is deemed to be interested in its interest in the Company by virtue of the SFO. 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.

(6) Fujian Xiyuan is directly interested in approximately 7.35% of the issued share capital in the Company.

(7) 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.

(8) Jinjiang Henglong is directly interested in approximately 7.35% of the issued share capital in the Company.

(9) 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.

(10) Quanzhou Haoxiang is directly interested in approximately 7.35% of the issued share capital in the Company.

(11) 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.

(12) Xiamen Gaoxinhong is directly interested in approximately 6.10% of the issued share capital in the Company.

(13) 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.

(14) 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.

(15) Quanzhou Anping is directly interested in approximately 5.88% of the issued share capital in the Company.

(16) 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.

(17) 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.

(18) Quanzhou Yuanpeng is directly interested in approximately 5.34% of the issued share capital in the Company.

(19) 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.

(20) 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.

(21) The disclosed interest represents the interest in the Company held by Anta Capital Limited which is in turn 100% owned by Anta Capital Holdings Limited, which is in turn 35% owned by Mr. Ding Shizhong and 35% owned by Mr. Ding Shijia, an Independent Third Party. Therefore, Anta Capital Holdings Limited, Mr. Ding Shizhong and Mr. Ding Shijia are deemed to be interested in Anta Capital Limited's interest in the Company by virtue of the SFO.

(22) The disclosed interest represents the interest in the Company held by Lead Choice International Limited which is in turn 100% owned by Mr. Yeung Tse Yung, an Independent Third Party. Therefore, Mr. Yeung Tse Yung is deemed to be interested in Lead Choice International Limited's interest in the Company by virtue of the SFO.

(23) The disclosed interest represents the interest in the Company held by Cheer Spread Enterprise Limited which is in turn 100% owned by Glory Asiapac Holdings Limited, which is in turn 100% owned by Mr. Hong Weilong, an Independent Third Party. Therefore, Glory Asiapac Holdings Limited and Mr. Hong Weilong are deemed to be interested in Cheer Spread Enterprise Limited's interest in the Company by virtue of the SFO.

Save as disclosed above, as at the date of this annual report, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Directors' and Supervisor's Interests in Transactions, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or Supervisor of the Company or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly subsisted as of 31 December 2016 or at any time during the year ended 31 December 2016.

Contracts of Significance

During the year, there had been no contract of significance between the Company and a controlling Shareholder (as defined in the Listing Rules) of the Company.

Competing Business

None of the Directors and their close associates had any interest in any competing business with the Company during the year.

Compliance with Non-Competition Undertaking

Each of our Substantial Shareholders has confirmed to the Company that he/she/it has complied with the non-competition undertakings given by them to the Company from the Listing Date to the date of this report. Pursuant to the non-competition agreement, the Substantial Shareholders agreed not to, and to procure their subsidiaries (other than the Company) and their close associates not to compete, either directly or indirectly, with the principal business and granted to the 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 the 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 the principal business of the Company. The foregoing restrictions are subject to the fact that the 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. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-competition undertakings and confirmed that all the undertakings thereunder have been complied with by each of the Substantial Shareholders.

Arrangement for Directors and Supervisors to Purchase Shares or Debentures

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or Supervisors or their respective spouses or minor children, or were such rights exercised by them, or was the Company or its holding company a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

Retirement Scheme

The Company participates in pension scheme organized by the municipal government of Quanzhou City, Fujian for the Company's employees based in the PRC. Contributions to this retirement plan are charged to profit or loss as they became payable in accordance with the rules of the central pension scheme. The Company has no obligation for the payment of pension benefits beyond the contributions described above.

Compliance with the Corporate Governance Code

Since the Listing Date to the date of this report, the Company complied with all Code Provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules.

Principal corporate governance practices adopted by the Company are set out in the section of "Corporate Governance Report" of this annual report.

Significant Legal Proceedings

For the year ended 31 December 2016, the Company initiated five new legal proceedings to recover overdue payments from our customers. Since the Listing Date to the date of this report, we were not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Events After the Reporting Period

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

Connected Transaction

During the year ended 31 December 2016, there was no connected transaction of the Company that required reporting, annual reviews, announcement and independent Shareholders' approval under Chapter 14A of the Listing Rules. Related party transactions as disclosed in note 23 to the financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement, independent Shareholders' approval or annual review requirements under the Listing Rules.

Audit Committee

The audit committee of the Board has reviewed and discussed with the management and external auditors, Ernst & Young, the accounting principles and practices adopted by the Company, auditing, risk management and internal control systems and financial report matters including the review of the Company's annual results for the year ended 31 December 2016.

Auditor

The financial statements for the year ended 31 December 2016 have been audited by Ernst & Young, who shall retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the AGM.

By order of the Board
Zhou Yongwei
Chairman and executive Director

24 March 2017

Report of the Supervisory Committee

The Supervisory Committee consists of seven Supervisors, comprising two representatives of Shareholders, namely Mr. Li Jiancheng and Mr. Ng Seng Chuan, three representatives of employees, namely Ms. Hong Lijun (Chairperson), Ms. Ruan Cen and Mr. Wang Shijie and two independent Supervisors, namely Mr. Chen Jinzhu and Mr. Wu Lindi.

Election and Service Contracts

Except for the employee representative Supervisors 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 at general meeting. Each of the Supervisors has entered into a service contract with our Company for the year ended 31 December 2016.

Meeting Conducted by the Supervisory Committee

The Supervisory Committee convened 2 meetings for the year ended 31 December 2016.

Work of the Supervisory Committee

During the year ended 31 December 2016, for the Company's long term interests and Shareholders' interests, the Supervisory Committee acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and the Listing Rules and earnestly performed their duties of supervision as to the acts of the Directors and senior management of the Company as follows:

Financial information of the Company

The Supervisory Committee has verified the Company's 2016 financial statements, supervised and inspected the Company's implementation of relevant financial policies and legislations as well as details on the Company's assets, financial income and expenditure. It is of the opinion that the financial report for 2016 fairly reflected the Company's financial position and operating results.

Operation and internal control of the Company

The Supervisory Committee exercised supervision on a regular basis over the legal compliance and rationality of the Company's operation and management in its ordinary work.

The Supervisory Committee is of the opinion that, the Company's operation and internal control are sound and rational, and is in compliance with all applicable laws, regulations and rules and the Articles of Association, thus effectively controlled its exposure to various operating risks.

Performance and violations of the Directors and other senior management members

The Supervisory Committee exercised supervision over work performance of the Board and senior management of the Company.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company have conscientiously and diligently performed their duties in compliance with resolutions of the general meetings, and none of their acts would prejudice the interests of the Company or the Shareholders. No violation of any laws or regulations or Articles of Association or any act which is adverse to the interests of the Company or the Shareholders has been found in the performance of the Directors and senior management of the Company during the year.

Looking forward, the Supervisory Committee will continue to carry out its duties in strict compliance with the Articles of Association and the relevant laws and regulations and protect the interests of the Shareholders.

Hong Lijun
Chairperson of the Supervisory Committee

24 March 2017

Independent Auditor's Report

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To the shareholders of Quanzhou Huixin Micro-credit Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of Quanzhou Huixin Micro-credit Co., Ltd. (the "Company") set out on pages 66 to 109, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of loans receivable	
As at 31 December 2016, the loans receivable amounting to RMB828.1 million, represented a significant part (86%) of the total assets of the Company, with the allowance for impairment amounting to RMB22.2 million. The determination of allowance for impairment of loans receivable is a key area of judgement. The identification of impairment and the determination of the recoverable amount involve making various assumptions and the consideration factors including the financial condition of the counterparty, expected future cash flows and the valuation of collateral. The Company determines the provision for impaired loans on a case by case basis and further assesses allowance for performing loans on a collective basis by considering various factors which primarily include the prevailing general market and industry conditions and historical impaired ratios. The disclosures relating to the loans receivable and allowance for impairment of loans receivable are included in note 15 and note 28.	We understood and assessed the controls over the approval, recording and monitoring of loans receivable, as well as the assessment of the adequacy of impairment allowance for individually assessed loans receivable and the calculation of collectively assessed impairment provisions. We performed credit assessment of all impaired loans, and a selection of performing loans. For these selected loans, we assessed if the credit grades are appropriate mainly by reviewing the credit review reports for loans granted, the financial condition of the debtors, estimated realisable value of collaterals and other relevant information. For allowance for impaired loans receivable determined on an individual basis, we assessed the indicators and assumptions for impairment, the quantification of allowance for impairment including the forecasts of future cash flows, valuation of underlying collateral and estimates of recoverable amounts. For allowance for impairment of loans receivable calculated on a collectively basis, we tested the underlying models and also the accuracy of the inputs to the models, and where available, compared data and assumptions made to external benchmarks. We also assessed the adequacy of the disclosures relating to the loans receivables and allowance for impairment of loans receivable, which are included in note 15 and note 28.

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Chi Keung.

Ernst & Young
Certified Public Accountants

Hong Kong
24 March 2017

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016
(Amounts expressed in RMB unless otherwise stated)

	Notes	2016	2015
Interest income	5	**143,693,086**	135,881,740
Interest expense	5	**(6,002,870)**	(5,741,867)
Interest income, net		**137,690,216**	130,139,873
Net charge of impairment allowance on loans receivable		**(7,689,440)**	(9,431,327)
Operating and administrative expenses		**(26,543,017)**	(20,576,556)
Other income and gains, net	6	**10,823,346**	218,878
PROFIT BEFORE TAX	7	**114,281,105**	100,350,868
Income tax expense	10	**(28,762,145)**	(25,096,079)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**85,518,960**	75,254,789
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**0.16**	0.15
Diluted		**0.16**	0.15

Statement of Financial Position

31 December 2016

(Amounts expressed in RMB unless otherwise stated)

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	13	**114,409,337**	42,557,847
Financial assets at fair value through profit or loss	14	**26,000,000**	—
Loans receivable	15	**805,852,365**	692,140,416
Property and equipment	16	**744,456**	980,608
Intangible assets	17	**255,559**	704,178
Deferred tax assets	18	**1,459,976**	1,184,352
Other assets	19	**12,164,423**	10,112,031
TOTAL ASSETS		**960,886,116**	747,679,432
LIABILITIES			
Interest-bearing bank borrowings		**—**	100,000,000
Interest payable		**—**	138,542
Income tax payable		**17,096,122**	14,529,127
Other payables	20	**4,769,482**	3,894,183
TOTAL LIABILITIES		**21,865,604**	118,561,852
NET ASSETS		**939,020,512**	629,117,580
EQUITY			
Share capital	21	**680,000,000**	500,000,000
Reserves	22	**116,182,836**	36,764,058
Retained profits		**142,837,676**	92,353,522
TOTAL EQUITY		**939,020,512**	629,117,580

Wu Zhirui
Director

Yan Zhijiang
Director

Statement of Changes in Equity

Year ended 31 December 2016
(Amounts expressed in RMB unless otherwise stated)

		Reserves				
	Share capital	Capital reserve	Surplus reserve	General reserve	Retained profits	Total
Balance as at 1 January 2015	500,000,000	—	18,300,279	10,938,300	54,624,212	583,862,791
Net profit and total comprehensive income for the year	—	—	—	—	75,254,789	75,254,789
Appropriation to surplus reserve	—	—	7,525,479	—	(7,525,479)	—
Distribution to shareholders (Note 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
Net profit and total comprehensive income for the year	—	—	—	—	85,518,960	85,518,960
H shares issued (Note 21)	180,000,000	69,383,972	—	—	—	249,383,972
Appropriation to surplus reserve	—	—	8,551,896	—	(8,551,896)	—
Appropriation to general reserve	—	—	—	1,482,910	(1,482,910)	—
Distribution to shareholders (Note 11)	—	—	—	—	(25,000,000)	(25,000,000)
Balance as at 31 December 2016	680,000,000	69,383,972	34,377,654	12,421,210	142,837,676	939,020,512

Statement of Cash Flows

Year ended 31 December 2016

(Amounts expressed in RMB unless otherwise stated)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**114,281,105**	100,350,868
Adjustments for:			
Depreciation and amortisation		**945,800**	726,703
Impairment charged	15	**7,689,440**	9,431,327
Accreted interest on impaired loans	15	**(2,206,807)**	(2,859,281)
Foreign exchange gain, net	6	**(7,416,460)**	—
Gain on disposal of items of property and equipment		**(31,829)**	—
Interest expense	5	**6,002,870**	5,741,867
		119,264,119	113,391,484
Increase in financial assets at fair value through profit or loss		**(26,000,000)**	—
Increase in loans receivable		**(119,194,582)**	(13,287,589)
Increase in other assets		**(3,091,619)**	(1,497,086)
Increase in other payables		**875,299**	928,072
Net cash flows (used in)/from operating activities before tax		**(28,146,783)**	99,534,881
Income tax paid		**(26,470,774)**	(27,631,736)
Net cash flows (used in)/from operating activities		**(54,617,557)**	71,903,145
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(274,217)**	(1,096,290)
Proceeds from disposal of property and equipment		**45,017**	—
Net cash flows used in investing activities		**(229,200)**	(1,096,290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**260,366,400**	—
Transaction cost paid for issue of shares		**(9,943,201)**	—
Repayment of bank borrowings		**(100,000,000)**	(36,000,000)
Interest paid		**(6,141,412)**	(5,790,925)
Dividends paid	11	**(25,000,000)**	(30,000,000)
Net cash flows from/(used in) financing activities		**119,281,787**	(71,790,925)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**64,435,030**	(984,070)
Cash and cash equivalents at beginning of the year		**42,557,847**	43,541,917
Effect of foreign exchange rate changes, net		**7,416,460**	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**114,409,337**	42,557,847

1. Corporate Information

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

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

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

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

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

2. Basis of Preparation

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

(Amounts expressed in RMB unless otherwise stated)

3. Summary of Significant Accounting Policies and Significant Accounting Estimates

3.1 Issued but not yet effective Hong Kong financial reporting standards

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

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

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.1 Issued but not yet effective Hong Kong financial reporting standards (Continued)

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

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

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.1 Issued but not yet effective Hong Kong financial reporting standards (Continued)

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

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

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.1 Issued but not yet effective Hong Kong financial reporting standards (Continued)

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

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

As set out in note 25, total operating lease commitments of the Company in respect of leased premises as at 31 December 2016 amounted to RMB1.5 million. The Company does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in any significant impact on the Company's results but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.1 Issued but not yet effective Hong Kong financial reporting standards (Continued)

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

3.2 Summary of significant accounting policies

Fair value measurement

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

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

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

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

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

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

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

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

- (i) the entity and the Company are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Related parties (Continued)

(b) (Continued)

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

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

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

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

Property and equipment and depreciation

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

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

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

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Intangible assets

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

The estimated useful lives of intangible assets are as follows:

Categories	Estimated useful life
Software	1 to 3 years

Leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Investments and other financial assets (Continued)

Loans and receivables

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

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

Government grants

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Revenue recognition

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

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

Employee benefits

Employee retirement scheme

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

3. Summary of Significant Accounting Policies and Significant Accounting Estimates (Continued)

3.2 Summary of significant accounting policies (Continued)

Repossessed assets

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

3.3 Significant accounting judgements and estimates

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

Impairment losses of financial assets

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

Deferred tax assets and liabilities and current income tax charge

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

4. Segment Reporting

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

Geographical information

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

(Amounts expressed in RMB unless otherwise stated)

5. Interest Income

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

6 Other Income and Gains, Net

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

(a) On 18 August 2016, the Company received a government grant of RMB2.7 million as a governmental reward fund because (i) the Company were converted into a joint stock limited liability company for listing purpose; and (ii) the amount of income tax paid increased each year from 2013 to 2015. There were no unfulfilled conditions and other contingencies attached to such government grant.

7. Profit Before Tax

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

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

(Amounts expressed in RMB unless otherwise stated)

8. Directors' and Supervisors' Remuneration

The Company did not have chief executive at any time during the year. Directors' and supervisors' remuneration for the year, disclosed pursuant to the 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:

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

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

(Amounts expressed in RMB unless otherwise stated)

8. Directors' and Supervisors' Remuneration (Continued)

	Year ended 31 December 2015			
Name	Fees	Salaries, allowances and benefits in kind	Contributions to a defined contribution scheme	Total
Executive Directors				
Zhou Yongwei	—	—	26,016	26,016
Wu Zhirui	—	760,000	36,377	796,377
Yan Zhijiang	—	358,600	36,377	394,977
Non-executive Directors				
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
Supervisors				
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
	287,664	1,582,896	173,137	2,043,697

1 Resigned as director in March 2015
2 Appointed as director in June 2015
3 Resigned as supervisor in December 2015
4 Appointed as supervisor in December 2015

(Amounts expressed in RMB unless otherwise stated)

9. Five Highest Paid Individuals

The five highest paid employees during the year included two directors and one supervisor (2015: two directors and one supervisor), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
Salaries, allowances and benefits in kind	**709,196**	537,030
Contribution to defined contribution scheme	**141,035**	56,108
Total	**850,231**	593,138

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

	2016	2015
Nil – RMB1,000,000	**2**	2

10. Income Tax Expense

	2016	2015
Current income tax	**29,037,769**	24,355,131
Deferred income tax (Note 18)	**(275,624)**	740,948
Total	**28,762,145**	25,096,079

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

(Amounts expressed in RMB unless otherwise stated)

10. Income Tax Expense (Continued)

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

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

11. Dividends

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

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

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

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

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

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

13. Cash and Cash Equivalents

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

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

14. Financial Assets at Fair Value Through Profit or Loss

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

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

15. Loans Receivable

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

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

(Amounts expressed in RMB unless otherwise stated)

15. Loans Receivable (Continued)

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

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

(i) Performing loans are collectively assessed for impairment.

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

16. Property and Equipment

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

(Amounts expressed in RMB unless otherwise stated)

17. Intangible Assets

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

18. Deferred Tax Assets

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2015	1,925,300
Recognised in profit or loss (Note 10)	(740,948)
At 31 December 2015	1,184,352
Recognised in profit or loss (Note 10)	275,624
At 31 December 2016	1,459,976

(Amounts expressed in RMB unless otherwise stated)

19. Other Assets

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

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

20. Other Payables

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

21. Share Capital

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

(Amounts expressed in RMB unless otherwise stated)

21. Share Capital (Continued)

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

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

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

22. Reserves

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

Capital reserve

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

Surplus reserve

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

22. Reserves (Continued)

General reserve

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

Distributable profit

Pursuant to the resolution of the 12th meeting of the Company's 1st term of board of directors held on 24 March 2017, a final dividend of approximately RMB34 million (equivalent to RMB0.05 per share (including tax)) was proposed after the appropriation of statutory surplus reserve and general reserve and is subject to approval by shareholders at the forthcoming annual general meeting.

23. Related Party Disclosures

(a) Compensation of key management personnel of the Company

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

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

24. Contingent Liabilities

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

(Amounts expressed in RMB unless otherwise stated)

25. Operating Leases

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

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

26. Commitments

At the end of the reporting period, other than the operating lease commitments detailed in note 25 above, the Company did not have any significant commitments.

27. Financial Instruments by Category

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

	31 December 2016	31 December 2015
Financial assets		
Cash and cash equivalents	**114,409,337**	42,557,847
Financial assets at fair value through profit or loss	**26,000,000**	—
Loans receivable	**805,852,365**	692,140,416
Other receivables	**1,738,328**	948,368
	948,000,030	735,646,631
Financial liabilities		
Interest-bearing bank borrowings	**—**	100,000,000
Interest payable	**—**	138,542
Other payables	**1,572,855**	1,679,612
	1,572,855	101,818,154

28. Financial Risk Management

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

(a) Credit risk

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

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

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

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

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

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

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

28. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment assessment

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

Individually assessed allowances

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

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

- The sustainability of the counterparty's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- Projected receipts and the expected payout should bankruptcy ensue;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

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

Collectively assessed allowances

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

- The adverse changes in arrears of the borrowers; and
- Areas or local economic conditions that correlate with defaults.

(Amounts expressed in RMB unless otherwise stated)

28. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Collateral and other credit enhancements

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

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

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

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

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

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

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

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

28. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Credit quality of loans receivable

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

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

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

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

Analysis of risk concentration

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

(b) Foreign currency risk

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

28. Financial Risk Management (Continued)

(c) Interest rate risk

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

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

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

28. Financial Risk Management (Continued)

(c) Interest rate risk (Continued)

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

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company is exposed to equity price risk arising from financial assets at fair value through profit or loss (note 14). As at 31 December 2016, a 10% increase in the fair value of the financial assets, with all other variables held constant, would increase financial assets at fair value through profit or loss by RMB2.6 million (31 December 2015: Nil).

(e) Liquidity risk

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

28. Financial Risk Management (Continued)

(e) Liquidity risk (Continued)

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

(f) Capital management

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

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

(Amounts expressed in RMB unless otherwise stated)

28. Financial Risk Management (Continued)

(f) Capital management (Continued)

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

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

(Amounts expressed in RMB unless otherwise stated)

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

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

(Amounts expressed in RMB unless otherwise stated)

30. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

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

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

31. Events After the Reporting Period

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

32. Approval of the Financial Statements

These financial statements have been approved and authorised for issue by the Company's board of directors on 24 March 2017.

The following is a summary of assets and liabilities of the Company as of 31 December 2013, 2014, 2015 and 2016 and of the results of the Company for each of the years ended 31 December 2013, 2014, 2015 and 2016.

	Year ended 31 December			
	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
RESULTS				
Interest income	78,474	134,301	135,882	**143,693**
Profit before tax	54,889	98,074	100,351	**114,281**
Income tax expense	(13,762)	(24,605)	(25,096)	**(28,762)**
Net profit and total comprehensive income for the year	41,127	73,469	75,255	**85,519**
ASSETS AND LIABILITIES				
Total assets	695,609	740,822	747,679	**960,886**
Total liabilities	160,075	156,959	118,561	**21,866**
Total equity	535,534	583,863	629,118	**939,021**

Note: The summary of assets and liabilities of the Company as of 31 December 2013, 2014 and 2015 and the summary of the results of the Company for the years ended 31 December 2013, 2014 and 2015 have been extracted from the Prospectus.

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AGM"	the annual general meeting of the Company to be held at 12/F, Former Finance Building, No. 361 Feng Ze Street, Quanzhou City, Fujian Province, the PRC at 10:00 a.m. on Monday, 12 June 2017
"Articles of Association"	the articles of association of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"Chairman"	Mr. Zhou Yongwei, the chairman of the Company
"Company," "we," "us," or "our"	Quanzhou Huixin Micro-credit Co., Ltd.* (泉州匯鑫小額小貸股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from the predecessor Company on 18 August 2014, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code:1577)
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"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
"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 Fujian Baiying Financing Guarantee Co., Ltd.* (福建百應融資擔保股份有限公司), the provision of finance leasing services through Xiamen Baiying Finance Leasing Co., Ltd.* (廈門市百應融資租賃有限公司), the provision of pawn loan services through Xiamen Borong Pawn Co., Ltd.* (廈門博融典當有限公司) and Fujian Yuanheng Pawn Co., Ltd.* (福建元亨典當有限公司), and the provision of microcredit services in Xiamen City through Xiamen Siming Baiying Microcredit Co., Ltd.* (廈門思明百應小額貸款有限公司), 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 Co., Ltd.* (福建七匹狼集團財務有限公司)
"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)
"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)
"Fujian Septwolves Group"	Fujian Septwolves Group Co., Ltd.* (福建七匹狼集團有限公司)
"Fujian Xiyuan"	Fujian Anxi Xiyuan Investment Co., Ltd.* (福建省安溪溪源投資有限公司)
"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
"HKAS"	Hong Kong Accounting Standards
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"H Share(s)"	overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"H Share Registrar"	Boardroom Share Registrars (HK) Limited
"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
"Jinjiang Henglong"	Jinjiang Henglong Construction Materials Co., Ltd.* (晉江市恒隆建材有限公司)
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Listing Date"	30 September 2016, the day on which the H Shares became listed on the Hong Kong Stock Exchange
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Quanzhou Anping"	Quanzhou Anping Development and Construction Co., Ltd.* (泉州市安平開發建設有限公司)

"Quanzhou Haoxiang"	Quanzhou Haoxiang Stone Co., Ltd.* (泉州豪翔石業有限公司)
"Quanzhou" or "Quanzhou City"	Quanzhou City (泉州市), Fujian Province
"Quanzhou Yuanpeng"	Quanzhou Yuanpeng Clothing and Textile Co., Ltd.* (泉州市遠鵬服飾織造有限公司)
"RMB"	Renminbi, the lawful currency for the time being of the PRC
"Sand Beach"	Sand Beach Development Limited (封域發展有限公司)
"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)
"SMEs"	small and medium-sized enterprise(s)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"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)"	the supervisor(s) of the Company
"Supervisory Committee"	the Supervisory Committee of the Company
"Wealth Success"	Wealth Success Enterprise Limited (成康企業有限公司)
"Xiamen Gaoxinhong"	Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司)
"Xiamen Sifang"	Xiamen Sifang Jiasheng Trading Company Limited* (廈門四方嘉盛貿易有限公司)

* *for identification purposes only*

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HUIXIN MICRO-CREDIT

Quanzhou Huixin Micro-credit Co., Ltd.*

泉州匯鑫小額貸款股份有限公司