The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VCREDIT HOLDINGS LIMITED AND CREDIT SUISSE (HONG KONG) LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of VCREDIT Holdings Limited (formerly known as Vision Capital Group Limited, the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-74, which comprises the consolidated statements of financial position as at December 31, 2015, 2016 and 2017, the company statements of financial position as at December 31, 2015, 2016 and 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in deficit and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-74 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 7, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain

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reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2015, 2016 and 2017 and the consolidated financial position of the Group as at December 31, 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 36 to the Historical Financial Information which states that no dividends have been paid by VCREDIT Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
June 7, 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,		
	Note	**2015**	**2016**	**2017**
		RMB'000	**RMB'000**	**RMB'000**
Interest income	5	1,291,582	1,724,119	3,254,516
Less: interest expenses		(300,170)	(441,197)	(918,226)
Net interest income		991,412	1,282,922	2,336,290
Loan facilitation service fees	6	34,769	55,001	83,916
Other income	7	36,748	94,862	286,176
Total Income		**1,062,929**	**1,432,785**	**2,706,382**
Origination and servicing expenses	8	(312,218)	(410,995)	(607,614)
Sales and marketing expenses	8	(18,964)	(61,821)	(68,963)
General and administrative expenses	8	(101,763)	(163,360)	(181,747)
Research and development expenses	8	(14,653)	(30,032)	(74,379)
Impairment losses	26	(737,555)	(1,002,389)	(1,417,439)
Other losses, net	12	(30,158)	(113,971)	(8,840)
Operating (loss)/profit		**(152,382)**	**(349,783)**	**347,400**
Share of net loss of associates accounted for using the equity method	21	—	(748)	(6,368)
Fair value loss of convertible redeemable preferred shares		(146,590)	(270,512)	(1,285,496)
Loss before income tax		**(298,972)**	**(621,043)**	**(944,464)**
Income tax credit/(expense)	13	(4,171)	55,993	(58,669)
Loss for the year		**(303,143)**	**(565,050)**	**(1,003,133)**
Other comprehensive income				
Exchange difference on translation of financial statements		(57,429)	(94,034)	171,373
Total comprehensive loss for the year, net of tax		**(360,572)**	**(659,084)**	**(831,760)**
Basic loss per share (RMB yuan)	**14**	**(2.12)**	**(3.96)**	**(6.96)**
Diluted loss per share (RMB yuan)	**14**	**(2.12)**	**(3.96)**	**(6.96)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Assets				
Cash and cash equivalents	15(a)	200,202	289,889	568,196
Restricted cash	15(b)	7,569	91,945	143,570
Loans to customers	16	3,808,254	6,219,122	11,479,696
Contract assets	17	30,080	60,603	98,845
Guarantee receivables	18	7,997	23,681	130,073
Financial assets designated at fair value through profit or loss	19	—	—	110,545
Investments accounted for using the equity method	20	—	17,152	30,784
Deferred income tax assets	22	73,947	193,042	279,860
Intangible assets	23	8,618	11,737	13,488
Property and equipment	24	44,946	40,929	74,355
Other assets	25	59,970	183,757	507,596
Total assets		**4,241,583**	**7,131,857**	**13,437,008**
Liabilities				
Borrowings	27	3,239,535	5,898,439	11,063,133
Guarantee liabilities	18	8,680	31,276	169,553
Tax payable		13,921	75,351	108,338
Deferred income tax liabilities	22	43,071	74,954	122,314
Convertible redeemable preferred shares	28	838,798	1,560,194	3,042,173
Other liabilities	29	267,465	301,195	440,107
Total liabilities		**4,411,470**	**7,941,409**	**14,945,618**
Deficit				
Share capital	30	257,985	257,985	394,462
Reserves	30	(32,032)	(106,647)	60,951
Accumulated deficit		(395,840)	(960,890)	(1,964,023)
Total deficit		**(169,887)**	**(809,552)**	**(1,508,610)**
Total liabilities and deficit		**4,241,583**	**7,131,857**	**13,437,008**

STATEMENTS OF FINANCIAL POSITION—COMPANY

		As at December 31,		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Assets				
Cash and bank balances		454	91	234
Investment in subsidiaries	21	839,345	1,322,491	1,326,248
Other assets	25	61,960	2,013	461,399
Total assets		**901,759**	**1,324,595**	**1,787,881**
Liabilities				
Convertible redeemable preferred shares	28	838,798	1,560,194	3,042,173
Other liabilities	29	7,812	32,674	55,623
Total liabilities		**846,610**	**1,592,868**	**3,097,796**
Equity/(Deficit)				
Share capital	30	257,985	257,985	394,462
Reserves	30	(3,698)	(46,686)	80,895
Accumulated deficits		(199,138)	(479,572)	(1,785,272)
Total equity/(deficit)		**55,149**	**(268,273)**	**(1,309,915)**
Total liabilities and equity		**901,759**	**1,324,595**	**1,787,881**

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

	Attributable to equity holders of the Company				
		Reserves			
	Share Capital	Share Option Reserves	Translation Reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015	**257,985**	**12,671**	**11,495**	**(92,697)**	**189,454**
Comprehensive income					
Losses for the year	—	—	—	(303,143)	(303,143)
Other comprehensive loss for the year	—	—	(57,429)	—	(57,429)
	—	—	(57,429)	(303,143)	(360,572)
Transactions with owners in their capacity as owners					
Share-based payment (Note 31)	—	1,231	—	—	1,231
As at December 31, 2015	**257,985**	**13,902**	**(45,934)**	**(395,840)**	**(169,887)**
Comprehensive income					
Losses for the year	—	—	—	(565,050)	(565,050)
Other comprehensive loss for the year	—	—	(94,034)	—	(94,034)
	—	—	(94,034)	(565,050)	(659,084)
Transactions with owners in their capacity as owners					
Share-based payment (Note 31)	—	19,419	—	—	19,419
As at December 31, 2016	**257,985**	**33,321**	**(139,968)**	**(960,890)**	**(809,552)**
Comprehensive income					
Loss for the year	—	—	—	(1,003,133)	(1,003,133)
Other comprehensive income for the year	—	—	171,373	—	171,373
	—	—	171,373	(1,003,133)	(831,760)
Transactions with owners in their capacity as owners					
Share-based payment (Note 31)	—	10,126	—	—	10,126
Issuance of ordinary shares to employees (Note 31)	136,477	(13,901)	—	—	122,576
As at December 31, 2017	**394,462**	**29,546**	**31,405**	**(1,964,023)**	**(1,508,610)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Operating activities				
Cash used in operating activities	34(a)	(1,051,675)	(2,447,831)	(4,130,495)
Income tax paid		(9,141)	(31,789)	(32,984)
Net cash outflow from operating activities		**(1,060,816)**	**(2,479,620)**	**(4,163,479)**
Investing activities				
Payments for property and equipment		(18,500)	(12,043)	(39,899)
Payments for intangible assets		(5,330)	(5,163)	(5,229)
Expenditure of construction in progress		(5,265)	(2,631)	(14,899)
Investments in associates accounted for using the equity method		—	(17,900)	(20,000)
Payments for financial assets designated at fair value through profit or loss	34(b)	—	—	(110,000)
Net cash outflow from investing activities		**(29,095)**	**(37,737)**	**(190,027)**
Financing activities				
Proceeds from issuance of convertible redeemable preferred shares		—	360,432	332,464
Proceeds from borrowings	34(b)	273,413	807,834	1,321,369
Proceeds from trust plans	34(b)	2,397,070	4,672,050	8,088,745
Proceeds from asset management plans	34(b)	—	20,000	—
Interest expenses paid	34(b)	(297,979)	(371,092)	(890,994)
Repayment of borrowings	34(b)	(35,758)	(355,660)	(708,515)
Repayment of trust plans	34(b)	(1,285,680)	(2,526,570)	(3,492,683)
Repayment of asset management plans	34(b)	—	(2,700)	(16,184)
Net cash inflow from financing activities		**1,051,066**	**2,604,294**	**4,634,202**
Net (decrease)/increase in cash and cash equivalents		(38,845)	86,937	280,696
Cash and cash equivalents at the beginning of the financial year		238,409	200,202	289,889
Effects of exchange rate changes on cash and cash equivalents		638	2,750	(2,389)
Cash and cash equivalents at end of the year		200,202	289,889	568,196

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

VCREDIT Holdings Limited (formerly known as Vision Capital Group Limited, the "Company" or "VCREDIT") was incorporated in the British Virgin Islands ("BVI") on July 24, 2007 as an exempted company with limited liability under the laws of the BVI.

The Company is an investment holding company. The Company together with its subsidiaries (the "Group") is a technology-driven consumer financial service provider in the People's Republic of China ("China," or the "PRC").

The Group offers tailored consumer finance products to prime and near-prime borrowers who are underserved by traditional financial institutions (the "Listing Business"). The Group offers consumer finance products by facilitating transactions between borrowers and financial institutions and, to an increasingly lesser extent, directly to borrowers.

Pursuant to a shareholders' resolution dated February 6, 2018, the Company re-domiciled to the Cayman Islands by way of continuation as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented. The re-domiciliation was completed on February 26, 2018. The current address of the Company's registered office is at 2nd Floor, The Grand Pavilion Commercial Center, 802 West Bay Road, P.O. Box 10338 Grand Cayman, Cayman Islands KY-1003.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1 General information (Continued)

(a) Particulars of the subsidiaries of the Group as at the date of this report and during the Track Record Period are set out below:

Company name[v]	Place of incorporation	Date of incorporation	Registered capital ('000)	Percentage of attributable equity interest As at December 31, 2015	2016	2017	As at the date of this report	Principal activities	Statutory auditors[ii][iv] As at December 31, 2015	2016	2017
Directly owned:											
Vision Credit Limited	Hong Kong	March 14, 2006	HK$ 1,500,000	100%	100%	100%	100%	Investment holding	N/A	N/A	N/A
Asia Jumbo Group Limited	British Virgin Islands	January 6, 2016	US$ 50	—	100%	100%	100%	Investment holding	N/A	N/A	N/A
Indirectly owned[iii]:											
Vision Credit Financial Technology Co. Ltd.	the PRC	April 14, 2008	RMB689,310	100%	100%	100%	100%	Loan facilitation service	Lixin	Lixin	Lixin
Shanghai Jing'an Vision Small Loan Co., Ltd.	the PRC	September 16, 2014	RMB200,000	100%[i]	100%[i]	100%	100%	Microcredit service	CAC	CAC	CAC
Qingdao Shibei Vision Small Loan Co., Ltd.	the PRC	March 6, 2014	RMB200,000	100%	100%	100%	100%	Microcredit service	Zhenqing	Lixin	Lixin
Chengdu Weishi Microfinance Co., Ltd.	the PRC	December 8, 2011	US$46,500	100%	100%	100%	100%	Microcredit service	Jingwei	Jingwei	Dewei
Vision Credit Guarantee Co., Ltd.	the PRC	December 24, 2009	US$131,700	100%	100%	100%	100%	Guarantee service	Jingwei	Jingwei	Lixin
Hangzhou Vision Financial Servicing Co., Ltd.	the PRC	May 28, 2010	US$2,000	100%	100%	100%	100%	Loan facilitation service	Hualei	Lixin	Lixin
Vision Financial Leasing (Suzhou) Co., Ltd.	the PRC	July 19, 2011	US$10,000	100%	100%	100%	100%	Financial leasing service	Lixin	Lixin	Lixin
Shanghai Tiantian Asset Management Co. Ltd.	the PRC	May 31, 2016	RMB10,000	—	100%	100%	100%	Development and operation of apps	N/A	N/A	Lixin
Hangzhou Vision Information Technology Co. Ltd.	the PRC	April 17, 2015	RMB1,000	100%	100%	100%	100%	Technology service	N/A	N/A	Lixin

(i) In September 2014, Vision Credit Limited. ("VCL") and China Everbright Capital Investment Co., Ltd ("Everbright Capital") set up Shanghai Jingan Vision Small Loan Co., Ltd., incorporated in Shanghai with a registered capital of RMB200 million, of which VCL contributed 70% (RMB140 million) and Everbright Capital contributed 30% (RMB60 million). According to the investment arrangement, VCL has an obligation to pay Everbright Capital a fee of RMB 7.2 million per annum, which is calculated as 12% of the capital contributed by Everbright Capital. Under certain circumstance, VCL has a right to purchase the investment held by Everbright Capital at 120% of its principal amount. Therefore, the 30% shares held by Everbright Capital is considered as a debt instrument of VCL and Shanghai Jingan Vision Small Loan Co., Ltd. is considered wholly owned by VCL. The RMB 60 million contributed by Everbright Capital has been recorded as a liability of VCL. Fees payable to Everbright Capital has been settled on an annual basis. In December 2017, the Group purchased 30% shares from Everbright Capital at a total consideration of RMB72 million.

(ii) "Lixin" stands for Lixinzhonglian CPAs (Special General Partnership) Jiangsu Branch; "Jingwei" stands for Sichuan Jingwei Accountants Co., Ltd.; "CAC" stands for CAC CPA Limited Liability Partnership; "Zhengqing" stands for Qingdao Zhenqing CPAs Co., Ltd.; "Dewei" stands for Sichuan Dewei CPAs Co., Ltd.; "Hualei" stands for Hangzhou Hualei Certified Accountants.

(iii) The English name of some of the subsidiaries of the Group represent the best effort by the Company's management to translate their Chinese names, as these subsidiaries do not have official English names.

(iv) "N/A" stands for Not Applicable.

(v) All companies comprising the Group have adopted December 31, as their financial year end date.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

1 General information (Continued)

(b) Consolidated structured entities material to the Group as at the date of this report and during the Track Record Period are set out below:

	Collective holding by the Group				Product scale				
	As at December 31,			As at the date of this report	As at December 31,			As at the date of this report	
Name	2015	2016	2017		2015	2016	2017		Note
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Trust Plan A	650,674	1,158,670	2,128,127	2,139,657	3,162,244	5,636,720	9,798,859	8,641,857	(i)
Trust Plan B	—	—	62,500	62,500	—	—	625,000	625,000	(i)
Trust Plan C	—	51,205	122,892	102,892	—	301,205	622,892	502,892	(i)
Trust Plan D	—	—	36,000	36,000	—	—	360,000	147,000	(i)
Trust Plan E	—	—	11,760	11,760	—	—	117,640	117,640	(i)
Trust Plan F	—	—	24,000	—	—	—	171,000	—	(i)
Trust Plan G	—	—	20,000	20,000	—	—	120,000	120,000	(i)
Trust Plan H	18,900	18,900	18,900	—	125,900	72,900	18,900	—	(i)
Trust Plan I	9,000	5,000	5,000	—	59,000	37,000	5,000	—	(i)
Asset Management Plan A	—	—	—	—	—	17,300	1,116	1,101	(ii)
	678,574	**1,233,775**	**2,429,179**	2,372,809	**3,347,144**	**6,065,125**	**11,840,407**	10,155,490	

(i) The principal activities of these trust are as following: the trust shall, according to the wishes of all the principals, issue trust loans to borrowers recommended by a service vendor, which is agreed or endorsed by principals / beneficiaries.

(ii) The principal activity of the asset management plan is as following: the asset management plan shall issue credit loans to borrowers recommended by a service vendor, which is agreed or endorsed by principals / beneficiaries.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with all the applicable International Financial Reporting Standards ("IFRSs"). The Historical Financial Information of the Group has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss which are carried at fair value. The preparation of Historical Financial Information of the Group in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

As of December 31, 2017, the Group's accumulated deficit was RMB1,964,023 thousand, which was mainly due to the accumulated fair value loss of the Group's convertible redeemable preferred shares during the Track Record Period. Such fair value loss has no cash flow impact to the Group.

Also, the Group has performed a working capital forecast for the next twelve months. Based on this working capital forecast, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital after considering the cash inflow from the following sources:

i) Internally generated funds from the lending business; and

ii) Proceeds from borrowings, including ongoing financing from trust plan arrangements.

Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

Changes in accounting policy and disclosures

(i) New standard early adopted by the Group

IFRS 15: Revenue from Contracts with Customers

IFRS 15, 'Revenue from contracts with customers' replaces the previous revenue standards IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has elected to early apply IFRS 15 and consistently applied in the Track Record Period.

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(i) New standard early adopted by the Group (Continued)

amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes' to an 'asset-liability' approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. (refer to Note 17)

The Company has assessed the effects of early adoption of IFRS 15 on its financial statements and it considered the early adoption did not have a significant impact on its financial position and performance.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at January 1, 2017 and have not been early adopted by the Group.

Standards	Key requirements	Effective for accounting periods beginning on or after
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendments to IFRS 2	Share—based Payment	January 1, 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IAS 40	Transfers of Investment Property	January 1, 2018
Amendments to IAS 28	IASB Annual Improvements 2014—2016 cycle	January 1, 2018

IFRS 9: Financial Instruments

The complete version of IFRS 9—Financial Instruments was issued in July 2014 which replaces the guidance in IAS 39—Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The key changes to the Group's accounting policies and the expected impact resulting from the adoption of IFRS 9 are described below.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

Classification and measurement

The classification and measurement of financial assets will depend on how the assets are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income ('FV-OCI') or fair value through profit or loss ('FVTPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortized cost or fair value compared with IAS 39.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL. Subsequent measurement of instruments classified as FVTPL under IFRS 9 operates in a similar manner to trading under IAS 39.

For debt instrument financial assets that meet the SPPI test, classification at initial recognition will be determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis will be classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis will be classified as FV-OCI for debt. Debt instruments that are managed on a "hold to collect" basis will be classified as amortized cost. Subsequent measurement of instruments classified at FV-OCI and amortized cost classifications under IFRS 9 operate in a similar manner to AFS for debt securities and loans and receivables, respectively, under existing IAS 39, except for the impairment provisions which are discussed below.

For those debt instrument financial assets that would otherwise be classified as FV-OCI or amortized cost, an irrevocable designation can be made at initial recognition to instead measure the debt instrument at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All equity instrument financial assets are required to be classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. Unlike AFS for equity securities under IAS 39, the FV-OCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss.

The classification and measurement of financial liabilities remain essentially unchanged from the current IAS 39 requirements, except that changes in fair value of liabilities designated at fair value through profit or loss attributable to changes in own credit risk are to be presented in OCI, rather than profit and loss.

Derivatives will continue to be measured at FVTPL under IFRS 9.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

Impairment

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FV-OCI. In addition, the ECL model applies to financial guarantees that are not measured at FVTPL.

Expected Credit Loss Methodology

The application of ECL will change the Group's credit loss methodology and models. ECL allowances represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition or when there is objective evidence of impairment. This compares to the present incurred loss model that incorporates a single best estimate, the time value of money and information about past events and current conditions and which recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses.

Stage Migration and Significant Increase in Credit Risk

Financial instruments subject to the ECL methodology are categorized into three stages.

For non-impaired financial instruments:

Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12 months of ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL. In contrast to stage 1 and stage 2, inherent within the incurred loss methodology under IAS 39, allowances are provided for non-impaired financial instruments for credit losses that are incurred but not yet identified.

For impaired financial instruments:

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge may be more volatile.

For guarantee receivables, the portion of the individually assessed allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Transitional impact

The requirements of IFRS 9 was adopted from January 1, 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening statement of financial position at date of initial application, with no requirement to restate comparative periods. The Group does not intend to restate comparatives.

As a result of the application of the classification and measurement requirements of IFRS 9, the Group expects to make the following major reclassifications:

As at January 1, 2018, loans to customers of approximately RMB11,480 million was estimated to be reclassified from loans and receivables under IAS 39 to FVTPL under IFRS 9. This is because the difference between carrying amount of the loans and repayment amount received is significant, which cannot pass the SPPI test, and so prevent measurement at amortized cost.

The adoption of IFRS 9 is expected to increase net deficit at January 1, 2018 by approximately 214 million on an after-tax basis.

These estimates are based on accounting policies, assumptions, judgements and estimation techniques that remain subject to change until the Group finalizes its financial statements for the year ending December 31, 2018.

IFRS 16: Leases

IFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for on statements of financial position for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

after January 1, 2019 and earlier application is permitted but only in conjunction with adopting IFRS 15 'Revenue from contracts with customers' at the same time.

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.26 under which operating lease payment is accounted for in the consolidated statements of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated statements of financial position but are disclosed in Note 35. IFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation), which are measured at the present value of the lease payments. Thus each lease will be mapped in the Group's consolidated statements of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the liability in the statement of comprehensive income, and will no longer record operating expense. The interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and as such would be front-loaded during the lease team. As a result overall, the operating expenses under otherwise identical circumstances will decrease, with depreciation and amortization and the interest expense will increase. The standard will affect primarily the accounting for the Group's operating leases where the Group is the lessee. The Group has non-cancellable operating lease commitments of approximately RMB83,630 thousand, RMB73,835 thousand and RMB84,826 thousand, respectively, as at December 31, 2015, 2016 and 2017 (Note 35). The new standard is not expected to apply until the financial year 2019. However, the Group does not expect the adoption of IFRS 16 as compared with the current accounting policy would result any significant impact on the total expense to be recognized over the entire lease period and the Group's financial performance but it is expected that the lease commitments will be required to be recognized in the consolidated statements of financial position as a right of use asset and a lease liability other than the short-term and low value leases which will be recognized on a straight-line basis as an expense in profit or loss.

Amendments to IFRS 2: Share—based Payment

On June 20, 2016, the IASB issued an amendment to IFRS 2, "Share-based Payment," addressing three classification and measurement issues. The amendment addresses the accounting for cash-settled share-based payments and equity-settled awards that include a "net settlement" feature in respect of withholding taxes.

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it is wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

IFRIC 22: Foreign Currency Transactions And Advance Consideration

The IASB issued IFRIC 22 Foreign currency transactions and advance consideration, to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency.

IFRIC 23: Uncertainty Over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 Uncertainty over income tax treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

Amendments to IAS 40: Transfers of Investment Property

On December 8, 2016, the IASB issued amendments to IAS 40—Transfer of Investment Property. These amendments specify that an entity shall transfer a property to, or from, investment property when, and only when, there is a change in use of a property supported by evidence that a change in use has occurred. They also clarify that the list of circumstances set out in IAS 40 is non-exhaustive list of examples of evidence that a change in use has occurred instead of an exhaustive list. The examples have been expanded to include assets under construction and development and not only transfers of completed properties.

Amendments to IAS 28: IASB Annual Improvements 2014—2016 cycle

The IASB Annual Improvements 2014—2016 Cycle include the amendments to IAS 28—Investments in Associates and Joint Ventures. These amendments clarify that the election to measure investees at fair value through profit or loss is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

The Group expects adoption of the above Amendments to IFRS 2, IFRIC 22, IFRIC 23, IAS 40 and IAS 28 issued but not yet effective will not have a material impact on the Group's operating results, financial position or other comprehensive income.

2.2 Subsidiaries

2.2.1 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Other structured entities through trust and asset management arrangements

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement. Structured entities often have restricted activities and a narrow and well defined objective.

The Group's structured entities include trust plans and asset management plans. Trust plans are managed by unaffiliated trust companies and invest the funds raised in loans to individuals (Note 16).

According to the trust plan agreements, the principal of the trust plan senior tranche holders and their expected return were fully guaranteed by the Group and the Group is entitled to the residual profits of the trusts. In addition, the trusts only invest in loans suggested by the Group which has the power to direct the activities of the trust plans. As a result, the Group is considered as the primary beneficiary of the trust plans and consolidated the trust plans' assets, liabilities, results of operations and cash flows.

Asset management plan is managed by unaffiliated asset management company and invests the funds raised in loans to individuals (Note 16).

According to the asset management plan agreement, the group takes the joint liability to repay all the unpaid amount of those borrowers. Since the asset management plan only invests in loans recommended by the Group, the Group has power to control the activities of the asset management plan. As a result, the Group is considered the primary beneficiary of the asset management plan and consolidated the asset management plan's assets, liabilities, results of operations and cash flows.

2.2.2 Separate financial statements

Investments in subsidiaries (including structured entities) are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements (Continued)

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceeds the total comprehensive income of the subsidiary in the period the dividends declared or if the carrying amount of the investments in the separate financial statements exceed the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control and that is neither a subsidiary nor an interest in a joint venture. 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.

Under the equity method, investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At each period end, the Group assesses whether there is an indication of possible impairment with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized only to the extent of interests in the associate that are not related to the Group.

2.4 Functional currency and foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). United States dollars ("US$") is the functional currency of the Company and its subsidiary in Hong Kong. RMB is the functional currency of the subsidiaries in PRC. As the major operations of the Group during the Track Record Period are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.4 Functional currency and foreign currency translation (Continued)

(b) Translation of foreign currency

Foreign currency transactions are, on initial recognition, translated by applying the foreign exchange rates ruling at the transaction dates. Monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date, the resulting exchange differences are recognized 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 ruling at the transaction dates. Non-monetary items that are measured at fair value in a foreign currency are translated using the foreign exchange rates ruling at the dates the fair value was determined. The exchange differences are recognized in profit or loss, except that exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

The financial statements of the Group's subsidiaries with a foreign functional currency are translated into RMB for the preparation of the Group's consolidated financial statements. The assets and liabilities in these financial statements are translated into RMB at the foreign exchange rates ruling at the reporting date. The equity items, except for "accumulated deficit," are translated to RMB at the foreign exchange rates at the dates on which such items arose.

Income and expenses in the profit or loss are translated into RMB at the foreign exchange rates or the rates that approximate the foreign exchange rates at the transaction dates. The resulting exchange differences are presented as "Reserves" (Translation reserve) in the consolidated statements of financial position within the shareholder's equity.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and the vice presidents of the Group that make strategic decisions.

Currently, the Group operates its business as one single segmentation. No separate segment information is necessary to be disclosed.

2.6 Cash and cash equivalents

Cash and cash equivalents are assets with a maturity of less than 3 months from the date of acquisition or highly liquid assets with an original maturity of less than three months, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

2.7 Financial assets

(i) Classification, recognition and measurement

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred, and on the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.7 Financial assets (Continued)

(i) Classification, recognition and measurement (Continued)

contractual terms of the financial instruments. The categories are: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

The Group's financial assets are initially measured at fair value, which normally will be equal to the transaction price plus, in case of a financial asset not held at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately in profit or loss.

(a) Financial assets designated at fair value through profit or loss

A financial asset may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) It forms part of a contract containing one or more embedded derivatives, and IAS 39—Financial Instruments: Recognition and Measurement permits the entire combined contract(asset or liability) to be designated at financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

(b) 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 carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premiums on acquisition and includes fees or costs that are an integral part of the effective interest rate. Costs of obtaining a contract that are not incremental are expensed as incurred.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are not either designated or classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income, until the financial asset is

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.7 Financial assets (Continued)

(i) Classification, recognition and measurement (Continued)

(c) Available-for-sale financial assets (Continued)

disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in other comprehensive income accumulated at which time in equity is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Interest income on available-for-sale debt instruments are calculated using the effective interest method and recognized in profit or loss.

(ii) De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2.8 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include the following observable events:

(1) Significant financial difficulty of the issuer or obligor.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.8 Impairment of financial assets (Continued)

(2) A breach of contract, such as a default or delinquency in interest or principal payments.

(3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.

(4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(5) The disappearance of an active market for that financial asset because of financial difficulties.

(6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group; and national or local economic conditions that correlate with defaults on the assets in the group.

(7) Any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of investments in equity instruments may not be recovered.

(8) A significant or prolonged decline in the fair value of equity instrument investments; and

(9) Other objective evidence indicating impairment of the financial asset.

(a) Impairment of financial assets carried at amortized cost

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. 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 reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

If a financial asset carried at amortized cost are impaired, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss and is recorded through the use of an allowance account. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.8 Impairment of financial assets (Continued)

(b) Impairment of available-for-sale financial assets

For available-for-sale equity instruments, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. In determining whether a decline in fair value has been significant or prolonged, the Group considers if the fair value of an available-for-sale equity instrument as at the reporting date is lower than 50% (including 50%) of its initial cost of investment or lower than its initial cost of investment for more than one year (including one year) together with other relevant considerations.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in other comprehensive income is reclassified to profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt investments is recognized in profit or loss.

2.9 Financial liabilities/Equity instruments

The Group classifies financial liabilities and equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

All financial liabilities are initially measured at fair value and classified either as financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument.

A financial liability may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.9 Financial liabilities/Equity instruments (Continued)

(a) Financial liabilities at fair value through profit or loss (Continued)

the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) It forms part of a contract containing one or more embedded derivatives, and IAS 39—Financial Instruments: Recognition and Measurement permits the entire combined contract to be designated at financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any interest expenses related to the financial liabilities are recognized in profit or loss.

(b) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or losses arising from de-recognition or amortization recognized in profit or loss.

(c) De-recognition of financial liabilities

The Group derecognizes a financial liability or part of it only when the underlying present obligation or part of it is discharged, canceled or expired. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

2.10 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.10 Determination of fair value (Continued)

above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2.11 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. When the embedded derivative is separated, the host contract is accounted for in accordance with Note 2.10 above. The embedded derivatives are recognized at fair value upon initial recognition. The positive fair value is recognized as assets while the negative fair value is recognized as liabilities. The gain or loss on re-measurement to fair value is recognized immediately in profit or loss.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Intangible assets

The Group's intangible assets is computer software.

Intangible assets can be recognized only when future economic benefits expected to be obtained from the use of the item will flow into the Group and its cost can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.13 Intangible assets (Continued)

- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development staff cost and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Intangible assets with finite useful lives are subsequently amortized on the straight-line basis over the useful economic lives which are assessed by the period of bringing economic benefits for the Company. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

The expected service lives of intangible assets are as follows:

Type of assets	Estimated useful lives of the assets
Software	2-10 years

2.14 Property and equipment

The Group's property and equipment mainly comprise building, leasehold improvements, office furniture and equipment, computer and electronic equipment, motor vehicles, and construction in progress.

The assets purchased or constructed are initially measured at acquisition cost.

Subsequent expenditures incurred for the property and equipment are included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.14 Property and equipment (Continued)

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Land and buildings comprise primarily office premises. The estimated useful lives, depreciation rate and estimated residual value rate of buildings, leasehold improvements, office furniture and equipment, computer and electronic equipment and motor vehicles are as follows:

Type of assets	Estimated net residuals rate	Estimated useful lives of the assets	Depreciation rate
Building	0%-5%	20 years	4.75%-5%
Leasehold Improvements	0%-5%	1-5 years	19%-100%
Office furniture and equipment	0%-5%	3-5 years	19%-33.33%
Computer and electronic equipment	0%-5%	3-5 years	19%-33.33%
Motor vehicles	0%-5%	5 years	19%-20%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a property and equipment when it is ready for intended use.

2.15 Impairment of non-financial assets

At the end of the reporting period or whenever there is an indication that the non-financial assets are impaired, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss immediately.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss immediately.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.16 Financial guarantee

Guarantee liabilities

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. The fair value is estimated based on the contractual amounts of guarantee service contribution from the borrowers taking into the underlying risk profile and historical loss experience. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IFRS 15. The Group's financial guarantee is the guarantee liabilities recorded in the consolidated statements of financial position (Note 18).

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs if a specified debtor fails to make payment when due under a debt instrument's original or modified terms.

Guarantee receivables

A financial asset is recognized for the guarantee receivables for amounts allocated to the guarantee at loan inception. At each reporting date, the Group estimates the future cash flows and assesses whether there is any indicator of impairment to any individual underlying loans of the guarantee receivables. If the carrying amounts of the guarantee receivables exceed the expected collectives, an impairment loss is recorded for guarantee receivable no recoverable.

2.17 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. The income taxes are recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(1) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial statements date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(2) Deferred income tax

(a) Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

(2) Deferred income tax (Continued)

(a) Inside basis differences (Continued)

Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(b) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, Deferred income tax liabilities in relation to taxable temporary differences arising from the associate's undistributed profits are not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.19 Convertible redeemable preferred shares

Convertible redeemable preferred shares (Note 28) are redeemable upon occurrence of certain future events and at the option of the holders. This instrument may be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an initial public offering of the Group as detailed in Note 28.

The Group designated the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance expenses in the consolidated statements of comprehensive income.

Subsequent to initial recognition, the convertible redeemable preferred shares are carried at fair value with changes in fair value recognized in the profit or loss.

2.20 Share capital

Ordinary shares are classified as equity. Convertible redeemable preferred shares issued by the Group are classified as liabilities (Note 28).

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Employee benefits

(a) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred.

(b) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(c) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with the relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.22 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by making reference to the fair value of the options granted:

- Including any market performance condition (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to serve).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement date and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(b) Share-based payment transactions among group entities

The grant by the Company of options and over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.23 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue and income recognition

Revenue is recognized when service is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, service may be provided over time or at a point in time. Service is provided over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains the service.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If a contract involves multiple services, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The following is a description of the accounting policy for the principal revenue streams of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.24 Revenue and income recognition (Continued)

(a) Interest income of loans to customers

The Group has originated and held loans mainly through the consolidated trust plans, and also directly lend to borrowers. Interest on the loans to customers (Note 16) is accrued based on the interest rates of the loan as earned using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset (including a group of financial assets) and of allocating the interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (but does not consider future credit losses). The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on impaired loans and receivables is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) Non-interest income

Loan facilitation service fees and gains from guarantee

In some arrangements where the Group is not the loan originator, the Group also generates non-interest service fees by facilitating transactions between borrowers and financial institutions. The Group determined that it is not the legal lender and legal borrower in the loan origination and repayment process. Therefore, the Group does not record loans receivable and payable arising from the loans.

The Group's services consist of.

i) Upfront loan facilitation service: matching potential qualified borrowers to institutional investors and facilitating the execution of loan agreements between the parties;

ii) Post loan facilitation service: providing repayment processing services for the institutional investors over the loan term, including following up on the late repayments;

iii) Guarantee service provided to financial institutions.

The Group receives upfront payments from borrowers at loan inception and subsequent payments over the term of the loan. The total service fees are first allocated to the guarantee liabilities at fair value which meets the definition of a financial guarantee under IAS 39. The remaining amount is then allocated to upfront loan facilitation service and post loan facilitation service using best estimated selling price, as neither vendor specific objective evident or third party evidence of selling price is available.

Upfront loan facilitation service fee is recognized at loan inception. When the cash received does not equal to the fee allocated the upfront loan facilitation service, a "Contract Asset" or "Contract Liability" shall be recognized in the consolidated statements of financial position; Post loan facilitation

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (Continued)

2.24 Revenue and income recognition (Continued)

(b) Non-interest income (Continued)

fee is recognized over the term of the loan, which approximates the pattern of when the underlying services are performed. Gains from guarantee are recognized ratably over the term of the loan.

Overdue charges

Overdue charges are the penalty charges upon default of borrowers. Overdue charges are recognized as other income when incurred on a case-by-case basis. The collectability of these amounts is often highly uncertain. Overdue charges are only highly probable to be collected when the actual overdue amounts are repaid and are recognized as revenue when the cash of the overdue payments is actually collected.

2.25 Government grants

Government grants are recognized at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2.26 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the lease term.

3 Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1 Impairment allowances on loans to customers

Impairment allowances on loans to customers represent management's best estimate of losses incurred in the loan portfolios at the reporting date. Management is required to exercise judgement in making assumptions and estimates when calculating loan impairment allowances. The Group makes

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Critical accounting estimates and judgments (Continued)

3.1 Impairment allowances on loans to customers (Continued)

judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the Group. When loans are collectively assessed for impairment, management uses estimates based on historical loss experience for assets with credit risk characteristics similar to those in the portfolio and objective evidence of impairment. Historical loss experience is adjusted on the basis of the relevant observable data that reflects current economic conditions. The methodology and assumptions used for estimating the amount and timing of future cash flows, the historical loss experience and the relevant observable data that reflects current economic conditions are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3.2 Measurement of financial guarantee liability

The financial guarantee liability is an expected compensation which will be paid in the future due to guarantee contract arrangement. When measuring the financial guarantee liabilities, the Group needs to make a reasonable estimate of the amounts that the Group is required to pay in fulfilling the obligations under the guarantee contracts. Such estimates are determined based on the estimated loss rate of the loans, taking into account the underlying risk profile and historical loss record.

3.3 Valuation of share-based compensation expenses

The fair value of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. The Company has used Binomial option-pricing model to determine the fair value of the share options as at the grant date. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of share options at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting instalment of a graded vesting award is treated as a separate share-based award, which means that each vesting instalment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expense.

3.4 Valuation of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation techniques.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Critical accounting estimates and judgments (Continued)

3.4 Valuation of convertible redeemable preferred shares (Continued)

The Group uses the discounted cash flow method to determine the underlying equity fair value of the Group and adopts equity allocation method to determine the fair value of convertible redeemable preferred shares as of each date of issuance and at each reporting date. The valuation technique used to measure fair value is applied consistently. However, a change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate.

The estimated carrying amount of convertible redeemable preferred shares as at December 31, 2015, 2016 and 2017, would have been RMB51,744 thousand lower/RMB58,835 thousand higher, RMB91,977 thousand lower/RMB104,717 thousand higher, and RMB174,010 thousand lower/ RMB199,100 thousand higher, should the discount rate used in discount cash flow analysis be higher/ lower by 100 basis points.

3.5 Recognition of deferred income tax assets

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized based upon the likely timing and the level of future taxable profits of the individual entities together with tax planning strategies.

3.6 Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Assumptions made include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(1) Market risk—foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Group's subsidiaries primarily operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$ and HK$. Therefore, foreign exchange risk primarily arose from borrowings in the Group's Hong Kong subsidiary when receiving or to receive foreign currencies from overseas lenders.

The table below illustrates the impact of an appreciation or depreciation of RMB spot and forward rates against HKD and USD by 5% on the Group's net profit:

	Expected changes in net profit/(loss)		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
5% appreciation of RMB	18,697	29,790	33,970
5% depreciation of RMB	(18,697)	(29,790)	(33,970)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index, regardless of:

- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behavior resulted from interest rate changes;
- No consideration of impact on market price resulted from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

(2) Market risk—interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavorable fluctuations which impact the overall profitability and fair value resulting in losses to the Group. The key determinants of the Group's interest rate risk arise from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in repricing risk and basis risk.

The Group's financial department and risk management department jointly monitored and managed the Group's interest rate risk.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(2) Market risk—interest rate risk (Continued)

The following tables indicate the exposure to interest rate risk for the respective period, and the expected next repricing dates (or maturity dates whichever are earlier) for the interest bearing assets and liabilities of the Group:

	As at December 31, 2015					
	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS						
Cash and cash equivalents	200,188	—	—	—	14	200,202
Restricted cash	—	1,001	6,568	—	—	7,569
Loans to customers	47,832	524,253	3,236,169	—	—	3,808,254
Guarantee receivables	—	—	—	—	7,997	7,997
Other financial assets	—	—	6,266	—	36,258	42,524
Total financial assets	248,020	525,254	3,249,003	—	44,269	4,066,546
LIABILITIES						
Borrowings	(572,558)	(2,267,511)	(399,466)	—	—	(3,239,535)
Guarantee liabilities	—	—	—	—	(8,680)	(8,680)
Convertible redeemable preferred shares	—	—	—	(838,798)	—	(838,798)
Other financial liabilities	(351)	(3,851)	(23,774)	—	(164,495)	(192,471)
Total financial liabilities	(572,909)	(2,271,362)	(423,240)	(838,798)	(173,175)	(4,279,484)
Total interest rate sensitivity gap	(324,889)	(1,746,108)	2,825,763	(838,798)	(128,906)	(212,938)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(2) Market risk—interest rate risk (Continued)

	As at December 31, 2016					
	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS						
Cash and cash equivalents	289,889	—	—	—	—	289,889
Restricted cash	—	62,445	29,500	—	—	91,945
Loans to customers	254,792	2,026,587	3,937,743	—	—	6,219,122
Guarantee receivables	—	—	—	—	23,681	23,681
Other financial assets	—	—	23,088	—	122,444	145,532
Total financial assets	544,681	2,089,032	3,990,331	—	146,125	6,770,169
LIABILITIES						
Borrowings	(579,760)	(3,438,798)	(1,879,881)	—	—	(5,898,439)
Guarantee liabilities	—	—	—	—	(31,276)	(31,276)
Convertible redeemable preferred shares	—	—	—	(1,560,194)	—	(1,560,194)
Other financial liabilities	(4,018)	(31,961)	(62,102)	—	(105,432)	(203,513)
Total financial liabilities	(583,778)	(3,470,759)	(1,941,983)	(1,560,194)	(136,708)	(7,693,422)
Total interest rate sensitivity gap	(39,097)	(1,381,727)	2,048,348	(1,560,194)	9,417	(923,253)

	As at December 31, 2017				
	Up to 3 months	3 months to 1 year	1-5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Cash and cash equivalents	568,196	—	—	—	568,196
Restricted cash	—	79,070	64,500	—	143,570
Loans to customers	997,063	7,316,385	3,166,248	—	11,479,696
Guarantee receivables	—	—	—	130,073	130,073
Financial assets designated at fair value through profit or loss	—	—	—	110,545	110,545
Other financial assets	—	—	145,544	305,389	450,933
Total financial assets	1,565,259	7,395,455	3,376,292	546,007	12,883,013
LIABILITIES					
Borrowings	(1,432,134)	(6,753,967)	(2,877,032)	—	(11,063,133)
Guarantee liabilities	—	—	—	(169,553)	(169,553)
Convertible redeemable preferred shares	—	—	(3,042,173)	—	(3,042,173)
Other financial liabilities	(10,884)	(79,866)	(34,563)	(57,583)	(182,896)
Total financial liabilities	(1,443,018)	(6,833,833)	(5,953,768)	(227,136)	(14,457,755)
Total interest rate sensitivity gap	122,241	561,622	(2,577,476)	318,871	(1,574,742)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(2) Market risk—interest rate risk (Continued)

Sensitivities on fixed-rate financial instruments

The Group performs interest rate sensitivity analysis on profit for the Group by measuring the impact of a change in profit of financial assets and liabilities. On an assumption of a parallel shift of 25 basis points in RMB, USD and HKD interest rates, the Group calculates the changes in profit for the year on a monthly basis.

The table below illustrates the impact to profit of the coming year as of each reporting date based on the structure of interest bearing assets and liabilities as at December 31, 2015, 2016 and 2017, caused by a parallel shift of 25 basis points of RMB, USD and HKD interest rates.

	Expected changes in net profit/(loss)		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
+25 basis points	(2,348)	(1,381)	794
-25 basis points	2,348	1,381	(794)

In the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on reporting date, regardless of subsequent changes;
- No consideration of impact on customers' behavior resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

(3) Market risk—price risk

The Group is exposed to price risk in respect of Preferred Shares issued by the Company and carried at fair value with changes in fair value recognized in the profit or loss.

Fair value of Preferred Shares is affected by changes in the Group's equity value. The table below illustrates the impact to profit/(loss) for the years ended December 31, 2015, 2016 and 2017, if the Group's equity value had increased/decreased by 10% with all other variables held constant.

	Expected changes in net profit/(loss)		
	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
10% increase of equity value	(72,687)	(135,563)	(300,165)
10% decrease of equity value	73,111	136,243	300,557

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(4) Credit risk

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, guarantee receivables, loans to customers, financial assets designated at fair value through profit or loss and other financial assets. The Group manages the credit risk through a comprehensive credit assessment system.

To manage this risk arising from cash and cash equivalents, restricted cash and financial assets designated at fair value through profit or loss, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relations to these financial institutions.

The Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its retail loans comprise the processes of credit origination, credit review, credit approval, disbursement, post-disbursement monitoring and collection. Risks arising from financial guarantees is similar to those associated with loans. Transactions of financial guarantees is subject to the same portfolio management and the same requirements for application as loans to customers.

For other assets, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Group believe that credit risk inherent in the Group's outstanding balance of other receivables has been appropriately provided.

Maximum exposure to credit risk before collateral held or other credit enhancements

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	200,202	289,889	568,196
Restricted cash	7,569	91,945	143,570
Financial assets designated at fair value through profit or loss	—	—	110,545
Guarantee receivables	7,997	23,681	130,073
Loans to customers (Note 16)	3,808,254	6,219,122	11,479,696
Other assets	42,524	132,540	423,816
Total	4,066,546	6,757,177	12,855,896

The above table represents the worst-case scenario of credit risk exposure to the Group at December 31, 2015, 2016 and 2017, without taking into account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As mentioned above, 89.30% of on-balance-sheet exposure is attributable to loans to customers (2015: 93.65%, 2016: 92.04%).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(4) Credit risk (Continued)

Loans to customers

The composition of loans to customers is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	3,802,886	6,425,585	10,946,244
Past due but not impaired[(i)]	282,866	342,913	1,180,143
Past due and impaired[(i)]	477,803	587,785	1,150,020
Loans to customers—gross	4,563,555	7,356,283	13,276,407
Less: impairment allowance (Note 26)	(755,301)	(1,137,161)	(1,796,711)
Loans to customers	**3,808,254**	**6,219,122**	**11,479,696**

(i) The aging analysis of overdue loans to customers is as following.

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Overdue for up to 3 months	282,866	342,913	1,180,143
Overdue for more than 3 months, up to 12 months	477,803	587,785	1,150,020
	760,669	930,698	2,330,163

(5) Liquidity risk

Liquidity risk is the risk of not having access to sufficient funds or being unable to liquidate a position in a timely manner at a reasonable price to meet the Group's obligations as they become due. The liquidity of the assets will affect the Group's ability for paying the due debt. The Group is responsible for its own cash flow prediction and continue to monitor both short-term and long-term funding needs, in order to maintain sufficient reserves of cash and marketable securities available at any time.

The table below presents the cash flows receivable and payable by the Group under financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(5) Liquidity risk (Continued)

	As at December 31, 2015					
	On demand	Overdue	Within 1 year	1-5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	197,202	—	3,001	—	—	200,203
Restricted cash	—	—	1,001	6,682	—	7,683
Loans to customers	—	760,669	524,732	2,968,301	—	4,253,702
Guarantee receivables	—	—	3,252	4,745	—	7,997
Other financial assets	21,889	—	14,971	5,695	—	42,555
Total financial assets	219,091	760,669	546,957	2,985,423	—	4,512,140
Liabilities						
Borrowings	—	—	(3,003,588)	(495,005)	—	(3,498,593)
Guarantee liabilities	—	—	(2,950)	(5,730)	—	(8,680)
Convertible redeemable preferred shares	—	—	—	—	(1,368,137)	(1,368,137)
Other financial liabilities	—	—	(166,873)	(32,582)	—	(199,455)
Total financial liabilities	—	—	(3,173,411)	(533,317)	(1,368,137)	(5,074,865)
Net value	219,091	760,669	(2,626,454)	2,452,106	(1,368,137)	(562,725)

	As at December 31, 2016					
	On demand	Overdue	Within 1 year	1-5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	289,889	—	—	—	—	289,889
Restricted cash	—	—	62,836	29,684	—	92,520
Loans to customers	—	930,698	2,261,946	3,904,201	—	7,096,845
Guarantee receivables	—	2	15,030	8,649	—	23,681
Other financial assets	44,554	—	94,203	7,207	—	145,964
Total financial assets	334,443	930,700	2,434,015	3,949,741	—	7,648,899
Liabilities						
Borrowings	—	—	(4,314,535)	(2,086,686)	—	(6,401,221)
Guarantee liabilities	—	—	(19,518)	(11,758)	—	(31,276)
Convertible redeemable preferred shares	—	—	—	—	(1,962,541)	(1,962,541)
Other financial liabilities	—	—	(144,522)	(83,460)	—	(227,982)
Total financial liabilities	—	—	(4,478,575)	(2,181,904)	(1,962,541)	(8,623,020)
Net value	334,443	930,700	(2,044,560)	1,767,837	(1,962,541)	(974,121)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(5) Liquidity risk (Continued)

	As at December 31, 2017				
	On demand	Overdue	Within 1 year	1-5 years	Total
Assets					
Cash and cash equivalents	545,929	—	22,277	—	568,206
Restricted cash	—	—	80,070	65,654	145,724
Loans to customers	—	2,330,163	8,987,240	3,422,868	14,740,271
Guarantee receivables	—	707	126,873	2,493	130,073
Financial assets designated at fair value through profit or loss	—	—	110,545	—	110,545
Other financial assets	157,744	—	282,835	11,169	451,748
Total financial assets	703,673	2,330,870	9,609,840	3,502,184	16,146,567
Liabilities					
Borrowings	—	—	(8,636,651)	(3,337,169)	(11,973,820)
Guarantee liabilities	—	—	(166,436)	(3,117)	(169,553)
Convertible redeemable preferred shares	—	—	—	(2,417,395)	(2,417,395)
Other financial liabilities	—	—	(166,624)	(34,570)	(201,194)
Total financial liabilities	—	—	(8,969,711)	(5,792,251)	(14,761,962)
Net value	703,673	2,330,870	640,129	(2,290,067)	1,384,605

(6) Operational risk

Operational risk is the risk of loss resulting from inadequate or failure of proper internal controls on business processes, employees and systems or from uncontrollable external events. The Group is exposed to many types of operational risks in the conduct of its business. The Group attempts to manage operational risk by establishing clear policies and requiring well documented business processes to ensure that transactions are properly authorized, supported and recorded.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including capital reserve and convertible redeemable preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Group's shares. In the opinion of the directors of the Group, the Group's capital risk is low.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(c) Fair value estimation

The Group has adopted IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. This requires the Group to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the management. Management consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at December 31, 2015, 2016 and 2017, the Group's financial assets and liabilities, including guarantee receivables, other receivables, loans to customers, and other payables are recognized according to the amortized cost. Based on the estimate of the management, the carrying value of these financial assets and liabilities are approximate to their fair value.

The following table presents the Group's assets and liabilities that are measured at fair value as at December 31, 2015, 2016 and 2017:

	As at December 31, 2015			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Convertible redeemable preferred shares	—	—	838,798	838,798

	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Convertible redeemable preferred shares	—	—	1,560,194	1,560,194

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

4 Financial risk management (Continued)

(c) Fair value estimation (Continued)

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets designated at fair value through profit or loss	—	—	110,545	110,545
Liabilities				
Convertible redeemable preferred shares	—	—	3,042,173	3,042,173

There were no transfers among Levels 1, Level 2 and Level 3 during the period. There were no changes in valuation techniques during the period.

The following table presents the changes in level 3 asset instruments for the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At beginning of the year	—	—	—
Additions	—	—	110,000
Gains or losses recognized in profit or loss	—	—	545
At end of the year	—	—	110,545

The following table presents the changes in level 3 liability instruments (Movement of convertible redeemable preferred shares are listed in Note 28) for the years ended December 31, 2015, 2016 and 2017:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At beginning of the year	646,893	838,798	1,560,194
Additions	—	360,432	332,465
Gains or losses recognized in profit or loss	146,590	270,512	1,285,496
Currency translation differences	45,315	90,452	(135,982)
At end of the year	838,798	1,560,194	3,042,173

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5 Net interest income

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest income			
Micro credit loans	1,291,462	1,724,069	3,254,516
Finance lease	120	50	—
	1,291,582	**1,724,119**	**3,254,516**
Including: Interest income on impaired financial assets	25,759	35,595	19,178
Less: Interest expense			
Trust senior tranche holders	(258,765)	(368,056)	(813,484)
Borrowings	(40,905)	(68,187)	(96,823)
Holders of assets management plans	—	(176)	(547)
Others	(500)	(4,778)	(7,372)
	(300,170)	**(441,197)**	**(918,226)**
Net interest income	**991,412**	**1,282,922**	**2,336,290**

6 Loan facilitation service fees

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Upfront loan facilitation service fees	33,762	49,869	69,102
Post loan facilitation service fees	1,007	5,132	14,814
	34,769	**55,001**	**83,916**

7 Other income

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Overdue charges	34,766	81,241	248,068
Risk management system service fees	—	—	13,091
Gains from guarantee	459	1,383	9,211
Others	1,523	12,238	15,806
	36,748	**94,862**	**286,176**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

8 Expenses by nature

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Employee benefit expenses (Note 9)	(294,470)	(399,378)	(473,776)
Loan servicing expenses	(23,511)	(45,976)	(217,185)
Office rental	(37,122)	(45,330)	(59,722)
Marketing and advertising fees	(14,206)	(55,057)	(55,326)
Office expenses	(20,262)	(21,980)	(33,378)
Professional service fees	(2,779)	(19,006)	(31,712)
Depreciation and amortization	(15,551)	(20,219)	(24,335)
Tax and surcharge	(24,592)	(44,862)	(12,343)
Others	(15,105)	(14,400)	(24,926)
	(447,598)	**(666,208)**	**(932,703)**

9 Employee benefit expenses

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	(239,109)	(309,833)	(378,615)
Pension costs—defined contribution plans	(27,797)	(36,273)	(48,653)
Other social security costs, housing benefits and other employee benefits	(26,333)	(33,853)	(36,382)
Share-based compensation expenses	(1,231)	(19,419)	(10,126)
	(294,470)	**(399,378)**	**(473,776)**

10 Directors' remuneration

The remuneration of every director for the year ended December 31, 2015 is set out as follows:

	Director's fee	Salaries, wages and bonuses	Pension costs—defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
Executive directors						
Liu Sai Wang Stephen	1,010	296	—	9	1,231	2,546
Liu Sai Keung Thomas	—	362	—	695	—	1,057
	1,010	**658**	**—**	**704**	**1,231**	**3,603**

The remuneration of every director for the year ended December 31, 2016 is set out as follows:

	Director's fee	Salaries, wages and bonuses	Pension costs—defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
Executive directors						
Liu Sai Wang Stephen	1,076	442	—	9	—	1,527
Liu Sai Keung Thomas	—	464	—	748	570	1,782
	1,076	906	—	757	570	3,309

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Directors' remuneration (Continued)

The remuneration of every director for the year ended December 31, 2017 is set out as follows:

	Director's fee	Salaries, wages and bonuses	Pension costs—defined contribution plan	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
Executive directors						
Liu Sai Wang Stephen	1,090	824	—	9	—	1,922
Liu Sai Keung Thomas	—	824	—	758	297	1,879
	1,090	1,648	—	767	297	3,801
Non-Executive directors						
Ma Ting Hung	—	—	—	1,406	—	1,406

11 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2015 and 2016 and 2017 include 2, 2 and 2 directors whose emoluments are reflected in the analysis shown in Note 10. The emoluments payable to the remaining 3, 3 and 3 individuals for each of the years ended December 31, 2015 and 2016 and 2017 are as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	1,880	2,128	5,681
Pension costs—defined contribution plan	121	127	92
Other social security costs, housing benefits and other employee benefits	120	122	84
Share-based compensation expenses	—	551	195
	2,121	**2,928**	**6,052**

The emoluments fell within the following bands:

	Year ended December 31,		
	2015	2016	2017
Nil to 1,000 (RMB'000)	3	3	—
1,001 to 2,000 (RMB'000)	—	—	3
	3	3	3

12 Other losses, net

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Loss on early repayment	(22,421)	(74,221)	(36,738)
Finance cost, net[(i)]	(7,737)	(39,750)	27,353
Gain from fair value changes	—	—	545
	(30,158)	**(113,971)**	**(8,840)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12 Other losses, net (Continued)

(i) Finance cost, net

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Exchange (losses)/gains	(8,166)	(39,601)	25,460
Bank interest income	718	921	2,664
Bank charges	(289)	(1,070)	(771)
	(7,737)	**(39,750)**	**27,353**

13 Income tax credit/(expense)

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current income tax	(13,894)	(31,219)	(98,127)
Deferred income tax	9,723	87,212	39,458
	(4,171)	**55,993**	**(58,669)**

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Loss before income tax:	**(298,972)**	**(621,043)**	**(944,464)**
Tax calculated at income tax rate of each entity	1,354	67,972	(52,020)
Tax effects of:			
Expenses not deductible for income tax purpose:	(2,235)	(5,652)	(9,540)
Super deduction for research and development expenses	613	2,476	4,762
Previously unrecognized tax losses now recouped to reduce current tax expense	241	301	1,838
No recognition of deferred tax assets on tax losses	(4,144)	(9,104)	(3,709)
Income tax credit/(expense)	**(4,171)**	**55,993**	**(58,669)**

The Group's main applicable taxes and tax rates are as follows:

British Virgin Islands

Enterprise incorporated in the British Virgin Islands (BVI) is not subject to tax on income or capital gains.

Cayman Islands

Our Company re-domiciled from the BVI and continue into the Cayman Islands prior to Listing. The Company will be governed by the laws of the Cayman Islands after completion of the continuation. Accordingly the Company is not subject to income tax under Cayman Companies Law.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Income tax credit/(expense) (Continued)

China

The PRC Enterprise Income Tax Law (the "EIT Law") applies an income tax rate of 25% to all enterprises but grants preferential tax treatments to High and New Technology Enterprises ("HNTEs"). Under these preferential tax treatments, HNTEs can enjoy a preferential income tax rate of 15% for three years, but need to re-apply after the end of the three-year period. Vision Credit Financial Technology Company qualified as HNTE under the EIT law in October 23, 2014. Therefore, Vision Credit Financial Technology Company was entitled to a preferential income tax rate of 15% for the years ended December 31, 2015, 2016 and 2017. In November 2017, Vision Credit Financial Technology Company was further approved as HNTE and will continue to enjoy the preferential income tax rate of 15% from 2018 to 2020.

Hong Kong

Enterprise incorporated in Hong Kong ("HK") is subject to Corporate Income Tax rate of 16.5%.

Withholding Tax on Undistributed Profits

Under the EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in the PRC to its foreign lender who is a non-resident enterprise will be subject to withholding tax of 10%, unless such non-resident enterprise's jurisdiction of incorporation has a tax treaty with the PRC that provides for a reduced rate of withholding taxes. The withholding tax rate is 5% for the parent company incorporated in certain qualified jurisdictions if the parent company is the beneficial owner of the dividend and approved by the PRC tax authority to enjoy the preferential tax benefit.

During the Track Record Period, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on withholding tax was accrued as at the end of each reporting period.

14 Earnings/(Loss) per share

(a) Basic loss per share is calculated by dividing the loss of the Group attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Loss attributable to owners of the group	(303,143)	(569,136)	(1,003,133)
Weighted average number of ordinary shares in issue ('000)	142,857	142,857	144,205
Basic loss per share (RMB yuan)	(2.12)	(3.96)	(6.96)

(b) Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2015, 2016 and 2017, the Company had two categories of

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

14 Earnings/(Loss) per share (Continued)

potential ordinary shares, convertible redeemable preferred shares issued by the Company (Note 28) and the shares options awarded (Note 31). As the Group incurred losses for the years ended December 31, 2015, 2016 and 2017, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2015, 2016 and 2017 are the same as basic loss per share of the respective years.

15 Cash and bank balances

(a) Cash and cash equivalents

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash on hand	14	—	—
Cash at bank	198,866	237,201	502,413
Cash held through platform	1,322	52,688	65,783
	200,202	**289,889**	**568,196**

(b) Restricted cash

Pledged cash in banks	**7,569**	**91,945**	**143,570**

Restricted cash is the cash pledged in designated bank accounts which are constrained by the loan facilitation service contracts between banks and the Group. According to the contracts, the Group cannot withdraw restricted cash without the permission of banks.

16 Loans to customers

The composition of loans and receivables is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Micro credit loans	4,561,614	7,356,216	13,276,407
Finance lease receivables (Note a)	1,941	67	—
Loans to customers—gross	4,563,555	7,356,283	13,276,407
Less: impairment allowances (Note 26)	(755,301)	(1,137,161)	(1,796,711)
Loans to customers, net	**3,808,254**	**6,219,122**	**11,479,696**

Impairment of loans to customers is assessed collectively since each loan to customer is not individually significant.

As at December 31, 2015, 2016 and 2017, all loans to customers are personal loans made to individual borrowers with original term up to 60 months. The annualized interest rates of these loans ranged between 7.8% to 30%.

The Group established business relationship with the trust plans which were administered by third-party trust companies. The trust plans invested solely in loans on the Group's platform to provide

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Loans to customers (Continued)

returns to the beneficiaries of the trust plans. The Group entered into the agreements that the principal of the trust senior tranche holders and their expected return were fully guaranteed by the Group. Meanwhile, all the secondary beneficial right was taken by the Group, and the Group was entitled to the residual profits of the trusts. The Group holds variable interest in the trust plans. In addition, since the trust plans only invest in loans recommended by the Group, the Group has power to direct the activities of the trust plans. As a result, the Group is considered the primary beneficiary of the trust plans and consolidated the trust plans' assets, liabilities, results of operations and cash flows.

In October 2016, the Company entered into asset management plans with third party companies. The asset management plans invested solely in loans on the Group's platform to provide returns to the beneficiaries of the plan. The Group entered into the agreements to take the guarantee liability to repay all the unpaid amount of those borrowers. In addition, since the asset management plan only invests in loans recommended by the Group, the Group has power to control the activities of the asset management plan. As a result, the Group is considered the primary beneficiary of the asset management plans and consolidated the asset management plan's assets, liabilities, results of operations and cash flows.

(a) Finance lease receivables

The composition of financial lease receivables is as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gross investment	2,221	77	—
Unearned finance income	(280)	(10)	—
Net investment	1,941	67	—
Less: Impairment allowances	(278)	(11)	—
Finance lease receivables, net	**1,663**	**56**	**—**

17 Contract assets

The Group uses the expected-cost-plus-a-margin approach to determine its best estimate of selling prices of the different deliverables as the basis for allocation. The service fee allocated to loan facilitation is recognized as revenue upon execution of loan agreements between investors and borrowers. When the fee allocated to the loan facilitation service is more than the cash received, a "Contract Asset" was recognized as follows.

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Contract assets	30,308	64,584	108,791
Less: Impairment allowances (Note 26)	(228)	(3,981)	(9,946)
Contract assets, net	**30,080**	**60,603**	**98,845**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18 Guarantee receivables and guarantee liabilities

A summary of the Group's guarantee receivable movement activities is presented below:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Guarantee receivables			
Opening balance	—	7,997	23,681
Addition arising from new business	9,266	26,983	185,916
Impairment (Note 26)	(113)	(1,006)	(3,562)
Reverse due to early repayment	(45)	(2,677)	(16,815)
Payment received from borrowers	(1,111)	(7,616)	(59,147)
Ending balances	**7,997**	**23,681**	**130,073**

A summary of the Group's guarantee liabilities movement activities is presented below:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Guarantee liabilities			
Opening balance	—	8,680	31,276
Addition arising from new business	9,266	26,983	185,916
Release of the margin	(459)	(1,383)	(9,211)
Payouts during the year, net	(127)	(3,004)	(38,428)
Ending balance	**8,680**	**31,276**	**169,553**

19 Financial assets designated at fair value through profit or loss

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wealth management product(i)	—	—	110,545

(i) It represents short term investments in wealth management products issued by financial institutions with expected return of 4% per annum. The current two products invested by the Group are for one month and two month periods, respectively. The returns on all of these wealth management products are not principle or return guaranteed, therefore the Group designated them as financial assets designated at fair value through profit or loss.

20 Investments accounted for using the equity method

Set out below is the associates of the Group which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which is held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

20 Investments accounted for using the equity method (Continued)

Name of Entity	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Investment date
Apass Holdings Company Limited	BVI	40.00	(i)	June 14, 2016
Shanghai COSCO Shipping Small Loan Co., Ltd.	PRC	10.00	(ii)	December 28, 2017

(i) On June 14, 2016, the Group invested in Apass Holdings Company Limited as a 40.00% shareholder for consideration of HK$ 20,000,000. Apass Holdings Company Limited is a holding company controls an operational company in the PRC that provides data development services.

Key financial information of Apass Holdings Company Limited are listed below:

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
Assets	42,880	26,960
Equity	42,880	26,960
Net losses	(1,870)	(15,920)

The following table sets forth the Group's investments accounted for using the equity method movement activities:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year	—	—	17,152
Addition	—	17,900	—
Share of net loss	—	(748)	(6,368)
Balance at end of the year	**—**	**17,152**	**10,784**

(ii) On December 28, 2017, the Group invested in Shanghai COSCO Shipping Small Loan Co., Ltd. as a 10.00% shareholder for consideration of RMB20,000,000. There are five members in the board of directors, of which one board member was appointed by the Group.

21 Investments in subsidiaries

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Investment in subsidiaries	825,443	1,289,170	1,282,801
Deemed investments arising from share-based payment	13,902	33,321	43,447
	839,345	**1,322,491**	**1,326,248**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22 Deferred income tax

	As at December 31,					
	2015		2016		2017	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities						
Unrealized gains	(626,544)	(156,636)	(663,628)	(165,907)	(1,354,000)	(338,500)
Others	—	—	(2,040)	(510)	(2,760)	(690)
	(626,544)	(156,636)	(665,668)	(166,417)	(1,356,760)	(339,190)
Deferred income tax assets						
Impairment allowance for loans	737,788	184,447	1,106,388	276,597	1,958,812	489,703
Tax losses	2,140	535	1,840	460	—	—
Loss on early repayment	9,248	2,312	19,644	4,911	1,692	423
Accrued expenses	872	218	—	—	26,440	6,610
Others	—	—	10,148	2,537	—	—
	750,048	187,512	1,138,020	284,505	1,986,944	496,736
Net deferred income tax assets	**123,504**	**30,876**	**472,352**	**118,088**	**630,184**	**157,546**

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Deferred income tax assets	73,947	193,042	279,860
Deferred income tax liabilities	(43,071)	(74,954)	(122,314)
	30,876	**118,088**	**157,546**

The movements of the deferred income tax account are as following:

	Provisions	Unrealized gains	Tax loss	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015	142,971	(124,252)	776	1,658	21,153
Recognized in the profit or loss	41,476	(32,384)	(241)	872	9,723
As at December 31, 2015	184,447	(156,636)	535	2,530	30,876
As at January 1, 2016	184,447	(156,636)	535	2,530	30,876
Recognized in the profit or loss	92,150	(9,271)	(75)	4,408	87,212
As at December 31, 2016	276,597	(165,907)	460	6,938	118,088
As at January 1, 2017	276,597	(165,907)	460	6,938	118,088
Recognized in the profit or loss	213,106	(172,593)	(460)	(595)	39,458
As at December 31, 2017	489,703	(338,500)	—	6,343	157,546

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

22 Deferred income tax (Continued)

Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable. As at December 31, 2015 and 2016 and 2017, the Group did not recognize deferred income tax assets in respect of tax losses and deductible temporary differences of approximately RMB 4,144 thousands, RMB 9,104 thousands, and RMB 3,709 thousands, respectively.

23 Intangible assets

	Software
	RMB'000
Cost	
As at January 1, 2015	8,365
Additions	5,330
As at December 31, 2015	13,695
Accumulated amortization	
As at January 1, 2015	(3,900)
Amortization charge for the year	(1,177)
As at December 31, 2015	(5,077)
Net book value	
As at December 31, 2015	**8,618**
Cost	
As at January 1, 2016	13,695
Additions	5,163
As at December 31, 2016	18,858
Accumulated amortization	
As at January 1, 2016	(5,077)
Amortization charge for the year	(2,044)
As at December 31, 2016	(7,121)
Net book value	
As at December 31, 2016	**11,737**
Cost	
As at January 1, 2017	18,858
Additions	5,228
As at December 31, 2017	24,086
Accumulated amortization	
As at January 1, 2017	(7,121)
Amortization charge for the year	(3,477)
As at December 31, 2017	(10,598)
Net book value	
As at December 31, 2017	**13,488**

There is no indication that intangible assets have suffered an impairment loss during year 2015, 2016 and 2017.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23 Intangible assets (Continued)

Amortization charges were expensed in the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Origination and servicing expenses	(618)	(1,097)	(1,827)
Sales and marketing expenses	—	(14)	(44)
General and administrative expenses	(470)	(767)	(1,107)
Research and development expenses	(89)	(166)	(499)
	(1,177)	**(2,044)**	**(3,477)**

24 Property and equipment

	Buildings	Furniture and office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2015	11,864	3,281	4,079	12,534	22,483	727	54,968
Addition	70	1,349	1,210	7,810	10,148	5,265	25,852
Disposal	—	(155)	(39)	(93)	(5,142)	—	(5,429)
Transfers	—	—	—	—	5,388	(5,388)	—
Foreign currency translation reserve	—	—	23	—	7	—	30
As at December 31, 2015	11,934	4,475	5,273	20,251	32,884	604	75,421
Accumulated depreciation							
As at January 1, 2015	(99)	(1,564)	(2,037)	(5,852)	(11,968)	—	(21,520)
Depreciation charge for the year	(595)	(794)	(795)	(4,083)	(8,107)	—	(14,374)
Disposal	—	97	17	167	5,142	—	5,423
Foreign currency translation reserve	—	—	(3)	—	(1)	—	(4)
As at December 31, 2015	(694)	(2,261)	(2,818)	(9,768)	(14,934)	—	(30,475)
Net book value							
As at December 31, 2015	**11,240**	**2,214**	**2,455**	**10,483**	**17,950**	**604**	**44,946**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24 Property and equipment (Continued)

	Buildings	Furniture and office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2016	11,934	4,475	5,273	20,251	32,884	604	75,421
Addition	—	340	155	8,969	2,044	2,631	14,139
Disposal	—	(41)	(8)	(195)	(8,444)	—	(8,688)
Transfer	—	—	—	—	2,987	(2,987)	—
Foreign currency translation reserve	—	—	38	—	12	—	50
As at December 31, 2016	11,934	4,774	5,458	29,025	29,483	248	80,922
Accumulated depreciation							
As at January 1, 2016	(694)	(2,261)	(2,818)	(9,768)	(14,934)	—	(30,475)
Depreciation charge for the year	(597)	(851)	(804)	(5,926)	(9,997)	—	(18,175)
Disposal	—	66	38	125	8,443	—	8,672
Foreign currency translation reserve	—	—	(11)	—	(4)	—	(15)
As at December 31, 2016	(1,291)	(3,046)	(3,595)	(15,569)	(16,492)	—	(39,993)
Net book value							
As at December 31, 2016	**10,643**	**1,728**	**1,863**	**13,456**	**12,991**	**248**	**40,929**

	Buildings	Furniture and office equipment	Motor vehicles	Electronic equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2017	11,934	4,774	5,458	29,025	29,483	248	80,922
Addition	—	4,137	1,781	23,938	10,020	14,899	54,775
Disposal	—	(2,340)	(734)	(3,392)	(7,380)	—	(13,846)
Transfer	—	—	—	—	13,453	(13,453)	—
Foreign currency translation reserve	—	—	(85)	—	(10)	—	(95)
As at December 31, 2017	11,934	6,571	6,420	49,571	45,566	1,694	121,756
Accumulated depreciation							
As at January 1, 2017	(1,291)	(3,046)	(3,595)	(15,569)	(16,492)	—	(39,993)
Depreciation charge for the year	(597)	(656)	(939)	(8,890)	(9,776)	—	(20,858)
Disposal	—	1,558	1,039	3,442	7,380	—	13,419
Foreign currency translation reserve	—	—	24	—	7	—	31
As at December 31, 2017	(1,888)	(2,144)	(3,471)	(21,017)	(18,881)	—	(47,401)
Net book value							
As at December 31, 2017	**10,046**	**4,427**	**2,949**	**28,554**	**26,685**	**1,694**	**74,355**

There is no indication that property and equipment have suffered an impairment loss during year 2015, 2016 and 2017.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24 Property and equipment (Continued)

Depreciation charges were expensed in the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Origination and servicing expenses	(7,541)	(9,756)	(10,958)
Sales and marketing expenses	—	(125)	(264)
General and administrative expenses	(5,744)	(6,819)	(6,643)
Research and development expenses	(1,089)	(1,475)	(2,993)
	(14,374)	**(18,175)**	**(20,858)**

25 Other assets

Group

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Security deposits in financial institutions	6,266	23,088	145,544
Due from related parties (Note 33)	1,480	1,476	142,494
Funds held in third party payment companies	6,294	43,180	72,241
Prepaid expense	17,446	38,225	55,399
Due from business partners	8,479	39,970	49,205
Rental deposits	5,664	6,776	10,354
Other deposits and receivables	15,623	34,458	40,581
	61,252	187,173	515,818
Less: Impairment allowance (Note 26)	(1,282)	(3,416)	(8,222)
	59,970	**183,757**	**507,596**

Company

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Due from subsidiaries	61,960	2,013	460,135
Prepayment for listing Company	—	—	1,264
	61,960	2,013	461,399

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26 Movement of impairment allowance

Year ended December 31, 2015	Loans to customers	Contract assets	Guarantee receivables	Other assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning balance	586,569	—	—	—	586,569
Impairment allowance charged to profit or loss	735,932	228	113	1,282	737,555
Unwinding of discount on allowances	(25,759)	—	—	—	(25,759)
Write-offs	(541,441)	—	—	—	(541,441)
Ending balance	755,301	228	113	1,282	756,924

Year ended December 31, 2016	Loans to customers	Contract assets	Guarantee receivables	Other assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning balance	755,301	228	113	1,282	756,924
Impairment allowance charged to profit or loss	994,580	4,669	1,006	2,134	1,002,389
Unwinding of discount on allowances	(35,595)	—	—	—	(35,595)
Write-offs	(598,900)	(916)	(247)	—	(600,063)
Recoveries of loans write-off in previous years	21,775	—	—	—	21,775
Ending balance	1,137,161	3,981	872	3,416	1,145,430

Year ended December 31, 2017	Loans to customers	Contract assets	Guarantee receivables	Other assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning balance	1,137,161	3,981	872	3,416	1,145,430
Impairment allowance charged to profit or loss	1,397,199	11,872	3,562	4,806	1,417,439
Unwinding of discount on allowances	(19,177)	—	—	—	(19,177)
Write-offs	(742,879)	(5,907)	(1,369)	—	(750,155)
Recoveries of loans write-off in previous years	24,407	—	—	—	24,407
Ending balance	1,796,711	9,946	3,065	8,222	1,817,944

27 Borrowings

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Payable to holders of trust plans and asset management plans	2,668,570	4,831,350	9,411,228
Borrowings from corporations[(i)]	185,667	512,530	1,109,440
Borrowings from individuals[(ii)]	381,044	456,440	540,532
Bank borrowings	4,254	98,119	1,933
	3,239,535	**5,898,439**	**11,063,133**
Denominated in:			
RMB	2,773,824	5,115,469	10,245,161
HKD	384,541	706,663	801,636
USD	81,170	76,307	16,336
	3,239,535	**5,898,439**	**11,063,133**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27 Borrowings (Continued)

(i) Borrowings from corporations were mainly from third-party companies. The interest rate of borrowings from corporations was 10%-12% which was close to the market interest rate. The terms of borrowings from corporations are mainly 1 to 2 years.

(ii) Borrowings from individuals were mainly from shareholders and their relatives. The interest rate of borrowings from individuals was 10% which was similar to the market interest rate. And the terms are all 1 year. At December 31, 2015 and 2016 and 2017, the amount of borrowings from related parties was approximately RMB269,775 thousand, RMB308,880 thousand and RMB453,001 thousand, respectively. It is also showed at Note 33(b).

27.1 Security of borrowings

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Secured			
Mortgage borrowings			
Bank borrowings[(i)]	4,254	3,126	1,933
Pledged borrowings			
Bank borrowings[(ii)]	—	65,000	—
	4,254	**68,126**	**1,933**
Unsecured			
Payable to holders of trust plans and asset management plans	2,668,570	4,831,350	9,411,228
Borrowings from corporations	185,667	512,530	1,109,440
Borrowings from individuals	381,044	456,440	540,532
Bank borrowings	—	29,993	—
	3,235,281	**5,830,313**	**11,061,200**
Total borrowings	**3,239,535**	**5,898,439**	**11,063,133**

(i) In June 2014, the Group borrowed a loan of RMB5,740 thousand from Shanghai Pudong Development Bank. It is secured by the building of the Group and guaranteed by third-party companies.

(ii) At December 31, 2016, the pledged borrowings were borrowings from Shanghai Huarui Bank and Bank of East Asia secured by pledged cash in banks.

27.2 The following table sets forth the effective interest rates of borrowings

	As at December 31,		
	2015	2016	2017
Payable to holders of trust plans and asset management plans	7.6%~12.5%	7.8%~11.5%	6%~15%
Borrowings from Corporations	10%~12%	10%~12%	10%
Borrowings from Individuals	10%	10%	10%
Bank borrowings	7.80%	6.13%~9.26%	6.18%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27 Borrowings (Continued)

27.3 Contractual maturities of borrowings

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 1 year	2,449,061	3,685,533	5,376,867
Between 1 and 2 years	726,220	2,149,780	5,684,333
Between 2 and 5 years	64,254	63,126	1,933
	3,239,535	**5,898,439**	**11,063,133**

28 Convertible redeemable preferred shares

Since the date of incorporation, the Group has completed four rounds of financing by issuing convertible redeemable preferred shares, namely, series A convertible redeemable preferred shares issued in 2012, series B convertible redeemable preferred shares issued in 2014, series B (plus) convertible redeemable preferred shares in 2016, and series C convertible redeemable preferred shares in 2017.

In March 2012, pursuant to a share purchase agreement, the Company issued 110,000,000 Series A convertible redeemable preferred shares at a price of US$0.50 per share for a total consideration of US$55,000,000 to Series A investors.

According to 2011 financial performance of the Company, the conversion ratio of Series A convertible redeemable preferred shares was adjusted from 1 to 0.9321402 as agreed in the purchase agreement. The number of Series A convertible redeemable preferred shares was adjusted from 110,000,000 to 102,535,422, the price of Series A convertible redeemable preferred shares was adjusted from US$0.50 per share to US$0.5364 per share.

In July 2014, pursuant to a share purchase agreement, the Company issued 51,514,499 Series B convertible redeemable preferred shares at a price of US$0.8735 per share for a total consideration of US$45,000,000 to Series B investors.

In January 2016, pursuant to a share purchase agreement, the Company issued 62,965,092 Series B (plus) convertible redeemable preferred shares at a price of US$0.8735 per share for a total consideration of US$55,000,000 to Series B (plus) investors.

In September 2017, pursuant to a share purchase agreement, the Company issued 31,011,598 Series C convertible redeemable preferred shares at a price of US$1.6123 per share for a total consideration of US$50,000,000 to Series C investors.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

28 Convertible redeemable preferred shares (Continued)

The key terms of convertible redeemable preferred shares are summarized as follows:

Voting rights	Each Preferred Share has voting rights equivalent to the number of ordinary shares to which it is convertible at the record date. The preferred shareholders shall vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.
Dividends rights	Each holder of convertible redeemable preferred shares shall be entitled to participate in any dividend or distribution (cash or in specie) of the Company calculated on the basis of such convertible redeemable preferred shares having been converted into Ordinary Shares immediately before the record date for such dividend, distribution or issue of bonus Ordinary Shares, such dividend shall be paid out of the profits of the Company available, and shall be paid to (i) first, the holders of Series C convertible redeemable preferred shares; (ii) second, the holders of Series B (Plus) convertible redeemable preferred shares and the holders of Series B convertible redeemable preferred shares; (iii) third, the holders of Series A convertible redeemable preferred shares; and (iv) fourth, the holders of Ordinary Shares.
Conversion feature	Each preferred share is convertible, at the option of the holder, at any time after the date of issuance of such convertible redeemable preferred shares according to a conversion ratio, subject to adjustments for dilution, including but not limited to stock splits, stock dividends and capitalization and certain other events. Each preferred share is convertible into a number of ordinary shares determined by dividing the applicable original issuance price by the conversion price. Each preferred share shall automatically converted into ordinary shares, at the then applicable preferred share conversion price upon the occurrence of certain events.
Redemption feature	At any time on or after a specified date or upon occurrence of certain events, the Company shall redeem all of the respective outstanding convertible redeemable preferred shares in that class or series at the redemption price that specified in the Company's Article of Association.
Liquidation preference	In the event of any liquidation including deemed liquidation, dissolution or winding up of the Company. Holders of the convertible redeemable preferred shares shall be entitled to receive a per share amount equal to a certain multiple of the original preferred share issue price of the respective series of convertible redeemable preferred shares, as adjusted for share dividends, share splits, combinations, recapitalizations or similar events, plus all accrued and declared but unpaid dividends thereon, in a certain sequence. After such liquidation amounts have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata, pari passu basis among the holders of the convertible redeemable preferred shares, on an as-converted basis, together with the holders of the ordinary shares.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

28 Convertible redeemable preferred shares (Continued)

The movement of the convertible redeemable preferred shares is set out as below:

At January 1, 2015	**646,893**
Changes in fair value of convertible redeemable preferred shares	146,590
Currency translation differences	45,315
At December 31, 2015	**838,798**
At January 1, 2016	**838,798**
Issuance of series B (plus) convertible redeemable preferred shares	360,432
Changes in fair value of convertible redeemable preferred shares	270,512
Currency translation differences	90,452
At December 31, 2016	**1,560,194**
At January 1, 2017	**1,560,194**
Issuance of series C convertible redeemable preferred shares	332,465
Changes in fair value of convertible redeemable preferred shares	1,285,496
Currency translation differences	(135,982)
At December 31, 2017	**3,042,173**

The management had used the discounted cash flow method to determine the underlying equity fair value of the Group and adopted equity allocation method to determine the fair value of convertible redeemable preferred shares as of each date of issuance and at the reporting date. Key assumptions at the issuance and reporting date are set as below:

	Discount rate	Risk-free interest rate	Volatility
	RMB'000	RMB'000	RMB'000
December 31, 2014	18.5%	1.55%	40.60%
December 31, 2015	18.5%	1.45%	55.26%
December 31, 2016	18.5%	0.69%	49.31%
December 31, 2017	18.0%	2.17%	38.74%

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The managements estimated the risk-free interest rate based on the yield of US Treasury bond with a maturity life equal to period from the respective appraisal dates to expected redemption/liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected redemption/liquidation date. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of convertible redeemable preferred shares on appraisal date.

Changes in fair value and was recorded in "Fair value loss of convertible redeemable preferred shares" in the consolidated statements of comprehensive income.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

29 Other liabilities

Group

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Accrued service fees	20,968	32,967	153,604
Deposits collected from borrowers	27,976	98,081	125,313
Employee benefit liabilities	34,726	46,402	76,848
Interest payable	141,420	63,775	43,149
Due to financial institutions	7,812	17,250	12,040
Due to related parties	6,014	4,762	2,394
Others	28,549	37,958	26,759
	267,465	301,195	440,107

Company

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Due to subsidiaries	7,812	32,674	47,485
Accrued listing expense	—	—	8,138
	7,812	**32,674**	**55,623**

30 Share capital and reserves

Group

		Reserves		
	Share Capital(a)	Share Option Reserves	Translation Reserve	Total Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015	**257,985**	**12,671**	**11,495**	**24,166**
Currency translation differences	—	—	(57,429)	(57,429)
Share-based payment (Note 31)	—	1,231	—	1,231
As at December 31, 2015	**257,985**	**13,902**	**(45,934)**	**(32,032)**
Currency translation differences	—	—	(94,034)	(94,034)
Share-based payment (Note 31)	—	19,419	—	19,419
As at December 31, 2016	**257,985**	**33,321**	**(139,968)**	**(106,647)**
Currency translation differences	—	—	171,373	171,373
Share-based payment(Note 31)	—	10,126	—	10,126
Issuance of ordinary shares to employees (Note 31)	136,477	(13,901)	—	(13,901)
As at December 31, 2017	**394,462**	**29,546**	**31,405**	**60,951**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30 Share capital and reserves (Continued)

Company

		Reserves		
	Share Capital(a)	Share Option Reserves	Translation Reserve	Total Reserves
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015	**257,985**	**12,671**	**28,623**	**41,294**
Currency translation differences	—	—	(46,223)	(46,223)
Share-based payment (Note 31)	—	1,231	—	1,231
As at December 31, 2015	**257,985**	**13,902**	**(17,600)**	**(3,698)**
Currency translation differences	—	—	(62,407)	(62,407)
Share-based payment (Note 31)	—	19,419	—	19,419
As at December 31, 2016	**257,985**	**33,321**	**(80,007)**	**(46,686)**
Currency translation differences	—	—	131,356	131,356
Share-based payment(Note 31)	—	10,126	—	10,126
Issuance of ordinary shares to employees (Note 31)	136,477	(13,901)	—	(13,901)
As at December 31, 2017	**394,462**	**29,546**	**51,349**	**80,895**

(a) Share capital

As at December 31, 2015, 2016 and 2017, the authorized number of shares of the Company is 1,000,000,000. Ordinary shares have no par value.

	Number of shares	Share capital
	Shares'000	RMB'000
At January 1, 2015	142,857	257,985
At December 31, 2015	142,857	257,985
At December 31, 2016	142,857	257,985
Issuance of ordinary shares to employees (Note 31)	37,848	136,477
At December 31, 2017	180,705	394,462

31 Share-based payments

E.S.O.P-2010

In December 2010, the board of directors of the Company passed a resolution to approve the E.S.O.P plan to grant a total of 9,523,810 Company shares to eligible key management personnel.

In accordance with the terms of the E.S.O.P as approved by the board of directors on March 1, 2011, the shares are granted to key management of the Group with the following vesting period: (a) 3,174,603 shares (33%) on February 29, 2012; (b) 3,174,603 shares (33%) on February 28, 2013; (c) 3,174,604 shares (34%) on December 31, 2013.

The E.S.O.P is provided on the basis that the participant remains in service within the Company and its subsidiaries on the vesting days and has not tendered notice of resignation at those dates. The share options have a maximum term of seven years and the exercise price is US$0.35 per share. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31 Share-based payments (Continued)

E.S.O.P-2012

In December 2012, the board of directors of Company passed a resolution to approve the E.S.O.P-2012 plan to grant a total of 28,324,505 Company shares to eligible key management personnel. The shares are granted to key management of the Group with the following vesting period: (a) 9,441,501 shares (33%) on March 31, 2013; (b) 9,441,502 shares (33%) on March 31, 2014; (c) 9,441,502 shares (34%) on March 31, 2015. The E.S.O.P is provided on the basis that the participant remains in service within the Company and its subsidiaries on the vesting days and has not tendered notice of resignation at those dates. The share options have a maximum term of five years and the exercise price is US$0.5364 per share. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

E.S.O.P-2016

In March 2016, the board of directors of the Company passed a resolution to approve the E.S.O.P-2016 plan to grant a total of 20,932,502 shares to eligible key management personnel.

In accordance with the terms of the E.S.O.P as approved by the board of directors on March 1, 2016, the shares are granted to key management of the Group with the following vesting period: (a) 6,977,500 shares (33%) on December 31, 2016; (b) 6,977,501 shares (33%) on December 31, 2017; (c) 6,977,501 shares (34%) on December 31, 2018.

The E.S.O.P is provided on the basis that the participant remains in service within the Company and its subsidiaries on the vesting days and has not tendered notice of resignation at those dates. The share options have a maximum term of five years and the exercise price is US$0.8735 per share. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Average Exercise Price in US$ per Share Option			Number of Options('000)		
	2010	2012	2016	2010	2012	2016
Outstanding balance as at January 1, 2015	0.3500	0.5364	—	9,524	28,325	—
Outstanding balance as at December 31, 2015	0.3500	0.5364	—	9,524	28,325	—
Granted	—	—	0.8735	—	—	20,933
Outstanding balance as at December 31, 2016	0.3500	0.5364	0.8735	9,524	28,325	20,933
Exercised[(i)]	0.3500	0.5364	—	(9,524)	(28,325)	—
Outstanding balance as at December 31, 2017	—	—	0.8735	—	—	20,933

(i) For the year ended December 31, 2017, the proceeds of RMB122,576 thousands arising from the exercise of options are credited to capital reserve.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

31 Share-based payments (Continued)

The Company estimated the risk-free interest rate based on the yield of US Treasury bond with a maturity life equal to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield, exercise multiple and post-vesting forfeiture rate are based on management estimation at the grant date.

Based on fair value of the underlying ordinary share, the Company has used Binomial option-pricing model to determine the fair value of the share option as at the grant date. The weighted average fair values of options granted on March 2016, December 2012 and December 2010 were US$0.2395, US$0.0477 and US$0.1000 per option, respectively. Key assumptions are set as below:

	December 2010	December 2012	March 2016
Option life(years)	7	5	5
Risk-free Interest rate	2.24%	1.24%	1.31%
Volatility	47.51%	46.56%	48.27%
Dividend yield	—	—	—

32 Consolidated structured entities

The Group has consolidated certain structured entities which are primarily trust plans and asset management plans. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For those trust plans where the Group provides financial guarantee, the Group therefore has obligation to fund the losses, if any, in accordance with the guarantee agreements although the Group does not have any investment in those products. The Group concludes that these structured entities shall be consolidated.

As at December 31, 2017, the trust plans managed and asset management plans consolidated by the Group amounted to RMB11.84 billion (December 31, 2016: RMB6.07 billion; December 31, 2015: RMB3.35 billion).

Interests held by other interest holders are included in payable to trust senior tranche holders and asset management plan holders.

33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33 Related party transactions (Continued)

(a) Names and relationships with related parties

Name	Relationship
Liu, Sai Wang Stephen	Equity beneficiary &Director & Executive
Ma, Ting Hung	Equity beneficiary &Director & Executive
Fei Tai Hung	Former Director
Liu, Yang	Director
Dong, Ludwig	Former Director
Fei, Tao Leigh	Offspring of Fei, Tai Hung
Kwok Lim Ying	Parent of Liu, Sai Wang Stephen
Ma, Ting Yiu	Brother of Ma, Ting Hung
Mok Mei Hing	Spouse of Dong, Ludwig

The following transaction were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the ordinary course of business and at terms negotiated between the Group and the respective related parties.

(b) Borrowings with related parties

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Borrowings			
Related Parties	269,775	308,880	453,001

(c) Guarantee for related parties

During the track record period, the Group guaranteed certain loans of Mr. Liu Sai Wang, their chief executive officer and executive director. Pursuant to a guarantee agreement dated December 7, 2015, the Group agreed to act as guarantor for a HKD40 million loan (plus accrued interest) between Mr. Liu Sai Wang as the borrower and an independent third party as the lender. Pursuant to a deed of release of guarantor dated June 7, 2018, the guarantee provided by the Group will be released.

(d) Year end balances with related parties

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Receivable from related parties			
Due from related parties	1,480	1,476	142,494

The grantees of 2010 ESOP plan and 2012 ESOP plan exercised their share options in December 2017 but the Company has not received cash from grantees. The exercise price is 122,576 thousands which is recorded in receivables due from related parties since all the grantees are directors of the Company.

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Payable to related parties:			
Due to related parties	6,014	4,762	2,394

The amounts due from/to related parties mentioned above are non-trade in nature.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

33 Related party transactions (Continued)

(e) Transactions with related parties

	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interest expenses	14,810	14,850	43,139

(f) Key management personnel compensations

Key management includes directors (executive and non-executive). The compensations paid or payable to key management for employee services are shown below:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Director's fee	1,010	1,076	1,090
Wages, salaries and bonuses	2,025	1,951	5,948
Pension costs-defined contribution plan	81	42	46
Other social security costs, housing benefits and other employee benefits	784	798	2,215
Share-based compensation expenses	1,231	2,292	1,268
	5,131	6,159	10,567

34 Note to consolidated statements of cash flows

(a) Reconciliation from profit before income tax to cash used in operating activities:

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Loss before income tax	**(298,972)**	**(621,043)**	**(944,464)**
Adjustments for:			
Provisions for loan impairment	735,932	994,580	1,397,199
Unwind of discount on allowances during the period	(25,759)	(35,595)	(19,177)
Impairment of other financial assets	1,623	7,809	20,240
Loss on early repayment	22,421	74,221	36,738
Depreciation and amortization	15,551	20,219	24,335
Loss on disposal of property and equipment, intangible assets	6	16	427
Share of net loss of associates accounted for using the equity method	—	748	6,368
Fair value gain	—	—	(545)
Fair value loss of convertible redeemable preferred shares	146,590	270,512	1,285,496
Share-based payment	1,231	19,419	10,126
Interest expenses paid	297,979	371,092	890,994
Changes in operating assets and liabilities:			
Increase in loans and receivables	(1,967,509)	(3,369,852)	(6,638,597)
Increase in contract assets and guarantee receivables	(38,418)	(51,882)	(160,068)
Decrease in other operating assets	(30,485)	(209,765)	(257,670)
Increase in other operating liabilities	88,135	81,690	218,103
Cash used in operating activities	**(1,051,675)**	**(2,447,831)**	**(4,130,495)**

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Note to consolidated statements of cash flows (Continued)

(b) Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt

	Year ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	200,202	289,889	568,196
Liquid investments[(i)]	—	—	110,545
Borrowings—repayable within one year	(2,840,069)	(4,018,558)	(8,186,101)
Borrowings—repayable after one year	(399,466)	(1,879,881)	(2,877,032)
Net debt	(3,039,333)	(5,608,550)	(10,384,392)
Cash and liquid investments	200,202	289,889	678,741
Gross debt—fixed interest rates	(3,235,281)	(5,810,320)	(11,061,200)
Gross debt—variable interest rates	(4,254)	(88,119)	(1,933)
Net debt	(3,039,333)	(5,608,550)	(10,384,392)

	Cash and cash equivalents	Liquid investments	Borrowings (non-current)	Borrowings (current)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2015	238,409	—	(546,249)	(1,321,438)	(1,629,278)
Foreign exchange adjustments	638	—	(10,234)	(12,569)	(22,165)
Cash flows	(38,845)	—	(239,682)	(1,109,363)	(1,387,890)
Other non-cash movements	—	—	396,699	(396,699)	—
As at December 31, 2015	200,202	—	(399,466)	(2,840,069)	(3,039,333)
Foreign exchange adjustments	2,750	—	(27,019)	(16,931)	(41,200)
Cash flows	86,937	—	(1,810,632)	(804,322)	(2,528,017)
Other non-cash movements	—	—	357,236	(357,236)	—
As at December 31, 2016	289,889	—	(1,879,881)	(4,018,558)	(5,608,550)
Foreign exchange adjustments	(2,389)	—	17,147	36,882	51,640
Cash flows	280,696	110,000	(2,876,367)	(2,342,356)	(4,828,027)
Other non-cash movements	—	545	1,862,069	(1,862,069)	545
As at December 31, 2017	568,196	110,545	(2,877,032)	(8,186,101)	(10,384,392)

(i) Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at fair value through profit or loss.

35 Commitments and contingencies

The Group has entered into outstanding operating leases commitments for certain offices' rental under non-cancellable leases. The lease terms are over two years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

35 Commitments and contingencies (Continued)

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 1 year (inclusive)	33,889	37,077	48,099
1 to 2 years (inclusive)	25,533	25,888	29,869
More than 2 years	24,208	10,870	6,858
	83,630	**73,835**	**84,826**

36 Dividends

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended December 31, 2015, 2016 and 2017.

37 Contingent liability

The Group did not have any contingent liability as at December 31, 2015, 2016 and 2017.

38 Subsequent events

Except as disclosed elsewhere in this report, there are no material subsequent events undertaken by the Company or by the Group after December 31, 2017.

III. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2017.