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 2017

* For identification purpose only

Contents

Corporate Information

Directors

Executive Directors

Mr. Zhou Yongwei *(Chairman)*
Mr. Wu Zhirui
Mr. Yan Zhijiang
Ms. Liu Aiqin (re-designated on 25 August 2017)

Non-executive Directors

Mr. Jiang Haiying
Mr. Zhu Jinsong
Mr. Wang Wenbin (resigned on 24 March 2017)

Independent Non-executive Directors

Mr. Sun Leland Li Hsun (appointed on 12 June 2017)
Mr. Zhang Lihe
Mr. Lin Jianguo (appointed on 12 June 2017)
Mr. Cai Yi (retired on 12 June 2017)
Mr. Wang Yiming (retired on 12 June 2017)

Supervisors

Ms. Hong Lijun *(Chairwoman)*
Mr. Ng Seng Chuan
Ms. Ruan Cen
Mr. Chen Jinzhu
Mr. Wu Lindi
Mr. Li Jiancheng (resigned on 22 August 2017)
Mr. Wang Shijie (resigned on 22 August 2017)

Audit Committee

Mr. Zhang Lihe *(Chairman)*
Mr. Lin Jianguo
Mr. Zhu Jinsong

Remuneration Committee

Mr. Lin Jianguo *(Chairman)*
Mr. Sun Leland Li Hsun
Mr. Wu Zhirui

Nomination Committee

Mr. Zhou Yongwei *(Chairman)*
Mr. Sun Leland Li Hsun
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's Website

www.qzhuixin.net

Stock Code

1577

Auditor and Reporting Accountant

Ernst & Young
Certified Public Accountants

Legal Advisers to the Company

Stephenson Harwood *(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
2103B, 21/F, 148 Electric Road
North Point
Hong Kong

Principal Bankers

The Agricultural Bank of China
Jinjiang Jinjing Branch
No. 200 Zhong Xing Road, Jin Jing Town
Jinjiang City
Quanzhou
Fujian Province
PRC

Industrial and Commercial Bank of China
Xinmen Road Sub-branch
Building 11, Shop No. 02–09 South Area of Xinmen street
Licheng District
Quanzhou
Fujian
PRC

Bank of China (Hong Kong) Limited
Hong Kong East Commercial Centre
13/F, Cambridge House, Taikoo Place
No. 981 King's Road
Island East
Hong Kong

Bank of China
Jinjiang Branch
Bank of China Tower, Chongde Road
Jinjiang District
Quanzhou
Fujian
PRC

Industrial Bank
Quanzhou Branch
2/F, Industrial Bank Tower, Fengze Street
Fengze District
Fujian
PRC

Chairman's Statement

2017 was the first year since the Company listed on the Main Board of the Hong Kong Stock Exchange. Here I am pleased, on behalf of the Board, to present to the Shareholders our Group's operating results in 2017.

As at 31 December 2017, our outstanding loans amounted to RMB922.9 million. For the year then ended, our net interest income amounted to RMB138.9 million and our net profit amounted to RMB91.0 million.

In the past year, through efforts for improving policy environment, broadening financial channels, optimizing human resources system and building information technology, our Group delivered convenient services to better serve the customers.

In terms of promoting improvement of industry policy, as one of the main sponsors, the Company initiated the establishment of "Quanzhou Local Financial Industry Association (泉州地方金融行業協會)" and became the first president unit of the association. The Company actively participated in the revision and alteration of local industry policies and proactively took part in the pilot work of the innovative business.

In terms of broadening financial channels, the Company obtained a facility of RMB280 million in aggregate from two banks. Meanwhile, the Company made steady progress in the issue of corporate bonds.

In terms of optimizing human resources system, we engaged intermediate agency to systematically streamline and optimize the remuneration incentive system of our Group, designed a remuneration system that is in line with our Group's business development and risk management features based on each staff's enhancement of ability and performance contributions.

In terms of building information technology, our Group signed a more comprehensive information construction plan with a well-known domestic financial information technology company, stepped up its investment in informationalisation to strengthen its internal control and risk management systems and actively adopted risk control measures of big data to enable technology to provide financial services with business management and risk management support.

Building upon our experience, we strive for the future. Our Group will make full use of its capital and brand advantages after its Listing to broaden its financing and business pipeline, continuously innovate its loan products and increase market share so as to create long-term reasonable returns for shareholders.

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

15 March 2018

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. In 2014, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) designated Quanzhou city as a pilot zone for the comprehensive reform of the private economy, initiating reform programs that include improving the financial services sector as well as increasing the financial support of, and the financing resources available to, private enterprises. In December 2015, the State Council promulgated the *Plan for Promoting the Development of Inclusive Finance (2016–2020) (Guo Fa [2015] No. 74)* (推進普惠金融發展規劃 (2016–2020年) (國發[2015]74號)), which aims to improve the quality and the coverage of inclusive finance service. Moreover, in 2017, the government of Quanzhou city promulgated the *Opinions on Promoting the Sound and Sustainable Development of Microfinance Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which encourages microfinance companies to develop innovative businesses.

Competition within the microfinance industry in Fujian province and Quanzhou city is increasingly intense. According to the statistics of Fujian Economic and Information Technology Commission, there were 120 registered microfinance companies in Fujian province as of 31 December 2017, of which 32 were in Quanzhou city. The total registered capital of microfinance companies in Fujian province amounted to RMB27.6 billion as of 31 December 2017, of which RMB9.1 billion was the total registered capital of microfinance companies in Quanzhou city, according to the statistics of the Fujian Economic and Information Technology Commission. As of 31 December 2017, the average principal amount of outstanding loans per microfinance company amounted to RMB236 million in Fujian province and RMB266 million in Quanzhou city.

Business Overview

Our loan business

Based in Quanzhou city, we are the largest licensed microfinance company in Fujian province in terms of revenue in 2017, according to the statistics of the 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 2016 and 2017, we served 341 and 570 customers, respectively. We granted 1,439 loans with an aggregate amount of RMB2,757 million and 1,848 loans with an aggregate amount of RMB3,239 million for the years ended 31 December 2016 and 2017, respectively. As of 31 December 2016 and 2017, we had 202 and 424 customers, respectively. We had 318 loans with principal amount of outstanding loans of RMB817.6 million as of 31 December 2016 and 554 loans with principal amount of outstanding loans of RMB922.9 million as of 31 December 2017.

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

	As of 31 December	
	2017	2016
Share capital (RMB in millions)	**680.0**	680.0
Net capital (RMB in millions)[1]	**996.0**	939.0
Principal amount of outstanding loans (RMB in millions)	**922.9**	817.6
Loan/Net capital ratio[2]	**0.93 Times**	0.87 Times

Notes:

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

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

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

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

Notes:

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

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

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

Loan portfolio

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

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

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

Revolving loans and term loans

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

	As of 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Principal amount of outstanding loans:				
Revolving loans	**483,237**	**52.4**	387,588	47.4
Term loans	**439,615**	**47.6**	429,989	52.6
Total	**922,852**	**100.0**	817,577	100.0

Loan portfolio by security

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

	As of 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Principal amount of outstanding loans:				
Credit loans	**7,000**	**0.8**	50,000	6.1
Guaranteed loans	**462,304**	**50.1**	471,277	57.6
Collateral-backed loans				
— with guarantee	**333,579**	**36.1**	266,400	32.6
— without guarantee	**119,969**	**13.0**	29,900	3.7
Total	**922,852**	**100.0**	817,577	100.0

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

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

Collateral-backed loans

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

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

Maturity profile of loan portfolio

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

	As of 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Principal amount of outstanding loans:				
Past due	**20,624**	**2.2[(1)]**	25,119	3.1[(1)]
Due within three months	**343,670**	**37.3**	185,000	22.6
Due between three months and one year	**437,496**	**47.4**	604,458	73.9
Due between one year and three years	**113,930**	**12.3**	3,000	0.4
Due over three years	**7,132**	**0.8**	—	—
Total	**922,852**	**100.0**	817,577	100.0

Note:

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

Past due loans

The principal amount of our past due loans was RMB25.1 million and RMB20.6 million as of 31 December 2016 and 2017, respectively, accounting for 3.1% and 2.2% of the total principal amount of our outstanding loans as of the same dates.

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

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

The principal amount of our past due loans decreased from RMB25.1 million as of 31 December 2016 to RMB20.6 million as of 31 December 2017, mainly because we were able to collect some of the past due loans from our customers during the Reporting Period.

Loan portfolio by exposure size

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

	As of 31 December					
	2017			2016		
	Number of borrower(1)	**RMB'000**	**%(2)**	Number of borrower(1)	RMB'000	%(2)
Principal amount of outstanding loans:						
Up to RMB1.0 million	**218**	**75,584**	**8.2**	33	19,870	2.4
Over RMB1.0 million to RMB3.0 million (inclusive)	**78**	**146,285**	**15.8**	38	78,187	9.6
Over RMB3.0 million to RMB5.0 million (inclusive)	**111**	**490,700**	**53.2**	118	537,200	65.7
Over RMB5.0 million to RMB10.0 million (inclusive)	**9**	**64,583**	**7.0**	5	37,370	4.6
Over RMB10.0 million	**8**	**145,700**	**15.8**	8	144,950	17.7
Total	**424**	**922,852**	**100.0**	202	817,577	100.0

Notes:

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

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

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

	As of 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Normal	**866,865**	**93.9**	694,110	84.9
Special-mention	**35,363**	**3.8**	96,650	11.8
Substandard	**18,668**	**2.0**	24,578	3.0
Doubtful	**1,630**	**0.2**	1,739	0.2
Loss	**326**	**0.1**	500	0.1
Total	**922,852**	**100.0**	817,577	100.0

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

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

	As of/For the year ended 31 December	
(RMB'000, except for percentage)	**2017**	2016
Impaired loan ratio[(1)]	**2.2%**	3.2%
Balance of impaired loans receivable	**20,624**	26,818
Balance of gross loans receivable	**940,487**	828,081
Allowance coverage ratio[(2)]	**101.7%**	82.9%
Allowance for impairment losses[(3)]	**20,968**	22,228
Balance of impaired loans receivable	**20,624**	26,818
Provision for impairment losses ratio[(4)]	**2.2%**	2.7%
Loss ratio[(5)]	**1.4%**	5.4%
Net charge of impairment allowance on loans receivable	**1,897**	7,689
Interest income	**140,015**	143,693

Notes:

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

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

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

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

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

Our impaired loans receivable decreased from RMB26.8 million as of 31 December 2016 to RMB20.6 million as of 31 December 2017. Our impaired loan ratio decreased from 3.2% as of 31 December 2016 to 2.2% as of 31 December 2017. Such decreases were primarily due to (i) the collection of RMB5.1 million of the principle amount of the past due loans and write-off of one past due loan; and (ii) the increase of our loan size from RMB828.1 million to RMB940.5 million.

Compliance with key regulatory requirements

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

Key requirements	Compliance status
The registered capital of a microfinance company in Fujian province shall not be lower than RMB100 million.	Our Group complied with such requirement for the year ended 31 December 2017.
The balance of the debt to net capital ratio of a microfinance company in Quanzhou city is capped at 100%.	Our Group complied with such requirement for the year ended 31 December 2017.
The interest rates charged by microfinance companies may not exceed the maximum loan interest rate specified by judicial departments, or lower than 0.9 times of the prevailing People's Bank of China (中國人民銀行) benchmark lending rate, pursuant to the *Interim Measures of Fujian Province for the Administration of Microfinance Companies* (福建省小額貸款公司暫行管理辦法).	Our Group complied with such applicable requirement for the year ended 31 December 2017.

Key requirements	Compliance status
The *Provision on Issues Concerning Applicable Legal Norms for the Court's Trial of Lending Cases* (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) promulgated by the Supreme People's Court (最高人民法院) on 1 September 2015 provides that: (i) the interest on the loans with interest rates up to 24% per annum is valid and enforceable; (ii) as to the loans with interest rates per annum ranging from 24% (exclusive) and 36% (inclusive), if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the excess interest payment; and (iii) if the annual interest rate of a private loan is higher than 36%, the excess will not be enforced by the courts.	
A microfinance company shall not grant loans to its own shareholders, directors, senior management and their related parties.	Our Group complied with such requirement for the year ended 31 December 2017.
The outstanding amount of loan made to the same borrower by a microfinance company cannot exceed 5% of the net capital of such microfinance company.	Our Group complied with such requirement for the year ended 31 December 2017.
Upon the Listing, the ratio of the balance of outstanding loans of up to a maximum of RMB5.0 million to a single borrower to the total balance of outstanding loans that is applicable to the Company shall not be lower than 70% (the "**Amended 70% Requirement**").	Our Group complied with the Amended 70% Requirement for the year ended 31 December 2017.

Financial Overview

Turnover

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

	Year ended 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Interest income, net	**138,937**	**102.0**	137,690	94.4
Foreign exchange (loss)/gain, net	**(4,350)**	**(3.2)**	7,416	5.1
Interest from bank deposits	**146**	**0.1**	390	0.3
Gains from financial assets at fair value through profit or loss	**1,503**	**1.1**	293	0.2
Total	**136,236**	**100.0**	145,789	100.0

Interest income, net

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

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

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

Note:

(1) Interest income on loans receivable includes interest income on impaired loans, which amounted to RMB3.1 million and RMB4.6 million for the years ended 31 December 2016 and 2017, respectively.

Interest income

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

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

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

Notes:

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

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

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

Interest expense

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

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

Notes:

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

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

Net charge of impairment allowance on loans receivable

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

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

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

Operating and administrative expenses

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

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

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

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

Other (expenses)/income and gains, net

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

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

Income tax expense

During the years ended 31 December 2016 and 2017, we were subject to the general tax rate of 25.0% pursuant to the *Enterprise Income Tax Law* (企業所得稅法) which became effective from 1 January 2008, and was amended on 24 February 2017 and became effective as from the same day. Our income tax expense for the years ended 31 December 2016 and 2017 was RMB28.8 million and RMB28.9 million, respectively, and our effective tax rate for the same years was 25.2% and 24.1%, respectively.

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

Net profit and total comprehensive income for the year

As a result of the foregoing, we recorded net profit, defined as net profit and total comprehensive income, of RMB85.5 million and RMB91.0 million for the years ended 31 December 2016 and 2017, respectively.

Liquidity and capital resources

The H shares of the Company became listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds from the global offering of approximately HK$271.3 million (after deducting underwriting commissions, the incentive fees and other estimated expenses in connection with the global offering). Due to relevant requirements stipulated by the SAFE, the expenses payable by the Company in connection with the global offering were not fully paid out of the proceeds from the global offering. Such expenses were settled by the Company using its own funds. As a result, the actual bank balance of the proceeds from the global offering amounted to approximately HK$292.3 million. For details, please refer to the announcement of change in use of proceeds of the Company dated 29 August 2017.

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

Cash flows

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

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

Net cash flows used in operating activities

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

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

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

Net cash flows used in investing activities

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

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

Net cash flows from financing activities

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

Cash management

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

Selected items of the statements of financial position

	As of 31 December	
	2017 RMB'000	2016 RMB'000
Assets		
Cash and cash equivalents	**12,291**	114,409
Financial assets at fair value through profit or loss	**31,000**	26,000
Loans receivable	**919,519**	805,852
Investment in an associate	**177,478**	—
Property and equipment	**1,375**	744
Intangible assets	**—**	256
Deferred tax assets	**1,446**	1,460
Other assets	**13,221**	12,165
Total assets	**1,156,330**	960,886
Liabilities		
Interest-bearing bank borrowings	**140,000**	—
Interest payable	**182**	—
Income tax payable	**13,098**	17,096
Other payables	**7,064**	4,769
Total liabilities	**160,344**	21,865
Net assets	**995,987**	939,021

Cash and cash equivalents

Cash and cash equivalents primarily consist of our cash in hand and cash at banks. As of 31 December 2016 and 2017, we had cash and cash equivalents of RMB114.4 million and RMB12.3 million, respectively. The decrease in our cash and cash equivalents from RMB114.4 million as of 31 December 2016 to RMB12.3 million as of 31 December 2017 was primarily due to the expansion of our loan business.

Loans receivable

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

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

	As of 31 December	
	2017 RMB'000	2016 RMB'000
Performing loans receivable[1]	**919,863**	801,263
Impaired loans receivable[2]	**20,624**	26,818
Gross loans receivable	**940,487**	828,081
Less: Allowance for impairment losses		
— individual assessed	**(7,140)**	(7,146)
— collective assessed	**(13,828)**	(15,083)
Total allowance for impairment losses	**(20,968)**	(22,229)
Net loans receivable	**919,519**	805,852

Notes:

(1) Performing loans are collectively assessed for impairment.

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

Our net loans receivable increased from RMB805.9 million as of 31 December 2016 to RMB919.5 million as of 31 December 2017, which was generally in line with our business expansion.

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

	As of 31 December			
	2017		2016	
	RMB'000	**%**	RMB'000	%
Past due	**20,624**	**2.2**	25,120	3.0
Due within three months	**361,305**	**38.4**	195,503	23.6
Due between three months and six months	**337,771**	**35.9**	464,288	56.1
Due between six months and one year	**99,725**	**10.6**	140,170	16.9
Due over one year	**121,062**	**12.9**	3,000	0.4
Total	**940,487**	**100.0**	828,081	100.0

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

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

Other assets

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

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

Income tax payable

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

Other payables

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

Indebtedness

Grant of credit limit

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

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

Interest-bearing bank borrowings

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

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

Contingent liabilities

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

Capital expenditures

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

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

Related party transactions

We had interest-bearing bank borrowings of RMB140.0 million as at 31 December 2017 guaranteed by one of the Shareholders of the Company, Fujian Septwolves Group.

Commitment and contractual obligations

Operating lease

We lease our office properties from third parties under non-cancellable operating leases. The table below sets out our future minimum lease payments under non-cancellable operating leases:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Operating lease commitments:		
Within one year	**1,491**	649
One to two years (inclusive)	**999**	682
Two to three years (inclusive)	**793**	201
	3,283	1,532

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

Capital Commitments

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

Selected items of the statement of cash flows

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

Note:

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

Key financial ratios

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

Off-balance sheet arrangements

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

Foreign currency exposure

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

Material Investments, Acquisitions and Disposals

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

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

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

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

Future Plans for Material Investments and Expected Sources of Funding

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

Employment and Emoluments

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

Prospects

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

Promoting continuous improvement of industry policy

In April 2017, as one of the main sponsors, the Company initiated the establishment of "Quanzhou Local Financial Industry Association (泉州地方金融行業協會)" and became the first president unit of the association. The Company actively participated in the revision and alteration of local industry policies and proactively took part in the pilot work of the innovative business. In April 2017, the People's Government of Quanzhou Municipality promulgated the *Opinions on Promoting the Sound and Sustainable Development of Micro-credit Companies, Pawnshop Companies and Financing Guarantee Companies* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見), which clarifies the industry attribute of microfinance company as financial enterprise, and expands the business scope and geographical restrictions of microfinance company properly. The policy further demonstrates the advantage of financial reform in Quanzhou and provides a more favorable policy environment for local microfinance companies.

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

Diversifying Financial Channel

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

Enriching Product Range and Deepening Market Penetration

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

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

Optimizing Human Resources Management System

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

Informationalisation and Online Business

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

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

Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Zhou Yongwei (周永偉) (formerly known as Mr. Zhou Lianqi (周連期)), aged 55, 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 Group. Mr. Zhou has approximately 30 years of experience in finance and investment industry and has extensive experience in corporate management and business operation. Mr. Zhou joined our Group 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* (福建七匹狼製衣實業有限公司), a company 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 (a company 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 (a company principally engaged in project investment and asset management) since February 2000 and 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 (吴智鋭), aged 41, has joined our Group 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 Group on 1 January 2011 as a deputy general manager of the Company, responsible for participating in the day-to-day management of our business operations. He was subsequently promoted to general manager of the Company 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. Currently, Mr. Wu also served as a legal representative of Quanzhou Huixinxing. Mr. Wu has approximately 17 years of experience in enterprise management. Prior to joining our Group, 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 36, 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 14 years of experience in legal matter management/risk management. Mr. Yan joined our Group on 11 November 2013 as executive Director. Prior to joining our Group, 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) (a company 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 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.

Ms. Liu Aiqin (劉愛琴女士), aged 41, has been re-designated as our executive Director since 25 August 2017. Ms. Liu was a non-executive Director prior to her re-designation as an executive Director. Ms. Liu currently serves as the head of our financial department and is primarily responsible for the financial management and providing strategy advice to the business and operation of the Company. She has been the senior manager of the budget management department of Septwolves Group Holding from June 2015 to June 2017. 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 July 2008. She obtained a certificate of intermediate level accountant qualification in August 2011.

Non-executive Directors

Mr. Jiang Haiying (蔣海鷹), aged 42, has been our non-executive Director since 12 June 2015. He is primarily responsible for providing strategic advice to the business and operation of our Group. Mr. Jiang has over 24 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, Japan (日本大阪追手門學院大學) in 26 March 2003 majoring in international economics. Mr. Jiang has 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 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 49, 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 Group. Mr. Zhu has over 17 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* (廈門象嶼保税區銀城信息技術發展有限公司) (a company 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 (a company 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) (a company 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) (a company 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. Zhang Lihe (張立賀), aged 41, 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 Group. Mr. Zhang joined our Group 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)* (天健華證中洲(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 up to present.

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. Lin Jianguo (林建國), aged 66, has been our independent non-executive Director since 12 June 2017. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Lin served in the Chinese People's Liberation Army from January 1969 to December 1987. After his military career, he worked in the Bank of China (中國銀行), successively as the vice president of Shishi Sub-branch, vice president of Jinjiang Sub-branch, president of Jinjiang Sub-branch, president of Shishi Sub-branch, vice president of Zhangzhou Branch, president of Fuqing Sub-branch and the investigator of Quanzhou Branch from February 1988 to October 2011.

Mr. Lin graduated from Northwestern Polytechnical University (西北工業大學) majoring in aerodynamics in November 1978.

Mr. Sun Leland Li Hsun (孫立勳), aged 56, has been our independent non-executive Director since 12 June 2017. He is primarily responsible for providing independent opinion and judgment to our Board. Mr. Sun has been an independent non-executive director of Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行) (Stock code: 3618) since 2011. He is also an independent non- executive director, chairman of the audit committee of Mizuho Securities Asia Limited (瑞穗證券亞洲有限公司) and member of remuneration committee since 2014. Mr. Sun founded Pan Asian Mortgage Company Limited* (宏亞按揭證券有限公司), an innovative non-banking financial services company specializing in residential mortgage financing in Hong Kong in 2001. He was appointed as the chief operating officer of the Hong Kong Mortgage Corporation (香港按揭證券有限公司) by the Financial Secretary of Hong Kong SAR Government in 1997. Previously, he was a senior managing director of Bear Stearns Asia Limited (美國貝爾斯登亞洲有限公司), and an executive director of Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限公司).

Mr. Sun is a vice chairman of Hong Kong General Chamber of Commerce (香港總商會), honorary treasurer of Business and Professionals Federation of Hong Kong (BPF) (香港工商專業聯會) and a member of Executive Committee of Servicemen's Guides Association* (軍人輔導會). Previously, Mr. Sun was the president of The American Club in Hong Kong (香港美國會) and a member of Executive Committee (Treasurer) and board of governors of the American Chamber of Commerce in Hong Kong (香港美國商會).

Mr. Sun obtained his Master of Business Administration majoring in finance from the UCLA Anderson School of Management in June 1986 and was named as one of the 100 Most Inspirational Alumni in 2001. He is also a board member of the Fink Center for Finance & Investments since 2010.

Supervisors

Ms. Hong Lijun (洪麗君), aged 31, has been an employee representative Supervisor and the chairwoman of the Supervisory Committee since 10 July 2014 and 15 December 2015, respectively. Ms. Hong joined our Group on 18 July 2011 as a business manager of the Company. She has been promoted as a senior manager of the Company since April 2013. She is primarily responsible for project due diligence and relationship maintaining. Prior to joining our Group, she worked as a 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. Ng Seng Chuan (黃成泉), aged 61, has joined our Group 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 (a company 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") (a company 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, a company 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 (a company 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 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 37, has been an employee representative Supervisor since 10 July 2014. Ms. Ruan joined our Group in 1 March 2010 as an administration manager of the Company. She is primarily responsible for administrative work and team building. Prior to joining our Group, she worked as a salesperson of Quanzhou Qingyi Importing and Exporting (Group) Co., Ltd.* (泉州輕工工藝進出口(集團)公司) (a company 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) (a company 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. Chen Jinzhu (陳金助), aged 41, 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 40, 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 (吳智鋭), Mr. Yan Zhijiang (顏志江) and Ms. Liu Aiqin (劉愛琴), please refer to the sub-section headed "Executive Directors" above.

Mr. Jiang Bin (蔣斌), aged 41, has been our deputy general manager since April 2015. He is primarily responsible for formulating and implementing our corporate governance measures, corporate strategies, and implementing operation plans and participating in the day-to-day management of our business operations. Mr. Jiang has approximately 11 years of experience in enterprise management. Prior to joining our Group, Mr. Jiang worked as vice president and executive director of Fujian Wonders Group LLC* (福建萬道集團有限公司) from July 2013 to April 2015. He was participated in incorporation and operation of the company and mainly responsible for formulating operation strategies, team development, development of financial system, and fund raising of the company. From August 2010 to July 2013, Mr. Jiang worked as president of Donghu sub-branch of Quanzhou Branch of CITIC Bank* (中信銀行(泉州東湖支行)). From January 2010 to July 2010, Mr. Jiang worked as deputy general manager of retail banking department of Quanzhou Branch of CITIC Bank* (中信銀行(泉州分行)). From June 2007 to January 2010, Mr. Jiang was worked as deputy president of Donghu sub-branch of Quanzhou Branch of CITIC Bank* (中信銀行(泉州東湖支行)). He was responsible for retail banking business during the relevant period. From March 2004 to June 2007, Mr. Jiang worked as the manager of the wealth management department of Quanzhou Branch of CITIC Bank* (中信銀行(泉州分行)). He was responsible for the development of wealth management and new products, and marketing management during the relevant period. From September 2003 to March 2004, Mr. Jiang worked as a clerk of Quanzhou Branch of CITIC Bank* (中信銀行(泉州分行)). From September 1999 to September 2003, Mr. Jiang worked at credit card department and personal banking business department of Fujian Branch of Construction Bank of China* (中國建設銀行(福建省分行)).

Mr. Jiang obtained a bachelor's degree in economics from Fujian Agriculture University, the PRC (福建農業大學) (now known as Fujian Agriculture and Forestry University, the PRC (福建農林大學)) in July 1999, majoring in money and banking.

Mr. Lin Wuji (林戊己), aged 33, has been joined our Group since March 2014 as the securities affairs representative, senior manager and secretary to the Board of the Company successively. He is primarily responsible for the daily operations of the securities affairs of the Company and the Board, investor relations and regulatory authority maintenance. Mr. Lin has approximately 9 years of experience in investment and securities affairs. Prior to joining our Group, Mr. Lin worked as the investment manager and senior investment manager in Xiamen septwolves Venture Capital Co., Ltd.* (廈門七匹狼創業投資有限公司) from October 2010 to February 2014, respectively. He participated venture capital investment, merge and acquisition, fund raising and management of investment and post-investment. From August 2008 to September 2010, Mr. Lin worked as an analyst and senior analyst in corporate strategy research department in Septwolves Group Holding, respectively. He was responsible for industry analysis and macro research and providing suggestion of investment decision.

Mr. Lin graduated and obtained a master's degree in business administration from Beijing University of Aeronautics and Astronautics* (北京航空航天大學) in June 2008. He obtained a bachelor's degree in bioengineering from China Agricultural University* (中國農業大學) in July 2006. In August 2013, Mr. Lin obtained the qualification of Secretary to the Board accredited by Shanghai Stock Exchange.

Report of the Directors

The Directors are pleased to present the annual report together with the audited financial statements of our Group for the year ended 31 December 2017.

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 our Group's business as of 31 December 2017 and a discussion on our Group'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 our Group are provided in the sub-section of "Events after the Reporting Period" of this Report of the Directors.

Environment, Social and Governance

Our Group strictly complies with the requirements of Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules, and our Group 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" of this annual report.

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 the 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 our Group 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 fails 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.

Our Group'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

Our Group may be exposed to fraud or other misconduct committed by its employees, customers or other third parties. Although our Group has established risk management and internal control systems to monitor its operations and overall compliance, our Group 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 our Group takes to prevent and detect such activities may not be effective, which could lead it to suffer financial losses as well as reputational damage.

Our Group'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 our Group will be able to continue to attract and retain the qualified employees essential for its growth. Under such circumstances, if our Group 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.

Our Group'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 31 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 2017.

During the year ended 31 December 2017, 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 microfinance company, our Group does not have any major supplier.

Financial Summary

A summary of the results and of the assets and liabilities of our Group 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 our Group for the year ended 31 December 2017 and the state of our Group's affairs as of the date are set out in the section of "Financial Statements" of this annual report.

A discussion and analysis of our Group'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 our Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" of this annual report, of which details of reserves available for distribution to Shareholders are set out in note 24 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 2017 to Shareholders whose names appear on the Company's register of members on Monday, 25 June 2018 (the "**Proposed Final Dividend**"). Subject to the approval of the Shareholders at the Company's forthcoming AGM to be held on Tuesday, 12 June 2018, the Proposed Final Dividend is expected to be paid on or around Thursday, 16 August 2018.

Closure of Register of Members

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

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 Wednesday, 20 June 2018 to Monday, 25 June 2018 (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 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 19 June 2018.

Bank Borrowings and Other Borrowings

As of 31 December 2017, we had interest-bearing bank borrowings of RMB140 million guaranteed by one of the shareholders of the Company, Fujian Septwolves Group. Details are set out in note 21 to the Financial Statements of this annual report.

Share Capital

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

Use of Proceeds from Global Offering

The H shares of the Company became listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds from the global offering of approximately HK$271.3 million (after deducting underwriting commissions, the incentive fees and other expense in connection with the global offering).

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

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

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

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

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

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as of 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

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

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)	55	Chairman and executive Director	8 January 2010
Mr. Wu Zhirui (吳智銳)	41	Executive Director	20 November 2012
Mr. Yan Zhijiang (顏志江)	36	Executive Director	11 November 2013
Ms. Liu Aiqin (劉愛琴)	41	Executive Director	24 March 2017 (re-designated on 25 August 2017)
Mr. Jiang Haiying (蔣海鷹)	42	Non-executive Director	12 June 2015
Mr. Zhu Jinsong (朱金松)	49	Non-executive Director	10 July 2014
Mr. Wang Wenbin (王文彬)	50	Non-executive Director	8 January 2010 (resigned on 24 March 2017 due to his personal commitments on other business)
Mr. Sun Leland Li Hsun (孫立勳)	56	Independent Non-executive Director	12 June 2017
Mr. Zhang Lihe (張立賀)	41	Independent Non-executive Director	10 July 2014
Mr. Lin Jianguo (林建國)	66	Independent Non-executive Director	12 June 2017
Mr. Cai Yi (蔡毅)	57	Independent Non-executive Director	10 July 2014 (retired on 12 June 2017)
Mr. Wang Yiming (王藝明)	41	Independent Non-executive Director	10 July 2014 (retired on 12 June 2017)

Supervisors

Name	Age	Position	Appointment Date
Ms. Hong Lijun (洪麗君)	31	Chairwoman of the Supervisory Committee and employee representative Supervisor	10 July 2014
Mr. Ng Seng Chuan (黃成泉)	61	Shareholder representative Supervisor	10 July 2014
Ms. Ruan Cen (阮岑)	37	Employee representative Supervisor	10 July 2014
Mr. Chen Jinzhu (陳金助)	41	Independent Supervisor	15 December 2015
Mr. Wu Lindi (吳麟弟)	40	Independent Supervisor	15 December 2015
Mr. Li Jiancheng (李建成)	30	Shareholder representative Supervisor	4 February 2016 (resigned on 22 August 2017 due to the change in the number of supervisors for the Supervisory Committee under the Articles of Association)
Mr. Wang Shijie (王世傑)	30	Employee representative Supervisor	16 March 2016 (resigned on 22 August 2017 due to the change in the number of supervisors for the Supervisory Committee under the Articles of Association)

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, our Group 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, our Group's operating results and comparable market statistics.

Remuneration paid to each of the two members of the senior management of the Company (except for four executive Directors) for the year ended 31 December 2017 is less than RMB550,000.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of our Group were entered into or in existence during the year ended 31 December 2017.

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

As of 31 December 2017, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, 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. Jiang Haiying	Non-executive Director	Interest in controlled corporation(5)	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 2017.

(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 2017.

(4) Fujian Septwolves Group is directly interested in approximately 25.91% of the issued Domestic Shares of the Company. 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 therefore deemed to be interested in its interest in the Company by virtue of the SFO.

(5) Quanzhou Haoxiang is directly interested in approximately 10.00% of the issued Domestic Shares of the Company. 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 (a company owned as to 53.33% by Mr. Jiang Haiying), approximately 34.05% owned by Mr. Jiang Haiying and approximately 4.87% owned by Fujian Huian Haoda Construction Company Limited* 福建省惠安豪達建設有限公司 (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.

Save as disclosed above, as of 31 December 2017, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, 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.

Interests and Short Positions of Substantial Shareholders

As of 31 December 2017, the persons or corporations (other than a Director, Supervisor or the chief executive of the Company) who had an interest or short position in Shares and underlying Shares 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	Beneficial owner	129,550,000 Domestic Shares (L)	25.91%	19.05%
Fujian Xiyuan(4)	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Wang Wenbin(4)	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Wang Wenli(4)	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Jinjiang Henglong(5)	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Mr. Zeng Jiayi(5)	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Quanzhou Haoxiang(6)	Beneficial owner	50,000,000 Domestic Shares (L)	10.00%	7.35%
Fujian Haoxiang Gardening(6)	Interest in controlled corporation	50,000,000 Domestic Shares (L)	10.00%	7.35%
Xiamen Gaoxinhong(7)	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[7]	Interest in controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.10%
Ms. Zhou Zehui[7]	Interest in controlled corporation	41,460,000 Domestic Shares (L)	8.29%	6.10%
Xing Ying Investments Hong Kong Limited[8]	Interest in controlled corporation	40,000,000 Domestic Shares (L)	8.00%	5.88%
Mr. Ng Kar Cheong[8]	Interest in controlled corporation	40,000,000 Domestic Shares (L)	8.00%	5.88%
Wealth Success[9]	Interest in controlled corporation	36,280,000 Domestic Shares (L)	7.26%	5.34%
Ms. Hong Jingxiao[9]	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%
Mr. Zeng Huanrong[10]	Interest in controlled corporation	34,246,000 H Shares (L)	19.03%	5.04%
Glory Asiapac Holdings Limited[10]	Interest in controlled corporation	34,246,000 H Shares (L)	19.03%	5.04%
Mr. Cai Jianchu	Beneficial owner	30,954,000 H Shares (L)	17.20%	4.55%
Mr. Wu Weiqi	Interest in controlled corporation[11]	18,016,000 H Shares (L)		
	Beneficial owner	8,516,000 H Shares (L)		
		26,532,000 H Shares (L)	14.74%	3.90%
Ms. Hong Erguan	Beneficial owner	19,852,000 H Shares (L)	11.03%	2.92%

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)
Ms. Cheng Chau Yuet	Beneficial owner	330,000 H Shares (L)		
	Interest of spouse(12)	18,346,000 H Shares (L)		
		18,676,000 H Shares (L)	10.38%	2.75%
Mr. Chong Ming Ting	Interest in controlled corporation(13)	18,226,000 H Shares (L)		
	Beneficial owner	120,000 H Shares (L)		
	Interest of spouse(13)	330,000 H Shares (L)		
		18,676,000 H Shares (L)	10.38%	2.75%
Grand Wealth (HK) Investment Limited(13)	Beneficial owner	18,226,000 H Shares (L)	10.13%	2.68%
Yue Tai Investment Limited(11)	Beneficial owner	18,016,000 H Shares (L)	10.01%	2.65%
Mr. Xu Yingyi	Beneficial owner	11,508,000 H Shares (L)	6.39%	1.69%

Notes:

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

(2) The calculation is based on the percentage of shareholding in the Domestic Shares or H Shares (as the case may be) as of 31 December 2017.

(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 2017.

(4) The disclosed interest represents the interest in the Company held by Fujian Xiyuan, which is in turn approximately 51.00% owned by Mr. Wang Wenbin, approximately 39.00% owned by Mr. Wang Wenli and approximately 10.00% owned by Mr. Wang Wenchao. Therefore, each of Mr. Wang Wenbin and Mr. Wang Wenli is deemed to be interested in Fujian Xiyuan's interest in the Company by virtue of the SFO.

(5) The disclosed interest represents the interest in the Company held by Jinjiang Henglong, which is in turn approximately 95.00% owned by Mr. Zeng Jiayi and approximately 5.00% 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.

(6) 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 Fujian Huian Haoda Construction Company Limited* 福建省惠安豪達建設有限公司 (formerly known as Fujian Huian Haoda Stoning Company Limited). Therefore, Fujian Haoxiang Gardening 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 Xiamen Gaoxinhong, which is in turn approximately 59.00% owned by Xiamen Sifang, approximately 23.00% owned by Ms. Zhou Zehui and approximately 18.00% owned by Ms. Wu Changfeng, and Xiamen Sifang is in turn approximately 95.00% owned by Ms. Zhou Zehui. Therefore, each of Xiamen Sifang and Ms. Zhou Zehui is deemed to be interested in Xiamen Gaoxinhong's interest in the Company by virtue of the SFO.

(8) Quanzhou Anping is directly interested in approximately 8.00% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Anping, which is wholly owned by Sand Beach, and Sand Beach is wholly owned by Xing Ying Investments Hong Kong Limited, a company 100.00% owned by Mr. Ng Kar Cheong, the father of Mr. Ng Seng Chuan (one of our Supervisors). Therefore, each of Xing Ying Investments Hong Kong Limited and Mr. Ng Kar Cheong is deemed to be interested in Quanzhou Anping's interest in the Company by virtue of the SFO.

(9) Quanzhou Yuanpeng is directly interested in approximately 7.26% of the issued Domestic Shares. The disclosed interest represents the interest in the Company held by Quanzhou Yuanpeng, which is wholly owned by Wealth Success, a company 100.00% owned by Ms. Hong Jingxiao. Therefore, each of Wealth Success and Ms. Hong Jingxiao is deemed to be interested in Quanzhou Yuanpeng's interest in the Company by virtue of the SFO.

(10) Cheer Spread Enterprise Limited is directly interested in approximately 19.03% of the issued H Shares. The disclosed interest represents the interest in the Company held by Cheer Spread Enterprise Limited, which is wholly owned by Glory Asiapac Holdings Limited, a company 100.00% owned by Mr. Zeng Huanrong. Therefore, each of Glory Asiapac Holdings Limited and Mr. Zeng Huanrong is deemed to be interested in Cheer Spread Enterprise Limited's interest in the Company by virtue of the SFO.

(11) Yue Tai Investment Limited is directly interested in approximately 10.01% of the issued H Shares. The disclosed interest represents the interest in the Company held by Yue Tai Investment Limited, a company 100.00% owned by Mr. Wu Weiqi. Therefore, Mr. Wu Weiqi is deemed to be interested in Yue Tai Investment Limited's interest in the Company by virtue of the SFO.

(12) Ms. Cheng Chau Yuet is deemed to be interested in the 18,346,000 H Shares held by her spouse Mr. Chong Ming Ting by virtue of the SFO.

(13) The disclosed interest represents the interest in the Company held by Grand Wealth (HK) Investment Limited, a company 100.00% owned by Mr. Chong Ming Ting. Therefore, Mr. Chong Ming Ting is deemed to be interested in Grand Wealth (HK) Investment Limited's interest in the Company by virtue of the SFO. In addition, Mr. Chong Ming Ting is deemed to be interested in the 330,000 H Shares held by his spouse Ms. Cheng Chau Yuet by virtue of the SFO.

Save as disclosed above, as of 31 December 2017, the Directors were not aware of any other person or corporation having an interest or short position in Shares and underlying Shares 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 Supervisors' 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 or an entity connected with a Director or Supervisor had a material interest, either directly or indirectly subsisted as of 31 December 2017 or at any time during the year ended 31 December 2017.

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 our Group 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 during the year ended 31 December 2017. 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 10.00% 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 10.00% 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 10.00% 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 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 Acquire 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 any its subsidiaries 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

Our Group participates in pension scheme organized by the municipal government of Quanzhou City, Fujian for our Group'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. Our Group has no obligation for the payment of pension benefits beyond the contributions described above.

Compliance with the Corporate Governance Code

For the year ended 31 December 2017, the Company complied with all code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (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 2017, the Company initiated 4 new legal proceedings to recover overdue payments from our customers. 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 our Group for the year ended 31 December 2017.

Events After the Reporting Period

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

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

Connected Transaction

Fujian Septwolves Group is a substantial shareholder and hence a connected person of the Company. Therefore, related party transactions as disclosed in note 26 to the Financial Statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since such guarantee will be conducted on normal commercial terms or better and will not be secured by the assets of the Company, the guarantee will constitute financial assistance to the Company from a connected person under Chapter 14A of the Listing Rules which is exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Audit Committee

The audit committee of the Company has reviewed and discussed with the management and external auditor, Ernst & Young, the accounting principles and practices adopted by our Group, auditing, risk management and internal control systems and financial report matters including the review of our Group's annual results for the year ended 31 December 2017.

Auditor

The financial statements for the year ended 31 December 2017 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 an auditor of the Company is to be proposed at the AGM.

By order of the Board
Zhou Yongwei
Chairman and executive Director

15 March 2018

Report of the Supervisory Committee

The Supervisory Committee consists of five Supervisors, comprising one representative of Shareholders, namely Mr. Li Jiancheng (resigned on 22 August 2017) and Mr. Ng Seng Chuan; two representatives of employees, namely Ms. Hong Lijun (Chairwoman of the Supervisory Committee), Ms. Ruan Cen and Mr. Wang Shijie (resigned on 22 August 2017); 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 the Company for the year ended 31 December 2017.

Meeting Conducted by the Supervisory Committee

The Supervisory Committee convened two meetings for the year ended 31 December 2017.

Work of the Supervisory Committee

During the year ended 31 December 2017, for our Group'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 our Group

The Supervisory Committee has verified our Group's 2017 financial statements, supervised and inspected our Group's implementation of relevant financial policies and legislations as well as details on our Group's assets, financial income and expenditure. It is of the opinion that the financial report for 2017 fairly reflected our Group's financial position and operating results.

Operation and internal control of our Group

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

The Supervisory Committee is of the opinion that, our Group'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 our Group or the Shareholders. No violation of any laws or regulations or Articles of Association or any act which is adverse to the interests of our Group 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
Chairwoman of the Supervisory Committee

15 March 2018

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 of the CG Code set out in Appendix 14 to the Listing Rules and reviewed its corporate governance practice from time to time. During the Reporting Period, the Company has fully complied with the Code Provisions.

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 2017, the Board comprised four executive Directors, namely, Mr. Zhou Yongwei, Mr. Wu Zhirui, Mr. Yan Zhijiang and Ms. Liu Aiqin, two non-executive Directors, namely, Mr. Jiang Haiying and Mr. Zhu Jinsong, and three independent non-executive Directors, namely, Mr. Zhang Lihe, Mr. Lin Jianguo, Mr. Sun Leland Li Hsun.

Their biographical details are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions and whether they are independent non-executive Directors is 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, Supervisors 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 to 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 our Group, 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 our Group's expense upon their request.

The major duties of the senior management are formulating and implementing our corporate governance measures, risk management, financial management and business management policy and supervising and participating 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 six 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 our Group. Every newly appointed Director receives an induction to ensure that he/she has a proper understanding of the business and operations of our Group and that he is fully aware of his/her duties and responsibilities as a director under applicable rules and requirements.

The Company provided the briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices in April and October 2017.

All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 December 2017.

A summary of training received by the Directors for the year ended 31 December 2017 is as follows:

Name of Directors	Reading materials regarding new rules and regulations
Executive Directors	
Zhou Yongwei	✓
Wu Zhirui	✓
Yan Zhijiang	✓
Liu Aiqin (re-designated on 25 August 2017)	✓
Non-executive Directors	
Jiang Haiying	✓
Zhu Jinsong	✓
Wang Wenbin (resigned on 24 March 2017)	N/A
Independent non-executive Directors	
Sun Leland Li Hsun (appointed on 12 June 2017)	✓
Zhang Lihe	✓
Lin Jianguo (appointed on 12 June 2017)	✓
Cai Yi (retired on 12 June 2017)	✓
Wang Yiming (retired on 12 June 2017)	✓

Chairman and Chief Executive Officer

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

Mr. Wu Zhirui, as the general manager 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

Our Group 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. Lin Jianguo (independent non-executive Director) and Mr. Zhu Jinson (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.

The Audit Committee held two meetings during the year ended 31 December 2017. The Audit Committee has reviewed the financial statements and results of the Company for the year ended 31 December 2016 and interim financial statements and results of the Company for the six month ended 30 June 2017, including the accounting principles and practices adopted by the Company, report prepared by the external auditor covering major findings in the course of the audit; and has also reviewed the policies and practices on corporate governance and the effectiveness of the Audit Committee, 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. Lin Jianguo (independent non-executive Director), Mr. Sun Leland Li Hsun (independent non-executive Director) and Mr. Wu Zhirui (executive Director). Mr. Lin Jianguo 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 the Directors, Supervisors and senior management and the performance of our Group. No Director takes part in any discussion on his/her own remuneration.

The Remuneration Committee held two meetings during the year ended 31 December 2017. The Remuneration Committee has: (i) reviewed the remuneration policy and structure relating to the Directors, Supervisors and senior management of the Company and the effectiveness of the Remuneration Committee; and (ii) discussed and suggested the service contracts and remuneration of Ms. Liu Aiqin, Mr. Lin Jianguo and Mr. Sun Leland Li Hsun.

Nomination committee

The Nomination Committee consists of three members, namely Mr. Zhou Yongwei (executive Director), Mr. Sun Leland Li Hsun (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.

The Nomination Committee held two meetings during the year ended 31 December 2017. The Nomination Committee has: (i) reviewed the structure, size and composition of the Board and assessed independence of the independent non-executive Directors; (ii) made recommendations to the Board on the appointment of Ms. Liu Aiqin as a non-executive Director and re-designation of Ms. Liu Aiqin as an executive Director, the appointment of Mr. Lin Jianguo and Mr. Sun Leland Li Hsun as independent non-executive Directors; and (iii) reviewed the diversity policy of the Board members and the effectiveness of the Nomination Committee.

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 meetings of the Board and Board Committees; and (ii) the Supervisors at the meeting of Supervisory Committee held during the year ended 31 December 2017 is set out in the table below.

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**
Mr. Zhou Yongwei *(Chairman)*	5/6*	1/2*	N/A	N/A
Mr. Wu Zhirui	6/6	N/A	2/2	N/A
Mr. Yan Zhijiang	6/6	N/A	N/A	N/A
Ms. Liu Aiqin (re-designated on 25 August 2017)	5/5	N/A	N/A	N/A
Mr. Jiang Haiying	6/6	N/A	N/A	N/A
Mr. Zhu Jinsong	6/6	N/A	N/A	2/2
Mr. Wang Wenbin (resigned on 24 March 2017)	0/1*	N/A	N/A	N/A
Mr. Sun Leland Li Hsun (appointed on 12 June 2017)	2/3*	0/1*	0/1*	N/A
Mr. Zhang Lihe	6/6	2/2	N/A	2/2
Mr. Lin Jianguo (appointed on 12 June 2017)	3/3	N/A	1/1	1/1
Mr. Cai Yi (retired on 12 June 2017)	2/3*	0/1*	0/1*	N/A
Mr. Wang Yiming (retired on 12 June 2017)	2/3*	N/A	1/1	1/1

* One other meeting was attended by proxy

	Attendance/Number of Meetings	
Name of Supervisors	**12 June 2017**	**25 August 2017**
Ms. Hong Lijun *(Chairwoman)*	1/1	1/1
Mr. Ng Seng Chuan	0/1*	1/1
Ms. Ruan Cen	1/1	1/1
Mr. Chen Jinzhu	1/1	1/1
Mr. Wu Lindi	0/1*	0/1*
Mr. Li Jiancheng (resigned on 22 August 2017)	1/1	N/A
Mr. Wang Shijie (resigned on 22 August 2017)	1/1	N/A

* One other meeting was attended by proxy

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 2017, there were six Board meetings held and all Directors attended the meetings that they were required to attend.

General Meetings

During the year ended 31 December 2017, the Company convened one general meeting which was held on 12 June 2017. 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 five Supervisors, comprising one representative of Shareholders, namely Mr. Li Jiancheng (resigned on 22 August 2017) and Mr. Ng Seng Chuan; two representatives of employees, namely Ms. Hong Lijun (the chairwoman of the Supervisory Committee), Ms. Ruan Cen, Mr. Wang Shijie (resigned on 22 August 2017); 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 our Group's financial information; monitoring the financial activities of our Group, 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 our Group'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 were no other changes in Directors and Supervisors during the Reporting Period. Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and Supervisors are set out below:

- Mr. Wang Wenbin resigned as a non-executive Director due to his personal commitment on other business on 24 March 2017.
- Mr. Yan Zhijiang resigned as a secretary to the Board in March 2017.
- Mr. Cai Yi retired as an independent non-executive Director and ceased to be members of the Nomination Committee and the Remuneration Committee on 12 June 2017.
- Mr. Wang Yiming retired as an independent non-executive Director and ceased to be a member of the Audit Committee and chairman of the Remuneration Committee on 12 June 2017.
- Mr. Sun Leland Li Hsun was appointed by the Board as an independent non-executive Director and as a member of each of the Nomination Committee and the Remuneration Committee on 12 June 2017.
- Mr. Lin Jianguo was appointed by the Board as an independent non-executive Director and as a member of the Audit Committee and chairman of the Remuneration Committee on 12 June 2017.
- Ms. Liu Aiqin was appointed as a non-executive Director on 24 March 2017, and re-designated by the Board as an executive Director on 25 August 2017.
- Mr. Li Jiancheng resigned as a Supervisor on 22 August 2017.
- Mr. Wang Shijie resigned as a Supervisor on 22 August 2017.
- Mr. Wu Zhirui has been appointed as a legal representative of Quanzhou Huixinxing in October 2017.

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 and Supervisors. After specific enquiry with all Directors and Supervisors, they have confirmed fully compliance with the relevant standards stipulated in the Model Code during the Reporting Period.

Joint Company Secretaries

Mr. Yan Zhijiang, an executive Director of the Company, is one of the joint company secretaries. 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 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 our Group's financial statements which give a true and fair view of our Group'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. Our Group 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 our Group 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" of 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 2017, the Company paid Ernst & Young a total fee of RMB1,084,906 (tax exclusive) for audit services and HK$11,000 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 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.

- ### Enquiries 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 the 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 and amended on 19 April 2017. In 2017, certain amendments were duly passed by the Shareholders at the annual general meeting of the Company held on 12 June 2017 and the amended version has been adopted on 22 August 2017. Save as disclosed above, no change was made to the Articles of Association during the year ended 31 December 2017.

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

Investor Relations

During the year ended 31 December 2017, 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 2017, 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.

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.

During the year ended 31 December 2017, 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 Group's risk management and internal control systems on an ongoing basis. The Board has reviewed the risk management and internal control systems of the Group 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 by 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.

Environmental, Social and Governance Report

About the report

Overview

This report is the second Environmental, Social and Governance ("**ESG**") Report published by Quanzhou Huixin Micro-credit Co., Ltd., which discloses information on our ESG performances and management approaches.

Reporting period

The data contained within this report covers 1 January through 31 December 2017 (the "**Reporting Period**"), unless otherwise noted.

Reporting cycle

The ESG report is released annually. This report is our second report. The reporting year of this report is in alignment with our fiscal year.

Reporting scope

Unless otherwise specified, this report covers the Company and its subsidiaries.

Reporting reference

This report was prepared according to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

Data explanation

In this report, relevant data is derived from our Group's internal system.

Board approval

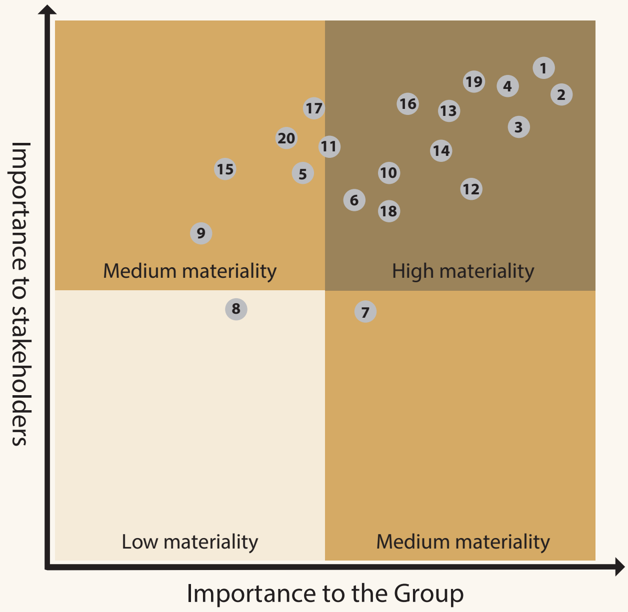
Upon review of management, this report was approved by the Board on 15 March 2018.

ESG management

As the largest licensed microfinance company in Quanzhou listed on the Hong Kong Stock Exchange in September 2016, our Group is committed to developing inclusive finance and actively fulfilling social responsibility. We continue to strengthen our ESG management, which we incorporate into our business management to promote our Group's sustainable development, as well as realizing and protecting the most important interests of our investors, employees and other stakeholders. Our ESG management system is shown as below:

Board	• Be responsible for assessing and determining ESG-related risks • Ensure the development of a suitable and effective ESG risk management and internal control system • Review and approve ESG policies and ESG report
Board office	• Enforce ESG risk management and internal control measures • Guide the executive team on ESG projects • Review and approve ESG policies • Review and approve ESG report and confirm the accuracy of performance indicator data
Executive Team	• Promote the implementation of various ESG policies in all departments • Report to the Board office on the implementation of ESG project • Compile ESG performance indicators' data • Prepare of ESG report

For our second ESG report, we conducted a materiality assessment to identify important ESG issues that are relevant to our Group's operation through stakeholder questionnaires and interviews. The materiality matrix is shown below:

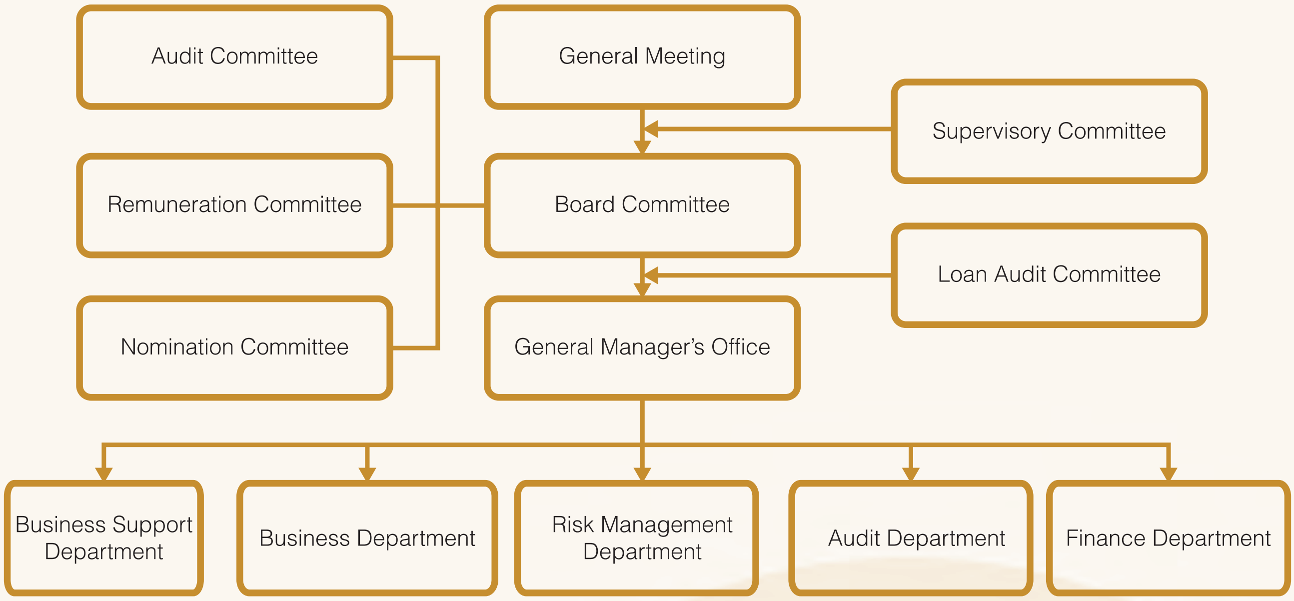


1	Compliance operation	11	Health and safety
2	Risk control	12	Employee training
3	Strategic layout	13	Employee care
4	Anti-corruption	14	Employee communication
5	Innovation	15	Charity
6	Industry participation	16	Promote local economic development
7	Energy saving and emission reduction	17	Product and service quality
8	Water conservation	18	Customer relations
9	Waste classification	19	Customer privacy
10	Employee compensation and benefits	20	Supply chain management

Governance

Corporate governance

To protect the interests of our investors and other stakeholders, we established a well-organized governance structure. Our Group's governance structure is shown as below:

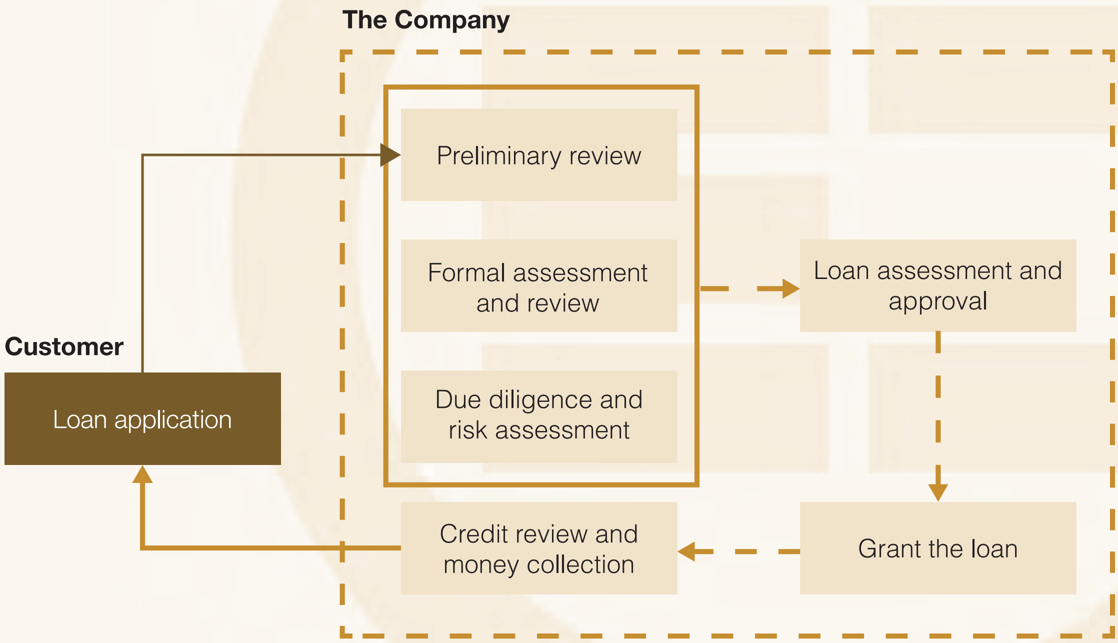


For more detailed information of corporate governance, please refer to the "Corporate Governance Report" of this annual report.

Risk control

Loan risk control

As a microfinance company, we regard credit risk control as our priority task. The Company has established a comprehensive credit risk control system. Each loan is strictly implemented per our risk control procedure.



Compliance risk control

Compliance with laws and regulations is a necessary condition for our Group's integrity, standardization and steady development. To comply with the requirements of national and local regulations such as the *Guiding Opinions on the Pilot Operation of Microfinance Companies promulgated by the People's Bank of China* (中國人民銀行關於小額貸款公司試點的指導意見), *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 *Pilot Measures of Cross-County Operation of Microfinance in Quanzhou* (泉州市小額貸款公司跨縣域經營試點實施方案), the *Opinions on Promoting the Sound and Sustainable Development of Microfinance Companies, Pawnshop Companies and Financing Guarantee Companies promulgated by the government of Quanzhou city* (泉州市人民政府關於促進小額貸款公司、典當行和融資擔保公司健康持續發展的若干意見) and the code of conducts, ethics and integrity, we continuously improve the compliance management system.

The Board, Supervisory Committee and Senior Management are responsible for the compliance effectiveness. The compliance work is conducted by the general manager, risk management department and other internal control departments. All of our employees are required to sign a compliance commitment and follow the business code of conducts strictly.

For more detailed information of risk control, please refer to sub-section headed "Risk Management and Internal Control" set out in the section of "Corporate Governance Report" of this annual report.

Anti-financial crime

As a financial service company, we have always highly valued integrity and had zero tolerance for financial crimes in our operation. Based on the *Anti-Money Laundering Law of the PRC* (中華人民共和國反洗錢法) and the regulations issued by China Banking Regulatory Commission (中國銀行業監督管理委員會), we have established a set of internal policies and procedures, such as anti-money laundering, anti-bribery and corruption, to avoid the risks of financial crime. To ensure our employees and customers comply with the requirements imposed by our Group's financial crime control, we require each of our employees to sign the commitment of integrity and each of our customers to sign the commitment of anti-money laundering.

Internal Control

- Include binding terms in employment contract
- Require our employees to sign integrity commitment
- Strengthen integrity and anti-money laundering education to our employees

External Control

- Include binding terms in service contract
- Require our customers to sign anti-money laundering commitment

Anti-fraud and anti-corruption

Our Group explicated fraud and corruption behaviors, established Anti-fraud and Anti-corruption reporting system (反舞弊、欺詐行為及舉報制度). We have set up reporting hotline and established a comprehensive procedure to process complaints and reports depending on different employee levels. The Audit Committee is responsible for processing reported corruption cases and reporting to higher level management. Any suspected crime cases will be transferred to the judicial departments.

During the Reporting Period, there were no incidents regarding conflicts of interest, fraud and bribery.

Anti-money laundering

In order to standardize the anti-money laundering management of our Group, and enhance our Group's capacity to prevent money laundering risk, we have developed Measures of Anti-money Laundering Management (反洗錢工作管理辦法) for our Group. We have integrated anti-money laundering organization and established anti-money laundering incentive mechanisms to strengthen internal control. We strictly implement measures to identify money-laundering activities, conduct periodic, irregular, on-site and off-site audits to perform legal obligations of anti-money laundering.

Moreover, we have included anti-money laundering training in business training courses and strengthened the promotion of anti-money laundering to raise the awareness for our employees and ensure that they have the basic anti-money laundering knowledge and skills through intensive learning.

Honors and awards

1. "2017 Top 100 Service Providers in Quanzhou" and " Top 10 in Financial Services", issued by Enterprises and Entrepreneurs Association of Quanzhou City

2. "Large Taxpayer" title for businesses whose annual tax is over RMB20 million in 2016, awarded by People's Government of Licheng District of Quanzhou City

3. Title of "Key Enterprise in 2017", awarded by People's Government of Licheng District of Quanzhou City

Supply chain management

As a financial service company, even though supply chain management is not a main concern of our operation, we still established a strict supplier screening system to ensure that our suppliers comply with our ESG principles.

Our suppliers primarily provide source of funding, office supplies and decoration services. In terms of procurement measures, we adopt a combination of purchases and leases through both online and offline channels. We strictly control the procurement cost and select the best supplier after comparison. Some of our Group's devices are leased, such as printers, copiers and scanners. All office paper is purchased online.

Customer

Customer relations

Our Group is committed to providing quality products and services to our customers. We served 570 different customers in 2017. We value every customer's opinions and complaints, which we will receive through hotline and handle in a timely manner. During the Reporting Period, we did not receive any customer complaint.

Customer privacy

We strictly comply with the *Law of PRC on the Protection of Consumer Rights and interests* (中華人民共和國消費者權益保護法), and ensure the legitimate rights and interests of customers, especially the security of customer privacy. We regard customer privacy as our Group's confidential information, requiring our employees to strictly follow the confidentiality requirements and protect customer information. Illegally disclosing, spying, and stealing customer information are strictly prohibited.

All customer information is recorded in hard-copy documents. We have set up a separate room for customer information's archival management. Access of customer information for any reasons requires a written approval of the general manager or deputy manager.

Green operation

Environment policy

Our Group respects the environment and natural resources. We regard the protection of environment and natural resources as an important responsibility during our operation. We strictly comply with the relevant laws and regulations, such as the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法), the *Energy Conservation Law of the PRC* (中華人民共和國節約能源法), etc. In respond to China's 13th "Five-year" plan in greenhouse gas emission reduction, we commit to minimizing our carbon footprints.

Environmental performance

Due to the nature of our business, our activities do not have a significant impact on the environment and natural resources. However, our Group still insists on saving energy and resources and implementing waste classification system in the office. As our Group operates mainly in an office setting, we have taken a series of initiatives to minimize the negative impacts on environment and natural resource.

Reduce resource consumption	• Setting temperature limit on air conditioners • Eliminating unnecessary electricity and water use • Ensuring no energy and water is wasted outside working hours
Reduce solid waste generation	• Printing double-sided • Reusing single-side used paper • Collecting waste paper separately for easier recycling
Reduce air emission	• Established vehicle management system to standardize vehicles' use • Regular maintenance for vehicles • Encouraging public transportation

Summary of Environment KPIs

Resource Consumption			
Category	**Total**	**Per Capita**	**Unit**
Electricity	42,023	1,135.76	kWh
Gasoline			
92#	12,141	328.14	Liter
95#	11,727	316.95	Liter
98#	1,577	42.62	Liter
Total	25,445	687.71	Liter
Paper	301	8.14	Kilogram

Emission			
Category	**Total**	**Per Capita**	**Unit**
Greenhouse gas			
Direct greenhouse gas emission of vehicles (CO_2 equivalent)	68.90	1.86	Ton
Indirect greenhouse gas emission of electricity consumption (CO_2 equivalent)	29.56	0.80	Ton
Total	98.46	2.66	Ton
Air Emission			
NO_x			
Emission of electricity consumption	58.83	1.59	Kilogram
SO_2			
Emission of electricity consumption	88.25	2.39	Kilogram
Particulate			
Emission of electricity consumption	8.40	0.23	Kilogram

Note: The statistical scope of the environmental KPIs is for the Company only.

Employee

Employment policy

Employees are the foundation of our sustainable growth. Our Group strictly complies with the relevant regulations such as 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), *Special Provisions on the Labor Protection of Female Employees* (女職工勞動保護特別規定), etc. We treat our job applicants and employees fairly and equally. We do not discriminate any job applicants or employees for any reason. The Company prohibits employing child labor, forced or compulsory labor. We comply with the *Protection of Minors Law of the PRC* (中華人民共和國未成年人保護法) and the *Provisions on the Prohibition of Using Child Labor* (禁止使用童工規定), and implement employee screening procedures to avoid hiring child labors during recruitment. During the Reporting Period, there was no child labor employment or forced labor incidence.

Our Group has established the Human Resources Management system to standardize human resources-related procedures. Through providing fair recruitment, training, promotion, remuneration, welfare, holidays, dismissal and other legal rights and benefits, we offer our employees the best platform to thrive.

Employment performance

Remuneration and welfare

Our Group has established law-complying, objective, fair, and comprehensive remuneration system, including base salary, performance-based compensation, and bonus. We offer our employees with an equal and reasonable remuneration depending on the type of work, position, capability and performance.

Our Group has established a welfare system to encourage our employees and enhance our Group's talent attraction. Our employee welfare includes regular welfare and other welfares.

Regular Welfare	• Social insurance (Endowment insurance, unemployment insurance, work injury insurance, maternity insurance and medical insurance) • Company accidental injury insurance • Housing fund • Employee leave (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.)
Other Welfares	• Poverty subsidies • Work lunch allowance • Employee medical examination • Uniform • Team activities funding • Travel allowance • Inpatient consolation monies • Birth gifts

Training and career development

Our Group attaches great importance to employees' training, providing multiple and diversified training system for our employees. To take advantage of the Internet age, we started the online academy project and developed an online learning platform to facilitate employees' training with their fragmented time. The online learning platform offers multiple learning courses for different levels of employees. Our employees can login on the online learning platform through computers, mobile phones and WeChat.

In 2017, the number of total training participants was 71, covering 92.21% of total employees. Employees' training expense was RMB52,395.

New Staff	• On-boarding training
Specialized Business	• Financial and sales management • Financing and accounting • Business support training • Laws and regulations training • Risk control training • PRC macro economy and market condition • Analysis of our Group's strategy and microfinance industry
Sharing session	• Business sharing, booking sharing, etc.

Our Group has implemented a dual-track promotion mechanism, providing clear promotion path for our employees. One track is for management employees and the other is for professional employees.

Communication and care

Our Group highly cares about employee's physical and psychological health, advocating work-life balance. We organize different forms of team-building activities and festival events for our employees every year, aiming to strengthen communication among employees, enhance our Group's unity, and achieve a better work-life balance. Team building expense in 2017 amounted to RMB149,697.

Health and safety

Our Group has always valued employees' health and safety. We provide medical examinations for our employees annually and have purchased personal health and accident insurance for our employees. Additionally, we conduct fire drill regularly every year to improve employees' safety skill.

We follow a working hour system of no more than 8 working hours every day and no more than 40 hours every week which is in line with the requirements of national and regional governments. We encourage our employees to exercise after work.

During the Reporting Period, there was no work-related death or injury of employee at the workplace.

Summary of Employment KPIs

Statistic of Employee[1]	Male	Female	Total	Unit	Ratio
Classified by age					
=<30 years old	15	14	29	Person	52.73%
31–40 years old	11	9	20	Person	36.36%
>=41 years old	4	2	6	Person	10.91%
Classified by level					
Senior Management	7	3	10	Person	18.18%
Intermediate Management	6	4	10	Person	18.18%
General staff	17	18	35	Person	63.64%
Classified by education					
Below Bachelor degree	6	8	14	Person	25.45%
Bachelor degree	21	15	36	Person	65.45%
Master degree and higher	3	2	5	Person	9.10%
Total	**30**	**25**	**55**	**Person**	
Sex ratio	**54.5**	**45.5**	**100**	**%**	

Statistic of Employee[2]	
Employee turnover rate	
Total turnover rate	14.00 %
Classified by age	
Male	16.67 %
Female	8.00 %

Community participation

Promote industry development

A good industry environment can promote the development of our Group. We actively advocate for the development of local financial industry association and have become the president enterprise of the local financial industry association. We always maintain close relations with local government and continue to promote the implementation of local government's financial innovation policy.

Support environment protection

Our community needs a good environment. Our Group understands the contradiction and conflicts between economic development and environmental protection. In compliance with national environment protection policy and plan, we adjusted our loan policy accordingly to support environment protection.

1. Overcapacity, high pollution and high energy consumption industries will not be approved for our loan service.

2. Lower lending rates will be offered to environmental protection enterprises.

3. Relevant environmental requirements and permits are mandatory provision to our customers.

During the Reporting Period, the loan balance granted for supporting the enterprises in environmental protection industry amounted to approximately RMB60 million.

Support the real economy and local economic development

All of our loans are granted to support the real economy. During the Reporting Period, the loan balance granted to the real economy amounted to approximately RMB3,239 million. We actively fulfill the taxes liability to support local economic development. The Company won the "Large Taxpayer" title awarded by People's Government of Licheng District of Quanzhou City in 2016. During the Reporting Period, the Group's total tax amounted to approximately RMB40 million.

Inclusive finance

Our Group continually supports the development of "inclusive finance". We provide various practical and flexible short-term financing solutions for entrepreneurs, microenterprises and SMEs to support their continued development and address their ongoing liquidity needs.

ESG KPIs Index

	General Disclosures and KPIs	Section
A1		Green operation
A1.1	The types of emissions and respective emissions data.	Summary of Environmental KPIs
A1.2	Greenhouse gas emissions in total (in ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Summary of Environmental KPIs
A1.3	Total hazardous waste produced (in ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Because of the business nature, the Group is not aware of any major production of hazardous solid waste.
A1.4	Total non-hazardous waste produced (in ton) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The amount of non-hazardous waste produced is limited and it is not a materiality issue for the Group.
A1.5	Description of measures to mitigate emissions and results achieved.	Description of measures can refer to Environmental performance. However, the Group is not aware of the results achieved this year. Results achieved will be analyzed in the future.
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	As explained in A1.3 and A1.4
A2		Green operation
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Summary of Environmental KPIs
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water consumption is limited and it is not a materiality for the Group.
A2.3	Description of energy use efficiency initiatives and results achieved.	Since the Group only operates in the office and this KPI is not a material issue for the Group, we do not have initiatives this year. Relevant initiatives will be proposed in the future.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The Group's water is sourced from municipal supply and the quantity is limited.
A2.5	Total packaging material used for finished products (in ton) and, if applicable, with reference to per unit produced.	Because of the business nature, A2.5 is not applicable for the Group.
A3		Green operation
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Because of the business nature of the Group, A3.1 is not applicable for the Group.
B1		Employment policy
B1.1	Total workforce by gender, employment type, age and geographical region.	Summary of Employment KPIs
B1.2	Employee turnover rate by gender, age and geographical region.	Summary of Employment KPIs

	General Disclosures and KPIs	Section
B2		Health and safety
B2.1	Number and rate of work-related fatalities.	Employment performance
B2.2	Lost days due to work injury.	It will be disclosed in the future
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employment performance
B3		Training and career development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employment performance
B3.2	The average training hours completed per employee by gender and employee category.	It will be disclosed in the future
B4		Employment policy
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Employment performance
B4.2	Description of steps taken to eliminate such practices when discovered.	Employment performance
B5		Supply chain management
B5.1	Number of suppliers by geographical region.	It will be disclosed in the future
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	The Group only have two funding suppliers, and it is not applicable for the Group.
B6		Customer
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Because of the business nature of the Group, B6.1 is not applicable for the Group.
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer relations
B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6.3 is not applicable for the Group.
B6.4	Description of quality assurance process and recall procedures.	Because of the business nature of the Group, B6.4 is not applicable for the Group.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer privacy
B7		Anti-financial crime
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-fraud and anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-fraud and anti-corruption
B8		Community participation
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community participation

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 consolidated financial statements of Quanzhou Huixin Micro-credit Co., Ltd. (the "**Company**") and its subsidiary (the "**Group**") set out on pages 82 to 128, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated 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 requirement of 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 consolidated financial statements* section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for impairment of loans receivable As at 31 December 2017, gross loans receivable amounting to RMB940.5 million is a significant component (81.3%) of the total assets of the Group, with the allowance for impairment amounting to RMB21.0 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 of factors including the financial condition of the counterparty, expected future cash flows and the valuation of collateral. The Group 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 31 to the consolidated financial statements.	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 whether 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 collective 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 receivable and allowance for impairment of loans receivable, which are included in note 15 and note 31 to the consolidated financial statements.

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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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
15 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

Consolidated Statement of Financial Position

31 December 2017

(Amounts expressed in RMB unless otherwise stated)

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

Wu Zhirui
Director

Yan Zhijiang
Director

Consolidated Statement of Changes in Equity

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

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

Consolidated Statement of Cash Flows

Year ended 31 December 2017

(Amounts expressed in RMB unless otherwise stated)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**119,866,513**	114,281,105
Adjustments for:			
Share of profit of an associate		**(4,965,901)**	—
Depreciation and amortisation		**844,846**	945,800
Impairment charged		**1,897,198**	7,689,440
Accreted interest on impaired loans		**(2,047,895)**	(2,206,807)
Foreign exchange loss/(gain), net	6	**4,350,028**	(7,416,460)
Loss/(gain) on disposal of items of property and equipment		**4,568**	(31,829)
Interest expense	5	**1,077,592**	6,002,870
		121,026,949	119,264,119
Increase in financial assets at fair value through profit or loss		**(5,000,000)**	(26,000,000)
Increase in loans receivable		**(113,516,067)**	(119,194,582)
Increase in other assets		**(1,056,961)**	(3,091,619)
Increase in other payables		**2,294,306**	875,299
Net cash flows from/(used in) operating activities before tax		**3,748,227**	(28,146,783)
Income tax paid		**(32,884,638)**	(26,470,774)
Net cash flows used in operating activities		**(29,136,411)**	(54,617,557)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(1,224,524)**	(274,217)
Proceeds from disposal of property and equipment		**—**	45,017
Purchase of a shareholding in an associate		**(172,511,850)**	—
Net cash flows used in investing activities		**(173,736,374)**	(229,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	260,366,400
Transaction cost paid for issue of shares		**—**	(9,943,201)
Proceeds from new bank borrowings		**140,000,000**	—
Repayment of bank borrowings		**—**	(100,000,000)
Interest paid		**(895,375)**	(6,141,412)
Dividends paid	11	**(34,000,000)**	(25,000,000)
Net cash flows from financing activities	25	**105,104,625**	119,281,787
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(97,768,160)**	64,435,030
Cash and cash equivalents at beginning of the year		**114,409,337**	42,557,847
Effect of foreign exchange rate changes, net		**(4,350,028)**	7,416,460
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**12,291,149**	114,409,337

(Amounts expressed in RMB unless otherwise stated)

1. Corporate and Group Information

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

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

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

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

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

Information about a subsidiary

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

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

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

2. Basis of Preparation

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

3. Summary of Significant Accounting Policies and Significant Accounting Estimates

3.1 Changes in Accounting Policies and Disclosures

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

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

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

3.2 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfer of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	*Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards and HKAS 28 Investments in Associates and Joint Ventures*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing Costs*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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

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

(a) Classification and measurement

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

(b) Impairment

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

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

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

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

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

3.2 Issued but not yet Effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

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

3.3 Summary of Significant Accounting Policies

An investment in an associate

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

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

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

3.3 Summary of Significant Accounting Policies (Continued)

An investment in an associate (Continued)

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

Fair value measurement

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

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

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

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

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

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

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

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

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

3.3 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 Group if:

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

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

or

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

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

3.3 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 Group or an entity related to the Group;

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

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

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

Property and equipment and depreciation

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

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

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

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

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

3.3 Summary of Significant Accounting Policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Derecognition of financial assets

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

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

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

3.3 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

3.3 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

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

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or 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 Group's cash management.

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

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

3.3 Summary of Significant Accounting Policies (Continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

3.3 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

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

Government grants

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

Revenue recognition

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

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

Employee benefits

Employee retirement scheme

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

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

3.3 Summary of Significant Accounting Policies (Continued)

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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

Foreign currencies

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

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

Repossessed assets

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

3.4 Significant Accounting Judgements and Estimates

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

(Amounts expressed in RMB unless otherwise stated)

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

3.4 Significant Accounting Judgements and Estimates (Continued)

Impairment losses of financial assets

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

Deferred tax assets and liabilities and current income tax charge

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

4. Segment Reporting

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

Geographical information

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

5. Interest Income

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

(Amounts expressed in RMB unless otherwise stated)

6 Other (Expenses)/Income and Gains, Net

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

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

7. Profit Before Tax

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

8. Directors' and Supervisors' Remuneration (Continued)

	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 Lihei	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)

9. Five Highest Paid Individuals

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

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

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

	2017	2016
Nil – RMB1,000,000	**2**	2

10. Income Tax Expense

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

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

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

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

11. Dividends

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

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

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

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

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

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

13. Cash and Cash Equivalents

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

At the end of the reporting period, the cash and bank balances of the Group denominated in Hong Kong dollar ("**HKD**") amounted to RMB3,986,934 (2016: RMB85,499,511). Cash at banks earns interest at floating rates based on daily bank deposit rates.

(Amounts expressed in RMB unless otherwise stated)

14. Financial Assets at Fair Value Through Profit or Loss

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

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

15. Loans Receivable

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

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

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

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

(i) Performing loans are collectively assessed for impairment.

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

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

(Amounts expressed in RMB unless otherwise stated)

15. Loans Receivable (Continued)

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

	Individually assessed	Collectively assessed	Total
As at 1 January 2016	3,104,008	13,641,638	16,745,646
Charges for the year	6,248,483	1,440,957	7,689,440
Accreted interest on impaired loans	(2,206,807)	—	(2,206,807)
As at 31 December 2016	7,145,684	15,082,595	22,228,279
Charges for the year	3,151,283	(1,254,085)	1,897,198
Write off	(1,109,513)	—	(1,109,513)
Accreted interest on impaired loans	(2,047,895)	—	(2,047,895)
As at 31 December 2017	7,139,559	13,828,510	20,968,069

16. Investment in an Associate

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

Particulars of the associate are as follows:

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

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

(Amounts expressed in RMB unless otherwise stated)

16. Investment in an Associate (Continued)

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

17. Property and Equipment

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2016	1,011,223	459,514	1,729,341	3,200,078
Additions	245,837	—	28,380	274,217
Disposals	(263,769)	—	—	(263,769)
At 31 December 2016	993,291	459,514	1,757,721	3,210,526
Additions		793,787	366,337	1,160,124
Disposals	(90,488)	(880)	—	(91,368)
At 31 December 2017	902,803	1,252,421	2,124,058	4,279,282
Accumulated depreciation:				
At 1 January 2016	796,505	310,006	1,112,959	2,219,470
Depreciation charge for the year	91,805	54,306	351,070	497,181
Disposals	(250,581)	—	—	(250,581)
At 31 December 2016	637,729	364,312	1,464,029	2,466,070
Depreciation charge for the year	97,033	134,162	293,692	524,887
Disposals	(85,964)	(836)	—	(86,800)
At 31 December 2017	648,798	497,638	1,757,721	2,904,157
Net carrying amount:				
At 31 December 2017	254,005	754,783	366,337	1,375,125
At 31 December 2016	355,562	95,202	293,692	744,456

(Amounts expressed in RMB unless otherwise stated)

18. Intangible Assets

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

19. Deferred Tax Assets

The movements in the deferred tax assets are as follows:

	Impairment allowance on loans
At 1 January 2016	1,184,352
Recognised in profit or loss (Note 10)	275,624
At 31 December 2016	1,459,976
Recognised in profit or loss (Note 10)	(13,887)
At 31 December 2017	1,446,089

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

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

(Amounts expressed in RMB unless otherwise stated)

20. Other Assets

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

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

21. Interest-Bearing Bank Borrowings

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

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

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

22. Other Payables

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

(Amounts expressed in RMB unless otherwise stated)

23. Share Capital

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

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

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

24. Reserves

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

Capital reserve

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

Surplus reserve

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

24. 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 2017, the balance of the general reserve of the Company was RMB14.1 million, no lower than 1.5% of its risk assets.

Distributable profit

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

25. Note to the Consolidated Statement of Cash Flows

(a) Changes in liabilities arising from financing activities

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

26. Related Party Disclosures

(a) Compensation of key management personnel of the Group

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

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

(b) Loan guarantee

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

(Amounts expressed in RMB unless otherwise stated)

27. Contingent Liabilities

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

28. Operating Leases

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

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

29. Commitments

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

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

(Amounts expressed in RMB unless otherwise stated)

30. Financial Instruments by Category

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

	31 December 2017	31 December 2016
Financial assets		
Financial assets at fair value through profit or loss	31,000,000	26,000,000
Loans and receivables		
— Cash and cash equivalents	12,291,149	114,409,337
— Loans receivable	919,519,129	805,852,365
— Other receivables	1,040,537	1,738,328
	963,850,815	948,000,030
Financial liabilities		
Other financial liabilities		
— Interest-bearing bank borrowings	140,000,000	—
— Interest payable	182,217	—
— Other payables	2,613,673	1,572,855
	142,795,890	1,572,855

31. Financial Risk Management

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

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

- Centralised credit management procedures;

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

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

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

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

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

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

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

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

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

Impairment assessment

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

31. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Impairment assessment (Continued)

Individually assessed allowances

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

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

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

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

Collectively assessed allowances

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

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

Collateral and other credit enhancements

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

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

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

(Amounts expressed in RMB unless otherwise stated)

31. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Collateral and other credit enhancements (Continued)

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

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

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

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

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

Credit quality of loans receivable

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

31. Financial Risk Management (Continued)

(a) Credit risk (Continued)

Credit quality of loans receivable (Continued)

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

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

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

Analysis of risk concentration

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

(b) Foreign currency risk

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

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

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

(Amounts expressed in RMB unless otherwise stated)

31. Financial Risk Management (Continued)

(b) Foreign currency risk (Continued)

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

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

(c) Interest rate risk

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

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

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

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

(Amounts expressed in RMB unless otherwise stated)

31. Financial Risk Management (Continued)

(c) Interest rate risk (Continued)

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

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

Changes in variables	2017 Impact on profit before tax	2016 Impact on profit before tax
+ 50 basis points	(638,552)	572,038
– 50 basis points	638,552	(572,038)

(d) Price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is exposed to equity price risk arising from financial assets at fair value through profit or loss (Note 14). As at 31 December 2017, a 10% increase in the fair value of the financial assets, with all other variables held constant, would increase financial assets at fair value through profit or loss by RMB3.1 million (31 December 2016: RMB2.6 million).

(e) Liquidity risk

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

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

(Amounts expressed in RMB unless otherwise stated)

31. Financial Risk Management (Continued)

(e) Liquidity risk (Continued)

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

	31 December 2017					
	On demand	Overdue	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
Financial assets:						
Cash and cash equivalents	12,291,149	–	–	–	–	12,291,149
Financial assets at fair value through profit or loss	31,000,000	–	–	–	–	31,000,000
Loans receivable	–	20,623,858	326,128,952	480,106,516	220,858,735	1,047,718,061
Other assets	–	–	888,282	–	152,255	1,040,537
Subtotal	43,291,149	20,623,858	327,017,234	480,106,516	221,010,990	1,092,049,747
Financial liabilities:						
Interest-bearing bank borrowings	–	–	1,979,250	144,860,158	–	146,839,408
Other payables	–	–	1,213,673	1,400,000	–	2,613,673
Subtotal	–	–	3,192,923	146,260,158	–	149,453,081
Net	43,291,149	20,623,858	323,824,311	333,846,358	221,010,990	942,596,666

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

(Amounts expressed in RMB unless otherwise stated)

31. Financial Risk Management (Continued)

(f) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017.

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

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

(Amounts expressed in RMB unless otherwise stated)

32. Maturity Analysis of Assets and Liabilities

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

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

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

(Amounts expressed in RMB unless otherwise stated)

33. Fair Value and Fair Value Hierarchy of Financial Instruments

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

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2017

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

As at 31 December 2016

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

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

(Amounts expressed in RMB unless otherwise stated)

34. Events After the Reporting Period

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

35. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

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

(Amounts expressed in RMB unless otherwise stated)

35. Statement of Financial Position of the Company (Continued)

Note:

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

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

36. Approval of the Financial Statements

These financial statements have been approved and authorised for issue by the Company's board of directors on 15 March 2018.

Financial Summary

The following is a summary of assets and liabilities of our Group as of 31 December 2013, 2014, 2015, 2016 and 2017 of the results of our Group for each of the years ended 31 December 2013, 2014, 2015, 2016 and 2017.

	Year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
RESULTS					
Interest income	78,474	134,301	135,882	143,693	**140,015**
Profit before tax	54,889	98,074	100,351	114,281	**119,867**
Income tax expense	(13,762)	(24,605)	(25,096)	(28,762)	**(28,900)**
Net profit and total comprehensive income for the year	41,127	73,469	75,255	85,519	**90,966**
ASSETS AND LIABILITIES					
Total assets	695,609	740,822	747,679	960,886	**1,156,331**
Total liabilities	160,075	156,959	118,561	21,866	**160,344**
Total equity	535,534	583,863	629,118	939,021	**995,987**

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 Tuesday, 12 June 2018
"Articles of Association"	the articles of association of the Company as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
"Company"	Quanzhou Huixin Micro-credit Co., Ltd.* (泉州滙鑫小額貸款股份有限公司), a joint stock company established in the PRC with limited liability on 8 January 2010 converted from the predecessor company, Quanzhou Licheng District Huixin Microcredit Co., Ltd.* (泉州市鯉城區滙鑫小額貸款有限公司), 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 the share capital of the Company, 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
"Financial Business"	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 Panpan"	Fujian Panpan Biotech Limited* (福建盼盼生物科技有限公司)
"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)
"Group", "we," "us," or "our"	the Company and its subsidiaries
"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
"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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong 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 our Group 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 Date"	30 September 2016, the day on which the H Shares became listed on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Prospectus"	the prospectus of the Company dated 19 September 2016 in connection with the Hong Kong Public Offering
"Quanzhou" or "Quanzhou City"	Quanzhou City (泉州市), Fujian Province

Definitions (Continued)

"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 Huixinxing"	Quanzhou Huixinxing Investment Limited* (泉州匯鑫行投資有限責任公司) established in the PRC with limited liability on 19 October 2017, a wholly owned subsidiary of the Company
"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
"Reporting Period"	the period for the year ended 31 December 2017
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sand Beach"	Sand Beach Development Limited (封域發展有限公司)
"Septwolves Group Holding"	Septwolves Group Holding Co., Ltd.* (七匹狼控股集團股份有限公司)
"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)
"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
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisory Committee"	the Supervisory Committee of the Company
"Wealth Success"	Wealth Success Enterprise Limited (成康企業有限公司)

* *for identification purposes only*

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