CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Highlights for the Year Ended 31 December 2017:

	For the year ended or as at 31 December		
	2017	2016	Change
	RMB'000	*RMB'000*	*%*
Operating Results			
Revenue	**272,353**	248,334	9.67
Net revenue	**207,028**	187,816	10.23
Profit attributable to equity holders	**50,904**	40,078	27.01
Basic earnings per share (RMB)	**0.05**	0.04	25.00

The Board of directors (the "**Board**") of China Huirong Financial Holdings Limited (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2017 (the "**Reporting Year**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Interest income	*10*	**272,353**	248,334
Interest expense	*11*	**(74,237)**	(65,639)
Net interest income		**198,116**	182,695
Net investment gains/(losses)	*12*	**2,499**	(462)
Other operating income	*13*	**6,413**	5,583
Net revenue		**207,028**	187,816
Administrative expenses	*14*	**(66,922)**	(63,998)
Net charge of impairment allowance	*4(c)*	**(10,142)**	(106,610)
Other (losses)/gains, net	*15*	**(36,382)**	45,769
Profit before income tax		**93,582**	62,977
Income tax expense	*16*	**(28,396)**	(8,259)
Profit for the year		**65,186**	54,718
Attributable to:			
— Equity holders of the Company		**50,904**	40,078
— Non-controlling interests		**14,282**	14,640
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**65,186**	54,718
Total comprehensive income for the year is attributable to:			
— Equity holders of the Company		**50,904**	40,078
— Non-controlling interests		**14,282**	14,640
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB)			
— Basic earnings per share	*17(a)*	**0.05**	0.04
— Diluted earnings per share	*17(b)*	**0.05**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**2,778**	2,236
Intangible assets		**1,217**	1,021
Deferred income tax assets		**72,562**	72,494
		76,557	75,751
Current assets			
Other assets		**19,454**	22,657
Loans to customers	*4*	**1,945,652**	2,024,425
Financial assets designated at fair value through profit or loss	*5*	**50,961**	100,997
Cash at bank and on hand	*6*	**941,645**	912,349
		2,957,712	3,060,428
Total assets		**3,034,269**	3,136,179
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital		**8,632**	8,111
Share premium	*7*	**601,993**	548,237
Other reserves	*7*	**594,066**	584,739
Retained earnings		**505,247**	454,343
		1,709,938	1,595,430
Non-controlling interests		**144,027**	204,708
Total equity		**1,853,965**	1,800,138

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Current liabilities			
Other liabilities	*8*	**14,014**	16,742
Current income tax liabilities		**14,689**	30,360
Amounts due to related parties		**633**	633
Borrowings	*9*	**1,150,968**	1,288,306
Total liabilities		**1,180,304**	1,336,041
Total equity and liabilities		**3,034,269**	3,136,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 GENERAL INFORMATION

China Huirong Financial Holdings Limited (中國匯融金融控股有限公司) (the "Company") was incorporated in the Cayman Islands on 11 November 2011 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands.

The Company is an investment holding company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in lending services through granting collateral-backed loans, guaranteed loans and unsecured loans to customers in the People's Republic of China (the "PRC").

In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has undertaken a reorganisation (the "Reorganisation") to restructure Suzhou Wuzhong Pawnshop Co., Ltd. (蘇州市吳中典當有限責任公司) ("Wuzhong Pawnshop") as a subsidiary of the Company. Wuzhong Pawnshop was operated and ultimately controlled by Messrs Zhu Tianxiao (朱天曉), Zhang Xiangrong (張祥榮), Ge Jian (葛健), Chen Yannan (陳雁南), Wei Xingfa (魏興發), Yang Wuguan (楊伍官) and Zhuo You (卓有) (the "Ultimate Shareholders").

The Reorganisation involved primarily the insertion of the Company and its other subsidiaries owned by the Ultimate Shareholders, who also owned Wuzhong Pawnshop, as holding companies of Wuzhong Pawnshop. Accordingly, the reorganisation is accounted for using the accounting principle which is similar to that of a reverse acquisition. Upon the restructuring, the financial statements of the Group have been prepared on a consolidated basis and are presented using the carrying values of the assets, liabilities and operating results of the companies comprising the Group including Wuzhong Pawnshop. The Company's shares were listed on the Stock Exchange on 28 October 2013.

On 1 July 2015, the Group acquired 40% of the equity interests in Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd. ("Dongshan Micro-finance") from Jiangsu Wuzhong Jiaye Investment Co., Ltd. (江蘇吳中嘉業投資有限公司) ("Wuzhong Jiaye") for a cash consideration of RMB126,414,800 (equivalent to approximately HK$158,018,500). Dongshan Micro-finance then became a subsidiary of the Group. On 20 December 2017, the Group further acquired 20% of the equity interests in Dongshan Micro-finance from Zhang Dexue, Sheng Chunquan and Suzhou Hongyuan Municipal Construction Engineering Co., Ltd. for a cash consideration of RMB60,000,000 (equivalent to approximately HK$71,005,917). After the acquisition, the Group owns a total 60% of the equity interests in Dongshan Micro-finance. Dongshan Micro-finance is mainly engaged in granting small amount loans and providing financial guarantee to customers in the PRC.

In June 2016 and November 2016 respectively, the Group set up two 100% owned subsidiaries, Suzhou Dang Tian Xia Technology Company Limited (蘇州當天下網絡科技有限公司) ("Dang Tian Xia") and Suzhou Huifang Sihai Regulation Company Limited (蘇州匯方四海調劑有限公司) ("Huifang Sihai"), to engage in technology development and regulating services in the PRC. In June 2017, the Group sold the two subsidiaries to a third party (Note 12(c)).

On 27 September 2017, Suzhou Huifang Jiada Information Technology Company Limited (蘇州匯方嘉達信息科技有限公司) ("Huida Jiada") entered into an Partnership with Suzhou Wuzhong Financial Merchants Service Company Limited (蘇州市吳中金融招商服務有限公司) ("Wuzhong Jinfu") to set up

Suzhou Huifang Rongtong Guided SME Turnover Loan Fund (Limited Partnership) (蘇州匯方融通中小微企業轉貸引導基金合夥企業(有限合夥)) ("Huifang Rongtong"). Huifang Jiada is the general partner with 80% partnership percentage. Huifang Rongtong provides guided short-term turnover loans to small and medium-size enterprises in Suzhou.

These consolidated financial statements are presented in thousands of Renminbi (RMB'000), unless otherwise stated.

The Group meets its day-to-day working capital requirements through its bank and other financial institution facilities. The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank and other financial institution finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 9.

These consolidated financial statements have been approved and authorised for issue by the Board on 23 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of China Huirong Financial Holdings Limited and its subsidiaries.

Basis of preparation

(i) ***Compliance with HKFRS and HKCO***

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) ***Historical cost convention***

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets and liabilities designated at fair value through profit or loss — measured at fair value.

(iii) ***New and amended standards adopted by the Group***

The following amendments have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 7 (Amendment)	Disclosure initiative

The adoption of these amendments did not have any impact on the amounts recognised in prior periods and is not likely to affect the current or future periods.

The amendments to HKAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 9(a).

(iv) ***New standards and interpretations not yet adopted by the Group***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Standards	**Key requirements**	**Effective from financial years starting on or after**
HKFRS 15 Revenue from Contracts with Customers	The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. At this stage, the Group estimates that the impact of the new rules on the Group's financial statements is limited. HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.	1 January 2018
HKFRS 9 Financial Instruments	HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and does not expect the new guidance to affect the classification and measurement of the financial assets and liabilities on 1 January 2018.	1 January 2018

Standards	Key requirements	Effective from financial years starting on or after
	Currently, the Group does not hold debt instruments classified as available-for-sale (AFS) financial assets, that would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. The Group also does not hold any investments in corporate bonds that will qualify for classification at amortised cost going forward and there will be no impact on retained earning on the reclassification. The other financial assets held by the Group are: • Equity investments currently measured at fair value through profit or loss (FVPL) which will continue to be measured on the same basis under HKFRS 9, and • Loans to customers measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS9. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: *Recognition and Measurement* and have not been changed.	
HKFRS 9 Financial Instruments	The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group currently does not have any hedge relationships.	1 January 2018

Standards	Key requirements	Effective from financial years starting on or after
	The new impairment model requires the recognition of impairment allowances based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKIFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. At initial recognition, an impairment allowance is required for ECL resulting from defaulting events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk, an provision is required for ECL resulting from all possible default events over the expected life of the financial instrument. Financial assets where 12-month ECL is recognised are in "stage 1"; financial assets are considered to have experienced a significant increase in credit risk are in "stage 2"; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise impaired, are in "stage 3". The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions, reasonable and supportable forecast of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. Based on the assessments undertaken to date, the Group expects a small increase in the impairment allowances for loans to customers and results in a decrease in net assets by approximately 1% as at 1 January 2018. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.	

Standards	Key requirements	Effective from financial years starting on or after
	HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.	
HKFRS 16 Leases	HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB11,057 thousand. The Group estimates that approximately 51.8% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward. The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.	1 January 2019

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, measurement, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management is carried out by a Central Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as credit risk, market risk and liquidity risk.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits. The Group regularly reviews its risk management policies and procedures to reflect changes in markets and products.

The most important types of financial risk are credit risk, market risk and liquidity risk. Market risk primarily includes interest rate risk, foreign exchange risk and security price risk.

3.1 Financial risk factors

(a) ***Credit risk***

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans to customers in the Group's asset portfolio.

(i) *Credit risk mitigation policies*

The Group employs a range of policies and practices to mitigate credit risk. For lending services, the most traditional of these is the taking of specific classes of collateral from customers. The principal collateral types for loans to customers are:

- Real estate, including residential, commercial and industrial properties;
- Equity instruments, mainly equity interest in unlisted companies which are typically related to the borrowers; and
- Personal properties, including but not limited to inventory, vehicles, luxury bags, watches, precious metal and jewellery.

The Group also focuses on ascertaining legal ownership and the valuation of the real estate collaterals. A loan granted is based on the value of the collaterals, which is generally lower than the estimated value of the real estate collaterals. The Group monitors the value of the real estate collaterals throughout the loan period.

Further to collateral held as security for loans, the Group introduces other credit enhancement measures for equity interest backed loans, primarily third party guarantee against the security of loan repayment, taking into consideration the borrower's repayment ability, repayment records, collateral status, financial performance, leverage ratio, industry outlook and market competition, etc.

For guaranteed loans, the Group takes into consideration the third party guarantor's repayment ability, financial performance, leverage ratio and business performance, etc.

In addition to collateral-backed loans and guaranteed loans, the Group also grants unsecured loans to customers. The Group evaluates the credit status of individual customers, including the customers' business performance, financial information, repayment ability, as well as industrial outlook in which the customers operate.

Dongshan Micro-finance, a subsidiary of the Company, provides financing guarantee services to customers. Dongshan Micro-finance takes into consideration the borrower's repayment ability, repayment records, collateral status, financial performance, leverage ratio, industry outlook and market competition, etc. Dongshan Micro-finance also requires a credit re-guarantee company to provide re-guarantee on the guarantee issued.

(ii) *Impairment and provisioning policies*

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the consolidated statement of financial position at year end is derived from each of the three loan categories by credit type. The majority of the impairment provision is from equity interest backed loans, real estate backed loans, guaranteed loans and unsecured loans. The table below shows the Group's gross amount of loans to customers and the associated impairment allowances for each of the three loan categories by credit type:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loans to customers, gross		
Collateral-backed loans	**1,465,924**	1,525,529
— Real estate backed loans	**1,172,861**	1,089,431
— Equity interest backed loans	**254,837**	419,901
— Personal property backed loans	**38,226**	16,197
Guaranteed loans	**205,783**	273,729
Unsecured loans	**483,186**	485,400
	2,154,893	2,284,658
Less: Impairment allowances		
Collateral-backed loans	**(170,169)**	(220,585)
— Real estate backed loans	**(78,844)**	(49,317)
— Equity interest backed loans	**(91,325)**	(171,268)
— Personal property backed loans	**—**	—
Guaranteed loans	**(33,631)**	(33,342)
Unsecured loans	**(5,441)**	(6,306)
	(209,241)	(260,233)
	1,945,652	2,024,425

The Group's credit risk management policies require the review of individual outstanding guaranteed and unsecured loans and loans secured by real estate and equity interest collateral at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for that individual account, taking into account the customer's financial standing, current ability to pay, quality and value of collateral, past experience, the financial standing of the third party guarantor, and information specific to the customer as well as pertaining to the economic environment in which the customer operates. Personal property backed loans are not individually significant so as to warrant an individual assessment.

Collectively assessed impairment allowances are provided for: (i) portfolios of outstanding loans that have been individually assessed with no objective evidence of impairment by homogenous collateral type; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Personal property backed loans have less credit exposure as the Group physically takes possession or entrust an independent third-party to take possession of the collateral till loan repayment. For the years ended 31 December 2017 and 2016, there has been no incurred credit loss on the loans secured by personal property collateral after considering the amount recovered through repossessed assets. Consequently no collectively assessed impairment allowances were provided for loans secured by this collateral type.

Please refer to Note 4 for individually assessed and collectively assessed impairment allowances arising from equity interest backed loans, real estate backed loans, guaranteed loans and unsecured loans.

(iii) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Credit risk exposures relating to assets are as follows:		
Loans to customers	**1,945,652**	2,024,425
Deposit with banks	**939,878**	910,919
Other receivables	**13,209**	16,990
	2,898,739	2,952,334

The above table represents a worst case scenario of credit risk exposure to the Group as at 31 December 2017 and 2016, without taking into account of any collateral held for or other credit enhancements attached. The exposures set out above for assets are based on net carrying amounts as reported in the consolidated statement of financial position. The Group's cash at banks are mainly deposited with or in the custody of large commercial banks.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loan portfolio. The Group's bank balances are mainly deposited with or in the custody of major commercial banks in the PRC, which management believes are of high credit quality. The Group considers the risk associated with the bank balances held at major commercial banks is insignificant.

(iv) *Loans to customers*

Loans to customers are summarised as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,028,299**	1,043,847
Past due but not impaired	**725,031**	880,398
Individually impaired	**401,563**	360,413
Gross	**2,154,893**	2,284,658
Less: Impairment allowances	**(209,241)**	(260,233)
Net	**1,945,652**	2,024,425

a. Loans to customers neither past due nor impaired

Loans to customers that are neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Personal property backed loans are included in this category as their repayments can be effected by disposal of forfeited personal property collateral, which normally carries higher values than the carrying amount of the loan.

b. Loans to customers past due but not impaired

Loans that are past due but not impaired relate to the customers which have good borrowing records with the Group. The directors believe that no individual impairment allowance is necessary in respect of these balances either because the loans are fully secured by real estate collateral with a reasonably ascertainable market value, or in the case of equity interest backed loans, guaranteed loans and unsecured loans, there has been no significant change in the customers' and third party guarantors' credit quality and the balances are considered fully recoverable. Gross amount of loans to customers that were past due but not impaired are analysed by aging as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Real estate backed loans, gross		
Past due up to 1 month	**33,853**	—
Past due 1–3 months	**6,115**	6,884
Past due 4–6 months	**2,946**	—
Past due over 6 months	**676,349**	830,407
	719,263	837,291
Equity interest backed loans, gross		
Past due up to 1 month	**—**	—
Past due 1–3 months	**—**	—
Past due 4–6 months	**—**	—
Past due over 6 months	**—**	7,247
	—	7,247
Guaranteed loans, gross		
Past due up to 1 month	**—**	1,335
Past due 1–3 months	**—**	6,230
Past due 4–6 months	**—**	3,000
Past due over 6 months	**5,568**	22,225
	5,568	32,790
Unsecured loans, gross		
Past due up to 1 month	**—**	—
Past due 1–3 months	**—**	—
Past due 4–6 months	**—**	—
Past due over 6 months	**200**	3,070
	200	3,070
Past due but not impaired, total	**725,031**	880,398

The Group accepted real estate collateral at fair value of approximately RMB1,473,833 thousand for real estate backed loans that were past due but not impaired as at 31 December 2017 (2016: RMB1,384,947 thousand).

c. Loans to customers individually impaired

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Gross individually impaired loans		
— Real estate backed loans	**180,839**	117,131
— Equity interest backed loans	**155,378**	199,648
— Guaranteed loans	**65,346**	43,634
	401,563	360,413
Impairment allowance made in respective of such loans		
— Real estate backed loans	**(62,835)**	(32,780)
— Equity interest backed loans	**(83,399)**	(139,684)
— Guaranteed loans	**(31,235)**	(25,266)
	(177,469)	(197,730)
Net individually impaired loans	**224,094**	162,683

(v) *Concentration of risks of financial assets with credit risk exposure*

The Group maintains a comprehensive client base. Loans receivable from the top five customers accounted for 28.2% of the total loans to customers as at 31 December 2017 (2016: 29.1%). Interest income from the top five customers accounted for 19.9% of total interest income for the year ended 31 December 2017 (2016: 27.4%).

(vi) *Amount of interest income accrued on impaired loans to customers*

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income accrued on impaired loans to customers		
— Real estate backed loans	**25,618**	19,433
— Equity interest backed loans	**15,876**	4,202
— Guaranteed loans	**3,113**	2,363
	44,607	25,998

(b) ***Market risk***

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group's exposure to market risk is primarily attributable to interest rate risk arising from loans to customers, bank balances and borrowings. The Group has established policies and procedures for monitoring and managing market risk.

(i) *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The most significant interest-bearing assets and liabilities are loans to customers and borrowings, which both bear fixed interest rates to generate cash flows independent from market interest rates. Contractual interest rate re-pricing is matched with maturity date of each loan granted to customer, or maturity date of borrowings. As at respective balance sheet dates, maturity dates of loans to customers are all within 12 months, whilst maturity dates of borrowings are within 12 months. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of loans to customers, borrowings and interest bearing bank deposits.

Based on the simulations performed and with other variables held constant, should the benchmark interest rate had been 100 basis points higher/lower, the profit before income tax would have been decreased/increased by approximately RMB2,361 thousand for the year ended 31 December 2017 (2016: RMB2,841 thousand), mainly as a result of higher/lower interest income on term deposits with banks and interest expense on fixed-rate borrowings arising from interest rate repricing.

Interest rates on interest-bearing financial assets, mainly loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

(ii) *Foreign exchange risk*

The Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to foreign currency risk.

Exposure

The Group's exposure to foreign currency risk at the end of the Reporting Year, expressed in RMB thousand, is as follows:

	As at 31 December			
	2017		2016	
	USD	***HKD***	*USD*	*HKD*
Cash at bank and on hand	**633,797**	**51,113**	661,231	722

Amounts recognised in the consolidated statement of comprehensive income

During the year, the following foreign-exchange related amounts were recognised in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Exchange (losses)/gains on foreign currency cash at bank	**(39,633)**	42,217

As at 31 December 2017, other than deposits with banks denominated in US dollar and Hong Kong dollar totaling RMB684,910 thousand (2016: RMB661,953 thousand) (Note 6), the Group did not have significant assets or liabilities that were denominated in currencies other than RMB. Should US dollar had weakened/strengthened by 1% against RMB with all other variables held constant, the profit before income tax would have been RMB6,849 thousand (2016: RMB6,620 thousand) lower/higher for the year ended 31 December 2017, mainly as a result of foreign exchange losses/gains on translation of US dollar and Hong Kong dollar denominated balances.

(iii) *Price risk*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position as at fair value through profit or loss (Note 5).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investment are publicly traded. If the stock price increase/decrease by 5%, the profit before income tax would have been RMB2,548 thousand (2016: RMB3,322 thousand) higher/lower for the year ended 31 December 2017.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of cash requirements from contractual commitments. Such outflows would deplete available cash resources for customer lending. In extreme circumstances, lack of liquidity could result in reductions in the balance sheet and sales of assets.

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

(i) *Financing arrangements*

The Group has no undrawn borrowing facilities as at 31 December 2017 (31 December 2016: Same).

(ii) *Maturities of financial assets and liabilities*

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The Group's expected cash flows on these financial instruments may vary significantly from the following analysis.

	Repayable on demand or within 1 month	**1–6 months**	**6–12 months**	**Past due**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017					
Cash at bank and on hand	617,857	219,231	116,281	—	953,369
Loans to customers	104,183	645,581	317,342	929,827	1,996,933
Total financial assets	722,040	864,812	433,623	929,827	2,950,302
Borrowings	(164,723)	(844,406)	(154,912)	—	(1,164,041)
Amounts due to related parties	(633)	—	—	—	(633)
Other financial liabilities	(2,449)	—	—	—	(2,449)
Total financial liabilities	(167,805)	(844,406)	(154,912)	—	(1,167,123)
Net liquidity gap	554,235	20,406	278,711	929,827	1,783,179
As at 31 December 2016					
Cash at bank and on hand	510,169	146,580	261,255	—	918,004
Loans to customers	200,638	575,062	259,925	1,021,133	2,056,758
Total financial assets	710,807	721,642	521,180	1,021,133	2,974,762
Borrowings	(234,104)	(709,807)	(370,094)	—	(1,314,005)
Amounts due to related parties	(633)	—	—	—	(633)
Other financial liabilities	(5,763)	—	—	—	(5,763)
Total financial liabilities	(240,500)	(709,807)	(370,094)	—	(1,320,401)
Net liquidity gap	470,307	11,835	151,086	1,021,133	1,654,361

3.2 Fair value of financial assets and liabilities

The Group's financial assets and liabilities are categorised as "loans and receivables", "financial assets at fair value through profit or loss" and "other financial liabilities" respectively.

"Loans and receivables" and "other financial liabilities" are stated at amortised cost. As these financial assets and liabilities mature within one year, the carrying amounts approximate to their fair value at each balance sheet date.

Financial assets at fair value through profit or loss are equity investments held by the Group as at 31 December 2017 (2016: same). Management designated all equity investments held as "Financial assets designated at fair value through profit or loss".

(a) *Fair value hierarchy*

The table below analysis the Group's financial instruments carried at fair value as at 31 December 2017 and 2016 by level of the inputs to valuation techniques used to measure fair value. An explanation of each level follows underneath the table.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2017				
Financial assets at fair value through profit or loss				
Financial assets designated at fair value through profit or loss				
— Equity Investments	**—**	**50,961**	**—**	**50,961**

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016				
Financial assets at fair value through profit or loss				
Financial assets designated at fair value through profit or loss				
— Equity Investments	—	100,997	—	100,997

There were no transfers between level 1 and level 2 financial assets during the Reporting Year. Transfer between level 2 and 3 is addressed in the Level 3 reconciliation below (Note 3.2(c)).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) ***Valuation techniques used to determine fair value***

The fair value of Level 2 equity instrument in public sector entity is based on the quoted market price as at 31 December 2017 and 2016. The fair value of Level 2 equity investments in unlisted entities is based on valuation techniques that maximize the use of observable market data.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, where the fair values have been determined based on present values and the discount rates used equal to a contractual rate of return.

(c) ***Fair value measurements using significant unobservable inputs (level 3)***

The following table presents the changes in level 3 financial instruments for the year ended 31 December 2017 (2016: Nil):

	Unlisted Equity Investments *RMB'000*
Opening balance at 1 January 2017	—
Transfers to Level 3 (i)	34,550
Purchases	10,000
Settlements	(51,459)
Gains recognised in net investment gains *(Note 12(b))*	6,909
Closing balance at 31 December 2017	—
Total unrealised gains for the asset held at the end of the reporting period recognised in the consolidated statement of comprehensive income for 2017	—

(i) In 2017, the Group transferred an unlisted equity investment that has been fair valued using an observable market price from Level 2 to Level 3, because the Group changed the exit way of such investment and the quoted market price is no longer applicable. The investment is then fair valued using a discounted cash flow approach, with a discount rate equals to a contractual rate of return. The main Level 3 input used by the Group for the equity investment in unlisted entity pertains to the discount rate, which is not based on observable market data. The investment is disposed in 2017.

Of the total gains (2016: Nil) recognised in the consolidated statement of comprehensive income in 2017, all amounts are attributable to the change in unrealised gains (2016: Nil) relating to those assets held at the end of the reporting period.

(d) ***Valuation processes***

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every six months, in line with the Group's reporting periods.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management group.

- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

- Contingent consideration — expected cash inflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact it.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period during the valuation discussion between the CFO, AC and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

3.3 Capital risk management

(a) ***Risk management***

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The liquid capital is monitored regularly by the Finance Department. The Group monitors capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowing net of cash and cash equivalent. Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debt.

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain a gearing ratio below 50% and to meet the compliance requirements of Wuzhong Pawnshop on aggregate amount of loans to customers at all times. The gearing ratio as at 31 December 2017 and 31 December 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Borrowings *(Note 9)*	**1,150,968**	1,288,306
Less: Cash and cash equivalents *(Note 6)*	**(257,917)**	(191,216)
Net debt	**893,051**	1,097,090
Total equity	**1,853,965**	1,800,138
Total capital	**2,747,016**	2,897,228
Gearing ratio	**33%**	38%

(i) *Loan covenants*

Under the terms of the borrowing facility of Huifang Tongda, it is required to comply with the following financial covenants:

- the total amount of guarantee for third party liabilities must not be more than 4 times the net assets of Huifang Tongda.

Huifang Tongda has complied with the covenants for the year ended 31 December 2017 (2016: Nil).

The Group has no other financial covenants under the terms of the rest borrowing facilities for the year ended 31 December 2017 (2016: Same).

4 LOANS TO CUSTOMERS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loans to customers, gross		
Collateral backed loans	**1,465,924**	1,525,529
— Real estate backed loans	**1,172,861**	1,089,431
— Equity interest backed loans	**254,837**	419,901
— Personal property backed loans	**38,226**	16,197
Guaranteed loans	**205,783**	273,729
Unsecured loans	**483,186**	485,400
	2,154,893	2,284,658
Less: Impairment allowances		
— Individually assessed	**(177,469)**	(197,730)
— Collectively assessed	**(31,772)**	(62,503)
	(209,241)	(260,233)
Loans to customers, net	**1,945,652**	2,024,425

Loans to customers arise from the Group's lending services. The loan periods granted to customers are within one year. The real estate backed and equity interest backed loans provided to customers bear fixed interest rates ranging from 8.00% to 30.00% per annum in the year ended 31 December 2017 (2016: from 12.00% to 36.72%).

Guaranteed loans granted to customers bear fixed interest rates from 7.00% to 18.00% per annum in the year ended 31 December 2017 (2016: from 8.04% to 18.00%).

Unsecured loans granted to customers bear fixed interest rates from 8.00% to 18.00% per annum in the year ended 31 December 2017 (2016: from 6.00% to 18.00%).

Loans to customers are all denominated in RMB. The impairment allowances are related to loans secured by equity interest backed loans, real estate backed loans, guaranteed loans and unsecured loans (Note 3.1(a)).

As at 31 December 2017, renewed loans amounted to RMB129,041 thousand (2016: RMB109,980 thousand), all are real estate backed loans (2016: same). No renewed loans had substantially modified their original contractual terms for the year ended 31 December 2017 (2016: same).

(a) Aging analysis of loans to customers

The aging of the loans to customers are calculated starting from the original granting date without considering the subsequent renewal of the loans. The aging analysis of loans to customers net of impairment allowances are set out below:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 3 months	**422,999**	713,123
3–6 months	**382,308**	188,504
6–12 months	**248,915**	93,313
12–24 months	**24,410**	615,558
Over 24 months	**867,020**	413,927
	1,945,652	2,024,425

(b) Reconciliation of allowance account for losses on loans to customers

		2017	
	Individually assessed	**Collectively assessed**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
At beginning of year	**197,730**	**62,503**	**260,233**
Impairment losses recognised	**102,759**	**—**	**102,759**
Net write back of loan provision	**(65,388)**	**(28,395)**	**(93,783)**
Unwind of discount on allowances during the period	**(44,607)**	**—**	**(44,607)**
Loans written off as un-collectible	**(15,361)**	**—**	**(15,361)**
Other transfer in/(out)	**2,336**	**(2,336)**	**—**
At end of year	**177,469**	**31,772**	**209,241**

	2016		
	Individually assessed	Collectively assessed	Total
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	127,118	52,503	179,621
Impairment losses recognised	104,446	44,981	149,427
Net write back of loan provision	(19,510)	(23,307)	(42,817)
Unwind of discount on allowances during the period	(25,998)	—	(25,998)
Other transfer in/(out)	11,674	(11,674)	—
At end of year	197,730	62,503	260,233

(c) Net charge of impairment allowance on loans to customers

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net charge/(reverse) of impairment allowance		
Individually assessed	**37,371**	84,936
Collectively assessed	**(28,395)**	21,674
	8,976	106,610

5 FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Equity securities designated at fair value are analysed by issuers as follows:		
Listed — Public sector entities	**50,961**	66,447
Unlisted entities	**—**	34,550
	50,961	100,997

The above equity investments are managed and their performance are evaluated on a fair value basis in accordance with a documented risk management strategy, and where information about the equity investments are reported to the senior management on a fair value basis.

Changes in fair value of the above equity investments are recorded in "Net investment gains/(losses)" in the consolidated statement of comprehensive income (Note 12).

The fair value of equity investments in public sector entities is based on the current bid price as at 31 December 2017 (2016: same).

Listed equity securities with fair value of RMB50,961 thousand have been pledged with a securities company to secure borrowings with principal amount of RMB27,000 thousand from the securities company (2016: Listed equity securities with fair value of RMB49,835 thousand have been pledged with a securities company to secure borrowings with principal amount of RMB20,200 thousand from the securities company) (Note 9(d)).

6 CASH AT BANK AND ON HAND

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash on hand	**1,767**	1,430
Demand deposits with banks	**256,150**	189,786
Term deposits with banks	**683,728**	721,133
	941,645	912,349

Cash at bank and on hand were denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**256,735**	250,396
US dollar	**633,797**	661,231
Hong Kong dollar	**51,113**	722
	941,645	912,349

Cash and cash equivalents of the Group were determined as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cash at bank and on hand	**941,645**	912,349
Less: Unrestricted term deposits with banks with original maturities over 3 months	**(308,350)**	(327,123)
Restricted term deposits pledged with banks	**(375,378)**	(394,010)
	257,917	191,216

As at 31 December 2017, restricted term deposits of US$49,796 thousand (2016: US$48,149 thousand), which is equivalent to RMB325,378 thousand (2016: RMB334,010 thousand), were pledged with banks to secure bank borrowings with principal amount of RMB306,000 thousand (2016: RMB290,000 thousand) (Note 9).

As at 31 December 2017, restricted term deposits of RMB50,000 thousand (2016: RMB60,000 thousand) were pledged with banks to secure bank borrowings with principal amount of RMB47,500 thousand (2016: RMB57,000 thousand) (Note 9).

7 SHARE PREMIUM AND OTHER RESERVES

		Other reserves				
	Share premium	**Capital reserve**	**Statutory reserve**	**General reserve** (b)	**Share-based payments reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	548,237	500,000	77,715	4,417	2,607	1,132,976
Private placement of new shares	45,879	—	—	—	—	45,879
Issue of shares under employee share scheme (c)(ii)	7,877	—	—	—	(1,908)	5,969
Share-based payments — Value of employee services (c)(i)	—	—	—	—	4,272	4,272
Transactions with Non-controlling interests	—	6,963	—	—	—	6,963
At 31 December 2017	601,993	506,963	77,715	4,417	4,971	1,196,059
At 1 January 2016	548,237	500,000	73,902	4,417	—	1,126,556
Appropriation to reserves (a)	—	—	3,813	—	—	3,813
Share-based payments — Value of employee services (c)(i)	—	—	—	—	2,607	2,607
At 31 December 2016	548,237	500,000	77,715	4,417	2,607	1,132,976

(a) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is no less than 25% of share capital.

(b) General reserve

In accordance with the "Notice on the Issuance of the Provision of General Reserve of Financial Institutions" (《關於印發〈金融企業準備金計提管理辦法〉的通知》(財金2012[20]號)) launched on 20 March 2012, Dongshan Micro-finance appropriate its annual statutory net profit to general reserve. When the balance of the general reserve reaches 1.5% of the balance of its financial assets at risk at financial year end, it is not required to make further provision to general reserve. As at 31 December 2017, the general reserve of Dongshan Micro-finance reaches 1.5% of its balance of financial assets at risk, thus no provisions were made to general reserve as at 31 December 2017 (31 December 2016: same).

(c) Share-based payments

The grant of share options to enable eligible participants as incentives or rewards for their contribution or potential contribution to the Group was approved on 13 September 2016. Under the share option scheme, the Company granted 50,000,000 share options to directors and selected employees on 13 September 2016 with an exercise price of HK$0.62 per share. Options are conditional on the employee completing one or two years' service (the vesting period). The options become exercisable starting one or two years from the grant date, subject to whether the Group achieved 60% or above of the target profit attributable to equity holders of the Company approved by the Board of Directors in 2016 and 2017 separately, or whether the Group achieved 60% or above of the cumulative target profit attributable to equity holders of the Company approved by the Board of Directors in 2016 and 2017 together. The options have a contractual option term of five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Set below are summaries of options granted under the plan:

	2017	
	Average exercise price *in HK$ per share option*	**Number of share options** *(thousands)*
As at 1 January	**0.62**	**50,000**
Granted	**—**	**—**
Exercised (ii)	**0.62**	**(11,550)**
Forfeited	**0.62**	**(10,443)**
Aa at 31 December	**0.62**	**28,007**
Vested and exercisable at 31 December 2017	**0.62**	**28,007**

	2016	
	Average exercise price *in HK$ per share option*	Number of share options *(thousands)*
As at 1 January	—	—
Granted	0.62	50,000
Exercised	—	—
As at 31 December	0.62	50,000

The weighted average share price at the date of exercise of options exercised for the year ended 31 December 2017 was HK$1.32 (2016: Nil).

(i) ***Share-based payments — value of employee services***

Options are granted for no consideration and vest based on whether the Group achieved the profit target described above. The weighted average fair value of options granted in 2016 determined using the Black-Scholes valuation model was HK$0.82 per option. The significant inputs into the model were weighted average share price of HK$0.62 at the grant date, exercise price shown above, volatility of 51.79%, no dividend yield, an expected option life of five years, and an annual risk-free interest rate of 0.66%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices from the listing date.

Share options outstanding at the end of the year will expire on 12 September 2021.

Employee benefit expense of RMB4,272 thousand was recognized for share options granted to directors and employees for the year ended 31 December 2017 (2016: RMB2,607 thousand).

(ii) ***Issue of shares under share-based payments***

In 2017, the Company issued 11,550,000 ordinary shares in connection with exercised options under the share-based payments. The total proceeds is HK$7,161 thousand (equivalent to approximately RMB6,067 thousand). The excess of RMB5,969 thousand over the par value of RMB98 thousand for the 11,550,000 ordinary shares issued, plus transfer-in amount of RMB1,908 thousand previously recognized in share-based payments reserve directly contributable to the options exercised, was credited to "share premium" with amount of RMB7,877 thousand.

8 OTHER LIABILITIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Accrued employee benefits	**10,011**	10,088
Turnover tax and other tax payable	**1,553**	891
Other financial liabilities	**2,450**	5,763
	14,014	16,742

As at 31 December 2017, the Group's other financial liabilities were non-interest bearing. The fair value approximates their carrying amounts due to their short maturities (2016: same).

9 BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank borrowings (a)	**844,812**	888,422
Interests of holders of consolidated SEs — Suzhou Qian Dai (b)	**191,421**	379,635
Borrowings from microfinance companies (c)	**68,174**	—
Borrowings from securities company (d)	**27,051**	20,249
Private placement note (e)	**19,510**	—
	1,150,968	1,288,306

(a) Bank borrowings are all with maturity within one year and bear fixed interest rates ranging from 4.35% to 5.66% per annum in the year ended 31 December 2017 (2016: 4.35% to 6.20%).

As at 31 December 2017, bank borrowings with principal amount of RMB306,000 thousand (2016: RMB290,000 thousand) were secured by restricted term deposits of US$49,796 thousand (2016: US$48,149 thousand).

As at 31 December 2017, bank borrowings with principal amount of RMB47,500 thousand (2016: RMB57,000 thousand) were secured by restricted term deposits of RMB50,000 thousand (2016: RMB60,000 thousand) (Note 6).

As at 31 December 2017, bank borrowings with principal amount of RMB370,000 thousand (31 December 2016: RMB370,000 thousand) were guaranteed by Wuzhong Jiaye and the Ultimate Shareholders.

As at 31 December 2017, no bank borrowings are guaranteed by Jiangsu Wuzhong Group Co. Ltd ("Wuzhong Group") (31 December 2016: RMB50,000 thousand).

As at 31 December 2017, bank borrowings with principal amount of RMB120,000 thousand are guaranteed by Huifang Technology (31 December 2016: same).

The fair values of bank borrowings approximate their carrying amounts as the discounting impact is not significant.

The Group's borrowings are denominated in RMB.

As at 31 December 2017, the Group had no undrawn bank borrowing facilities (31 December 2016: Same).

(b) As at 31 December 2017, interests of holders of consolidated SEs are borrowings from individual investors through the internet financing platform of Suzhou Qian Dai (31 December 2016: same).

As at 31 December 2017, the loans funded by the above borrowings through Suzhou Qian Dai and guaranteed by Dongshan Micro-finance were consolidated by the Group. Principal of such loans amounted to RMB181,781 thousand (31 December 2016: RMB375,198 thousand).

(c) As at 31 December 2017, borrowings from microfinance companies with principal amount of RMB68,000 thousand are guaranteed by Wuzhong Group (31 December 2016: Nil).

(d) As at 31 December 2017, borrowings from a securities company with principal amount of RMB27,000 thousand are pledged by listed equity investment held by the Group (2016: borrowings from a securities company with principal amount of RMB20,200 thousand are pledged by listed equity investment held by the Group) (Note 5).

(e) As at 31 December 2017, private placement note with principal amount of RMB19,510 thousand are guaranteed by Wuzhong Group (31 December 2016: Nil).

10 INTEREST INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest income from loans to customers		
Collateral backed loans		
— Real estate backed loans	**98,289**	87,167
— Equity interest backed loans	**56,285**	53,331
— Personal property and inventory backed loans	**11,000**	13,686
Guaranteed loans	**26,688**	34,697
Unsecured loans	**67,032**	48,745
Interest income from bank deposits	**13,059**	10,708
	272,353	248,334

Interest income from loans to customers represents all fees received from customers that are an integral part of the effective interest rate, including interest income and administration fee income.

11 INTEREST EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**44,631**	44,703
Interest expense on borrowings from micro-finance company	**3,786**	—
Other interest expenses *(Note 9)*	**25,820**	20,936
	74,237	65,639

12 NET INVESTMENT GAINS/(LOSSES)

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Fair value (losses)/gains — listed equity securities (a)	**(15,486)**	6,447
Net gains from disposal of unlisted equity securities (b)	**9,406**	—
Net gains from disposal of subsidiaries (c)	**8,150**	—
Cash dividend of listed equity securities	**429**	—
Fair value losses — unlisted equity securities (a)	**—**	(6,909)
	2,499	(462)

(a) For the year ended 31 December 2017, fair value (losses) or gains are fair value change of financial instruments designated at fair value through profit and loss (2016: same) (Note 5).

(b) In 2017, the Group disposed unlisted equity securities and realized net gains of RMB9,406 thousand (2016: Nil).

(c) In 2017, the Group disposed two 100% owned subsidiaries, Dang Tian Xia and Huifang Sihai and realised net gains of RMB8,150 thousand (2016: Nil).

13 OTHER OPERATING INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Consultancy fee income (a)	**5,275**	4,136
Net gains from disposal of repossessed assets	**1,051**	1,298
Guarantee fee income — Dongshan Micro-finance	**71**	146
Others	**16**	3
	6,413	5,583

(a) Consultancy fee income is mainly from Suzhou Qian Dai, an internet finance platform. It was launched by the Group in February 2015 to act as an intermedia agent between borrowers and lenders to earn consultancy fee income. Suzhou Qian Dai charges a fixed consultancy fee at rates ranging from 1.5% to 8.0% per annum to the borrowers (2016: 1.5% to 8.6%).

14 ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Employee benefit expenses	**36,980**	28,950
Advertising costs	**5,470**	7,586
Operating lease payments	**5,041**	4,342
Professional and consultancy fees	**4,205**	3,697
Transportation, meal and accommodation	**3,462**	4,048
Auditors' remuneration	**2,400**	2,192
Telephone, utilities and office expenses	**2,283**	2,406
Value-added tax and surcharges (a)	**1,577**	1,787
Commission fee	**1,111**	1,366
Depreciation and amortisation	**981**	1,023
Business tax and surcharges (b)	**—**	4,064
Other expenses	**3,412**	2,537
	66,922	63,998

(a) Under the Exclusive Management and Consultation Service Agreement, Wuzhong Pawnshop has engaged Huifang Tongda on an exclusive basis to provide consultation and other ancillary services. Such consultancy service fee income is subject to output value-added tax at 6% while surcharges are 12% of value-added tax payable. Such output value-added tax was not deductible and was recognised into administrative expenses before 1 May 2016.

(b) The Group's lending businesses are subject to business tax and surcharges before 1 May 2016. Business tax was levied at 5% of interest income from loans to customers, while surcharges are 12% of business tax payable. Starting from 1 May 2016, interest income on loans to customers of the Group is subject to value-added tax at 6% while surcharges are 12% of value-added tax payable.

15 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net foreign currency (losses)/gains	**(39,633)**	42,217
Government grants	**3,150**	3,552
Others	**101**	—
	(36,382)	45,769

16 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax		
Current tax on profits for the year	**28,464**	41,758
Adjustments for current tax of prior periods	**—**	(5,353)
Total current tax expense	**28,464**	36,405
Deferred income tax		
Increase in deferred tax assets	**(68)**	(28,146)
Total deferred tax benefit	**(68)**	(28,146)
Income tax expense	**28,396**	8,259

All income tax expense is attributable to profit from continuing operations for the year ended 31 December 2017 (2016: same).

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Profit before income tax expense	**93,582**	62,977
Tax calculated at domestic tax rates applicable to profits in the respective areas	**24,589**	16,359
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
— Entertainment	**336**	411
— Share-based payments	**(1,043)**	—
— Sundry items	**71**	153
Subtotal	**23,953**	16,923
Effect of different tax rates in countries in which the entity operates	**(460)**	(668)
Unused tax losses for which no deferred tax asset has been recognised	**323**	270
PRC withholding tax (i)	**4,580**	(2,913)
Adjustments for current tax of prior periods	**—**	(5,353)
Income tax expense	**28,396**	8,259

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Enterprises incorporated in the British Virgin Islands are not subject to any income tax according to relevant rules and regulations.

The applicable Hong Kong profits tax rate is 16.5% on the assessable profits earned or derived in Hong Kong for the year ended 31 December 2017 (2016: same).

According to the Corporate Income Tax Law of the PRC (the "CIT Law"), the income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

(i) Pursuant to the CIT Law, a 10% withholding tax is levied on the dividends declared by the foreign investment enterprise established in Mainland China to its immediate holding company incorporated outside Mainland China. The Group controls the dividend policies of these subsidiaries and it has been determined that a majority of these earnings will be distributed in the foreseeable future. The Group accrued for PRC withholding tax of RMB4,580 thousand based on the tax rate of 10% on a portion of the earnings generated by PRC subsidiaries for the year ended 31 December 2017.

Pursuant to the Board Meeting of the Company held on 23 March 2016, no dividends with respect of 2015 is declared by the Company. Therefore, in 2016, the Group reversed the PRC withholding tax accrued for 2015.

(c) Tax losses

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Unused tax losses for which no deferred tax asset has been recognised	**1,959**	1,634
Potential tax benefit @ 16.5%	**323**	270

The unused tax losses were incurred by Huifang Investment that is not likely to generate taxable income in the foreseeable future. The losses can be carried forward indefinitely and have no expiry date.

17 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit of the Group attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**50,904**	40,078
Weighted average number of ordinary shares in issue (in thousands)	**1,027,425**	1,025,237
Basic earnings per share (RMB)	**0.05**	0.04

All profit attributable to owners of the Company is from continuing operations.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares: share options under share-based payment (Note 7(c)). For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**50,904**	40,078
Weighted average number of ordinary shares in issue (in thousands)	**1,027,425**	1,025,237
Adjustments for:		
— Share options (in thousands)	**12,532**	12,029
Dilutive earnings per share (RMB)	**0.05**	0.04

All profit attributable to owners of the Company is from continuing operations.

(c) Weighted average number of shares used as the denominator

	Year ended 31 December	
	2017	2016
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (in thousands)	**1,027,425**	1,025,237
Adjustments for calculation of diluted earnings per share: Options (in thousands)	**12,532**	12,029
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share (in thousands)	**1,039,957**	1,037,266

18 DIVIDENDS

A dividend in respect of the year ended 31 December 2017 of HK$0.0132 per share, amounting to a total dividend of approximately HK$14,346 thousand (equivalent to approximately RMB11,991 thousand), is to be proposed at the annual general meeting on 28 May 2018. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.0132 (2016: Nil) per ordinary share	**11,991**	—

19 COMMITMENTS

(a) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**5,722**	3,443
Later than 1 year and no later than 5 years	**5,335**	3,535
Later than 5 years	**—**	31
	11,057	7,009

(b) Capital commitments

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Huifang Jiada (a)	**9,950**	—
Huifang Rongtong (b)	**40,000**	—
Huifang Rongda (c)	**38,000**	38,000
Dang Tian Xia	**—**	5,000
Huifang Sihai	**—**	1,000
	87,950	44,000

(a) The registered capital of Huifang Jiada is RMB50,000 thousand, of which RMB9,950 thousand has not been paid up by the Group as at 31 December 2017 (31 December 2016: Nil).

(b) The registered capital of Huifang Rongtong is RMB100,000 thousand, of which RMB40,000 thousand has not been contributed by the Group as at 31 December 2017 (31 December 2016: Nil).

(c) The registered capital of Huifang Rongda is RMB50,000 thousand, of which RMB38,000 thousand has not been paid up by the Group as at 31 December 2017 (31 December 2016: same).

20 ASSETS PLEDGED AS SECURITY

The carrying amounts of assets pledged as security for current borrowings are:

		As at 31 December	
	Note	**2017**	2016
		RMB'000	*RMB'000*
Current			
Floating charge			
Cash at bank and on hand	*6*	**375,378**	394,010
Financial assets designed at fair value through profit or loss	*5*	**50,961**	49,835
Total current assets pledged as security		**426,339**	443,845
Total non-current assets pledged as security		**—**	—
Total assets pledged as security		**426,339**	443,845

MANAGEMENT DISCUSSION AND ANALYSIS

After two years of profound transformation and upgrading in 2016 and 2017, the Company has shown encouraging changes in its organizational structure, business philosophy and management methods. The Company has refocused its business on providing diversified and short-term inclusive financial services to small and medium-size companies and individuals. Its development orientation was generally correct and the organization was full of vitality; the comprehensive risk management was progressing intensively, and new problems and new requirements brought by the rapid development of new businesses, new products, and new channels require us to launch proper risk control measures in a timely manner without leaving any dead ends. The overall performance was steadily improving.

1 BUSINESS REVIEW AND DEVELOPMENT

1.1 *Loans to customers*

The following table sets out the details of new loans and renewed loans, including loans secured by real estate collateral, equity interest collateral, unsecured loans and guaranteed loans we granted during the indicated periods as at 31 December 2017:

	Year ended 31 December	
	2017	2016
Total new loan amount granted (RMB in millions)	**3,624**	4,091
Total number of new loans granted	**1,280**	704
Total loan amount renewed (RMB in millions)	**129**	34
Total number of loans renewed	**81**	12
Average loan repayment period (days)	**140**	127

During the Reporting Year, the average loan repayment period increased by 13 days from 127 days for the year ended 31 December 2016 to 140 days.

1.2 *Outstanding loans to customers*

As at 31 December 2017, our outstanding loans to customers were RMB2,154,893 thousand. The following table sets forth our gross amount of outstanding loans to customers for the indicated periods:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Loans to customers, gross		
Real estate backed loans	**1,172,861**	1,089,432
Equity interest backed loans	**254,837**	419,901
Personal property backed loans	**38,226**	16,197
Guaranteed loans	**205,783**	273,729
Unsecured loans	**483,186**	485,400
	2,154,893	2,284,659

As at 31 December 2017, the outstanding loans of Wuzhong Pawnshop were RMB1.40 billion, of which the outstanding loans secured by real estate collateral were RMB1.10 billion, which almost reached the statutory limit, and the outstanding loans secured by equity interest collateral were RMB260 million, which was due to management's effort on compressing large loans secured by equity interest collateral; the outstanding entrusted loans of Huifang Tongda were RMB70 million; the outstanding loans of Dongshan Micro-finance were RMB440 million; the outstanding loans granted through P2P platform by Huifang Rongda and guaranteed by Dongshan Micro-finance were RMB190 million; and the outstanding loans of Huida Factoring were RMB50 million. The gross amount of outstanding loans to customers was RMB2.15 billion, representing a decrease of RMB130 million, or 5.7%, as compared with 2016.

1.3 *Online P2P lending business — Suzhou Qian Dai*

As part of the Group's commitment to diversify its business and expand its income stream, the Group officially launched an online "peer-to-peer" lending ("P2P Lending") platform, namely Suzhou Qian Dai (www.suzhoumoney.com) on 8 January 2015. It provides a diverse channel of lending which complements the traditional short-term collateral-backed loan business of the Group.

During the Reporting Year, Suzhou Qian Dai launched 2,870 projects in total. The number of its registered users reached 47,690 and the outstanding balance of its projects amounted to RMB414,423 thousand as at 31 December 2017.

The following table sets out the details of lending business on the online P2P Lending platform during the indicated periods:

	Year ended 31 December	
	2017	2016
Total lending business amount (RMB in millions)	**1,684**	2,352
Total number of lending business	**2,870**	661

In 2017, in order to meet the requirements imposed by regulatory agencies such as Jiangsu Provincial Office of Finance on the lending limit for online lending intermediaries, Suzhou Qian Dai platform rectified the situation in which the balance of loans of single borrower exceeded the limit, and the rectification was completed prior to the reporting date. The total loan amount of its lending business in the year decreased by 28% as compared to last year, and the total number of loan of its lending business increased by 334% as compared to last year, which showed a trend of decrease in the amount per transaction.

1.4 *Effective yield of loans to customers*

During the Reporting Year, the effective loan yield declined to 14.5% from that of last year (2016: 15.1%). The decline in loan yield was attributable to the increase of operating efficiency and lower rate charged to quality customers by the Company. To maintain our regional market leadership and competitiveness, the Company continued to lower the rates charged to our customers during the Reporting Year.

1.5 *Impairment allowance*

As at 31 December 2017, the Group had outstanding loans that individually impaired amounting to RMB401,563 thousand, representing 18.6% of the total outstanding loans granted to customers (before provision). The above loans are expected to incur impairment loss of RMB177,469 thousand. In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's credit risk exposure. As at 31 December 2017, the gross impairment allowance made by the Group amounted to RMB209,241 thousand, representing 9.7% of the total outstanding loans granted to customers (before provision).

2 FINANCIAL REVIEW

During the Reporting Year, the net revenue of the Group was RMB207,028 thousand, representing an increase of 10.2% as compared with 2016. Profit attributable to equity holders was RMB50,904 thousand, representing an increase of 27% as compared with 2016.

The financial review is summarised as follows:

2.1 *Interest income, interest costs and net interest margin*

Interest income:

In 2017, the interest income increased by 9.7% as compared to that of last year, mainly due to the Group's reduction of non-interest-earning loans and granting the same to generate interest income; the business volume of P2P platforms increased, and an interest income of approximately RMB39.80 million was generated through loans on balance sheets, representing an increase of approximately 19.7% as compared to last year; the average daily balance of term deposits in banks increased, the interest rate of term deposits rose from 1.86% in 2016 to 1.93%, and the interest income of bank deposits increased by RMB23.51 million.

Interest income from the top five customers accounted for 19.9% of total interest income for the year ended 31 December 2017 (2016: 27.4%). The concentration on customers of our interest income has declined for four consecutive years.

Interest cost:

During the Reporting Year, our interest costs amounted to RMB74,237 thousand (2016: RMB65,639 thousand), representing an increase of 13.1% from that in 2016. The increase of interest cost was mainly due to the higher borrowing rates of Dongshan Micro-finance, a subsidiary of the Company, and the increase of P2P lending business, which resulted in an interest expense of approximately RMB25.38 million derived from loans on balance sheets, representing an increase of approximately 24.5% as compared with RMB20.39 million of last year.

Net interest margin:

Net interest margin equals net interest income for the year divided by the average of the beginning and the ending balances of interest-earning assets, which equals the sum of the balances of loans to customers and deposits with banks. Net interest margin was 6.8% during the Reporting Year (2016: 6.5%).

2.2 *Administrative expenses*

The administrative expenses during the Reporting Year amounted to RMB66,922 thousand (2016: RMB63,998 thousand), representing an increase of RMB2,924 thousand or 4.6% from that of 2016. The increase was mainly due to:

The Group has newly recruited a certain number of employees to expand its business and launched an employee reward plan in 2016, which resulted in an increase in employee benefit expenses by RMB8,030 thousand in 2017; at the same time, the Group reduced certain advertising expenses from RMB7,586 thousand in 2016 to RMB5,470 thousand.

2.2.1 *Employee benefit expenses*

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Wages and salaries	**14,321**	12,806
Discretionary bonuses	**12,307**	10,054
Pension	**1,677**	1,455
Other social security obligations	**4,403**	2,028
Share-based payments	**4,272**	2,607
	36,980	28,950

As at 31 December 2017, the Group had a total of 161 full-time employees, with an increase of 13 people from 148 people as at 31 December 2016. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance. As at 31 December 2017, the employee benefit expenses were RMB36,980 thousand, representing an increase of RMB8,030 thousand or 27.7% as compared to that of previous year.

2.2.2 *Share-based payments*

To reward and motivate eligible participants for their contribution to the Group and align their interest with the Company, the Group granted 50,000,000 share options to subscribe for up to a total of 50,000,000 shares to the directors and selected employees on 13 September 2016 (the "**Date of Grant**") with an exercise price of HK$0.62 per share. The exercise of the aforesaid share options is conditional upon (a) the achievement of certain performance targets by the relevant individual grantees and/or the Group, up to 50% of the share options so granted to him/her at any time during the period commencing from the 1st anniversary of the Date of Grant and ending on 12 September 2021; and (b) the achievement of certain performance targets by the relevant individual grantees and/or the Group, up to 100% of the share options so granted to him/her less the share options which have been exercised by him/her at any time during the period commencing from the 2nd anniversary of the Date of Grant and ending on 12 September 2021 (for more details, please refer to the announcement of the Company dated 13 September 2016). Employee benefit expense of RMB4,272 thousand was recognised for share options granted to directors and employees for the year ended 31 December 2017. Details of exercise price and number of share option are set out below:

	2017	
	Average exercise price	**Number of share options**
	in HK$ per share option	*(in thousands)*
At 1 January	—	—
Granted	0.62	50,000
Exercised	0.62	(11,550)
Forfeited	0.62	(10,443)
At 31 December	0.62	28,007

2.2.3 *The ratio of administrative expenses to net revenue*

During the Reporting Year, the ratio of administrative expenses to net revenue was 32.3% (2016: 34.1%).

2.3 *Net charge of impairment allowance*

During the Reporting Year, net charge of impairment allowance was RMB10,142 thousand (2016: RMB106,610 thousand).

	Twelve months ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net charge/(reverse) of impairment allowance on loans to customers		
Individually assessed	**37,371**	84,936
Collectively assessed	**(28,395)**	21,674
	8,976	106,610
Net charge of impairment allowance on other assets	**1,166**	—
	10,142	106,610

During the Reporting Year, the net charge of impairment allowance decreased by 90.5% as compared to that in the previous year which was mainly due to the net charge of impairment allowance of individually impaired loans was approximately RMB37,371 thousand, decreased by approximately 56.0% as compared to RMB84,936 thousand in 2016; the net reverse of impairment allowance of collectively assessed impaired loans was RMB28,395 thousand (2016: net charge of impairment allowance was RMB21,674 thousand).

2.4 *Income tax expenses*

During the Reporting Year, the income tax expenses amounted to RMB28,396 thousand, representing an increase of 243.8% as compared with 2016 (2016： RMB8,259 thousand). The effective tax rate in 2017 was 30.34%, which was mainly due to the inclusion of the withholding tax of RMB4,550 thousand resulted from the distribution of profit by Huifang Technology to Huifang Investment. The effective tax rate after excluding the said effect was 25.59%.

2.5 *Profit attributable to equity holders and return on assets*

During the Reporting Year, profit attributable to equity holders was RMB50,904 thousand (2016: RMB40,078 thousand), representing an increase of 27% as compared with 2016. During the Reporting Year, return on average assets was 1.6% (2016: 1.9%) and return on average equity was 2.8% (2016: 3.5%).

3 LOANS TO CUSTOMERS

3.1 *Loan portfolio*

The table below sets out the details of loans we granted to customers as at the dates indicated:

	As at 31 December	
	2017	2016
Gross loans to customers, inclusive of principal and interest (RMB'000)		
Real estate backed loans	**1,172,861**	1,089,431
Equity interest backed loans	**254,837**	419,901
Personal property backed loans	**38,226**	16,197
Guaranteed loans	**205,783**	273,729
Unsecured loans	**483,186**	485,400
Total	**2,154,893**	2,284,658
Number of loans outstanding		
Real estate backed loans	**264**	134
Equity interest backed loans	**28**	35
Personal property backed loans	**979**	853
Guaranteed loans	**107**	103
Unsecured loans	**297**	113
Total	**1,675**	1,238
Average loan amount (RMB'000)		
Real estate backed loans	**4,443**	8,130
Equity interest backed loans	**9,101**	11,997
Personal property backed loans	**39**	19
Guaranteed loans	**1,923**	2,658
Unsecured loans	**1,627**	1,846
Total	**17,133**	24,650

3.2 *Loan classification and impairment allowances*

The table below sets out the details of the classification of loans we granted to customers as at the dates indicated:

	As at 31 December			
	2017		2016	
	RMB'000	*%*	*RMB'000*	*%*
Neither past due nor impaired (i)	**1,028,299**	**47.7%**	1,043,847	45.7%
Past due but not impaired (ii)	**725,031**	**33.7%**	880,398	38.5%
Individually impaired (iii)	**401,563**	**18.6%**	360,413	15.8%
Gross	**2,154,893**	**100.0%**	2,284,658	100.0%
Less: Impairment allowance	**(209,241)**	**9.7%**	(260,233)	11.4%
Net	**1,945,652**	**—**	2,024,425	—

(i) Loans neither past due nor impaired

Loans that are neither past due nor impaired relate to a wide range of customers with no recent history of default.

Personal property backed loans are included in this category as their repayments can be effected by disposal of forfeited personal property collateral, which normally carry higher values than the carrying amount of the loan.

(ii) Loans past due but not impaired

Loans that are past due but not impaired relate to the customers that have good borrowing records with the Group. The loans are fully secured by real estate collateral with a reasonably ascertainable market value, or in the case of equity interest backed pawn loans, guaranteed loans and unsecured loans, there has not been a significant change in the customers' credit quality and the balances are considered fully recoverable.

As at 31 December 2017, the Group accepted real estate collateral at fair value of approximately RMB1,473,833 thousand for real estate backed loans that were past due but not impaired (2016: approximately RMB1,384,947 thousand).

As at 31 December 2017, loans that were past due but not impaired amounted to RMB725,031 thousand, including loans secured by real estate collateral of RMB719,263 thousand, accounting for 99.2%; guaranteed loans of RMB5,568 thousand, accounting for 0.77%; and unsecured loans of RMB200 thousand, accounting for 0.03%.

(iii) As at 31 December 2017, loans to customers which were individually impaired amounted to RMB401,563 thousand, with an estimated loss of RMB177,469 thousand. The estimated loss is due to the difficulty in generating future cash flows faced by a small number of customers and is measured based on the difference between the carrying amount and the present value of estimated future cash flows of the credit assets.

The following table sets forth the breakdown of our impairment allowance as at the indicated dates:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Real estate backed loans	**(78,844)**	(49,317)
Equity interest backed loans	**(91,325)**	(171,268)
Personal property backed loans	**—**	—
Guaranteed loans	**(33,631)**	(33,342)
Unsecured loans	**(5,441)**	(6,306)
Total	**(209,241)**	(260,233)

In light of the changes in market environment, impairment allowances were made to adequately reflect the Group's market risk exposure. As at 31 December 2017, the impairment allowance for loans secured by real estate collateral, loans secured by equity interest collateral, guaranteed loans and unsecured loans amounted to RMB209,241 thousand, representing 9.7% of the total outstanding loans granted to customers (before provision). The balance comprised of individually assessed impairment allowance of RMB177,469 thousand and collectively assessed impairment allowance of RMB31,772 thousand.

3.3 *Loans under legal proceedings*

RMB'000		**31 December 2017 Involving principal and interest**	31 December 2016 Involving principal and interest
Real estate backed loans	Number of clients	**36**	31
	Outstanding loans	**538,649**	626,547
Equity interest backed loans	Number of clients	**12**	16
	Outstanding loans	**136,500**	148,833
Guaranteed loans	Number of clients	**19**	13
	Outstanding loans	**42,916**	26,654
Total	Number of clients	**67**	60
	Outstanding loans	**718,065**	802,034

As at 31 December 2017, there are 33 real estate backed loans amounted to RMB380,621 thousand that are past due but not impaired under legal proceeding. No loss is expected to be incurred on such loans. The loans are fully secured by real estate collateral with a reasonably ascertainable market value and considered fully recoverable. Among the loans that were individually impaired, we have initiated legal proceedings for the recovery of 15 loans, which are secured by equity interest collateral and amounted to RMB155,378 thousand. Individually assessed impairment allowance of RMB83,399 thousand was provided on such loans. To improve the operational efficiency of our assets, the Group strengthened the collection on loans that were past due by taking legal proceedings against customers during 2017.

4. CREDIT RISK MANAGEMENT

According to our internal policy, the principal amount of a loan we grant to a loan applicant is negotiated with the applicant individually but the appraised loan-to-value ratio of the loan is capped at 70% for real estate collateral and 50% for equity interest collateral.

The following table sets forth a breakdown by collateral type of (i) aggregate loan amount; (ii) appraised value of collateral at time of loan approval; and (iii) the weighted average appraised loan-to-value ratio as of the granting dates of loans outstanding as at the indicated dates:

	As at 31 December	
	2017	2016
Aggregate loan amount (RMB in thousands)		
Real estate backed loans	**1,172,861**	1,089,431
Equity interest backed loans	**254,837**	419,901
Appraised value of collateral at time of pawn loan approval (RMB in millions)		
Real estate backed loans	**2,141**	1,732
Equity interest backed loans	**1,189**	1,552
Range of appraised loan-to-value ratios of pawn loans		
Real estate backed loans	**7%–70%**	6%–69%
Equity interest backed loans	**4%–48%**	3%–48%
Weighted average appraised loan-to-value ratio of pawn loans		
Real estate backed loans	**55%**	56%
Equity interest backed loans	**34%**	34%

5. TOTAL EQUITY AND CAPITAL MANAGEMENT

5.1 *Total Equity*

Our total equity as at 31 December 2017 was RMB1,853,965 thousand, representing an increase of RMB53,827 thousand or 3.0% as compared to that as at 31 December 2016. The increase was due to:

(i) during the Reporting Year, the total net profit attributable to equity holders of RMB50,904 thousand;

(ii) during the Reporting Year, increase in share capital and share premium of RMB423 thousand and RMB45,879 thousand, through private placement of new shares by the Company; and

(iii) the Group issued shares under share option scheme.

5.2 *Gearing ratio management*

We monitor capital risk on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt represents bank borrowings less cash and cash equivalents. Total equity represents total equity as stated in the consolidated statement of financial position. Total capital is the sum of net debt and total equity.

Our gearing ratio as at 31 December 2017 was 32.5% (2016: 37.9%).

6. BORROWINGS AND PLEDGE OF ASSETS

The following table sets forth our bank borrowings as at the indicated dates:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Bank borrowings (a)	**844,812**	888,422
Borrowings from securities company (d)	**27,051**	20,249
Borrowings from targeted financing plan (e)	**19,510**	—
Borrowings from micro-finance company (c)	**68,174**	—
Interests of holders of consolidated SEs		
— Suzhou Qian Dai (b)	**191,421**	379,635
	1,150,968	1,288,306

(a) (i) Bank borrowings are with maturity within one year and bear fixed interest rates ranging from 4.35% to 5.66% per annum in the year ended 31 December 2017 (2016: From 4.35% to 6.20%).

(ii) As at 31 December 2017, bank borrowings with principal amount of RMB306,000 thousand were secured by restricted term deposits at bank of US$49,796 thousand (equivalent to approximately RMB325,378 thousand) (as at 31 December 2016: bank borrowings with principal amount of RMB290,000 thousand were secured by restricted term deposits at bank of US$48,149 thousand (equivalent to approximately RMB334,010 thousand)).

(iii) As at 31 December 2017, bank borrowings with principal amount of RMB47,500 thousand were secured by restricted term deposits at bank of RMB50,000 thousand (as at 31 December 2016: bank borrowings with principal amount of RMB57,000 thousand were secured by restricted term deposits at bank of RMB60,000 thousand).

(iv) As at 31 December 2017, bank borrowings with principal amount of RMB370,000 thousand were guaranteed by Wuzhong Jiaye and the Ultimate Controller (2016: RMB370,000 thousand). As at 31 December 2017, bank borrowings with principal amount of RMB120,000 thousand were guaranteed by Huifang Technology (2016: RMB120,000 thousand).

(b) As at 31 December 2017, the loan with principal amount of RMB181,781 thousand that raised from Suzhou Qian Dai and guaranteed by Dongshan Micro-finance was consolidated into the Group (2016: RMB375,198 thousand).

(c) As at 31 December 2017, the loan with principal amount of RMB68,000 thousand from micro-finance companies was guaranteed by Jiangsu Wuzhong Group Co., Ltd. (2016: Nil).

(d) As at 31 December 2017, the loan with principal amount of RMB27,000 thousand from securities company was secured by the pledge of 3,177,966 shares of listed company held by the Group.

(e) As at 31 December 2017, the loan with principal amount of RMB19,510 thousand from Suzhou Financial Assets Trading Center was guaranteed by Jiangsu Wuzhong Group Co., Ltd. (2016: Nil).

7. CAPITAL RECEIPT AND EXPENDITURE

Our capital receipt and expenditure primarily consists of purchases of property, intangible assets, transactions with non-controlling interests and proceeds from disposal of subsidiaries. During the Reporting Year, the Company recorded a net capital receipt of RMB6,283 thousand (2016: net capital expenditure of RMB1,224 thousand).

8. SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

According to the development needs of the Company and the policy situation, in December 2017, the Company further acquired 20% equity interests in Dongshan Micro-finance at a consideration of RMB60,000 thousand, which was settled during the period.

9. CONTINGENCIES, CONTRACTUAL OBLIGATIONS, LIQUIDITY AND FINANCIAL RESOURCES

9.1 *Contingencies*

As at 31 December 2017, the Group did not have any significant contingent liabilities except the following commitments (2016: Same).

9.2 *Commitments*

a *Operating lease Commitments*

The Group leases various buildings under non-revocable operating lease agreements. The leases have various terms, clauses for upgrading and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**5,722**	3,443
Later than 1 year and no later than 5 years	**5,335**	3,535
Later than 5 years	**—**	31
	11,057	7,009

b *Capital Commitments*

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Huifang Jiada (a)	**9,950**	—
Huifang Rongtong (b)	**40,000**	—
Huifang Rongda (c)	**38,000**	38,000
Suzhou Dang Tian Xia Technology Company Limited	**—**	5,000
Suzhou Huifang Sihai Regulation Company Limited	**—**	1,000
	87,950	44,000

(a) The registered capital of Huifang Jiada is RMB50,000 thousand, of which RMB9,950 thousand has not been paid by the Group as at 31 December 2017 (31 December 2016: Nil).

(b) The registered capital of Huifang Rongtong is RMB100,000 thousand, of which RMB40,000 thousand has not been paid by the Group as at 31 December 2017 (31 December 2016: Nil).

(c) The registered capital of Huifang Rongda is RMB50,000 thousand, of which RMB38,000 thousand has not been paid by the Group as at 31 December 2017 (31 December 2016: Same).

9.3 *Liquidity and capital resources*

a. *Cash flow analysis*

As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB257,917 thousand, representing an increase of RMB66,701 thousand as compared to that as at 31 December 2016. The following table sets forth a summary of our cash flows for the indicated periods:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash inflow/(outflow) from operating activities	**219,329**	(181,602)
Net cash inflow/(outflow) from investing activities	**6,283**	(1,224)
Net cash (outflow)/inflow from financing activities	**(158,237)**	308,039
Increase in cash and cash equivalents	**67,375**	125,213
Exchange (losses)/gains on cash and cash equivalents	**(674)**	57
Cash and cash equivalents at beginning of the year	**191,216**	65,946
Cash and cash equivalents at end of the year	**257,917**	191,216

Net Cash Flow from Operating Activities

During the Reporting Year, net cash inflow from operating activities amounted to RMB219,329 thousand. The net cash inflow from operating activities was mainly due to the realization of part of the investment in financial assets at fair value and recovery of loans to customers.

Net Cash Flow from Investing Activities

During the Reporting Year, net cash inflow from investing activities amounted to RMB6,283 thousand.

Net Cash Flow from Financing Activities

During the Reporting Year, net cash outflow from financing activities amounted to RMB158,237 thousand.

b *Liquidity risk*

Details of liquidity risk are set out in the paragraph headed "LIQUIDITY RISK" in the section headed "Notes to The Consolidated Financial Statements".

10. MARKET RISK

Details of market risk are set out in the paragraph headed "MARKET RISK" in the section headed "Notes to The Consolidated Financial Statements".

11. HUMAN RESOURCE AND EMPLOYEE BENEFITS

As at 31 December 2017, the Group had a total of 161 full-time employees, with an increase of 13 people from 148 people as at 31 December 2016. We will adjust the number of our employees and our remuneration policy based on the development of our business and review of our employees' performance.

During the Reporting Year, employee benefit expenses were RMB36,980 thousand, representing an increase of RMB8,030 thousand or 27.7% as compared to that of previous year. Details are set out below:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Wages and salaries	**14,321**	12,806
Discretionary bonuses	**12,307**	10,054
Pension	**1,677**	1,455
Other social security obligations	**4,403**	2,028
Share-based payments	**4,272**	2,607
	36,980	28,950

Pursuant to the applicable PRC regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We have been in compliance with all statutory social insurance and housing fund obligations applicable to us under PRC laws in all material respects. We are not subject to any collective bargaining agreements.

12. FUTURE PLANS RELATING TO MATERIAL INVESTMENTS

Same as disclosed in this announcement, the Group has no plans for material investments or acquisition of capital assets. However, the Group will continue to seek new business opportunities.

13. EVENTS AFTER REPORTING YEAR

Same as disclosed in this announcement, there is no significant event after 31 December 2017.

PROSPECTS

Based on the internal changes and transformation in the 2016–2017 biennium, the internal organizational structure of the Group was basically complete, and the management capabilities were gradually enhanced, and the entire organization was full of vitality. At the same time, the Group actively expanded its external market. In its continuous advancement, its marketability and risk control capabilities have been significantly enhanced. The Group continued to adjust its strategies to adapt itself to the changes in the market, develop new products and invest in new technologies, and strive to achieve benefits that exceed the average performance of the market. Therefore, the management is confident in the future of the Group.

In 2018, the management will focus on the creation of a finance division for small- and medium-sized enterprises and individuals, the Internet finance division, the civilian products and pipelines cooperation division and the supply chain finance division, and the planning and development of new businesses such as insurance agents, financial leasing and asset management, so as to raise its level of risk management and meet the requirements of its development. The Group will continue to increase the recovery of existing assets, enhance its asset operating efficiency, expand financing methods and financing channels, increase capital reserves, and make timely mergers and acquisitions to rapidly expand its operating scope. In addition, it will also optimize the organizational structure of departments, improve and establish a performance management system and internal control system that meets the needs of the Company, and ensure its efficient operation.

The management believes that 2018 will be the beginning of the new journey of the Group. With the rationalisation of the Group's organization structure and the improvement of its internal control system, our leadership in the regional market will be strengthened and expanded further. By leveraging on such competitive edge, the management will capture new opportunities to create new income streams and bring return to our shareholders.

FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK$0.0132 per Share in respect of the year ended 31 December 2017 (the "**2017 Final Dividend**") (2016: Nil). The 2017 Final Dividend will be paid to the Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 4 June 2018 (the "**Record Date**"). Based on the 1,086,787,000 Shares in issue as at 31 December 2017, the payment of the 2017 Final Dividend is expected to amount to approximately HK$14,345,588, which will be paid on or before Friday, 29 June 2018. The retained profit will be primarily used for the Group's business developments and/or acquisitions of suitable business opportunities in the PRC.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Year, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

In the opinion of the Board, the Company has complied with the principles and code provisions set out in the CG Code throughout the Reporting Year, except for Code Provision A.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same person. Given that Mr. Wu Min assumes the roles of both chairman and chief executive officer, the Company deviates from this code provision. The Board considers that this management structure is effective in terms of the formulation and implementation of the Company's strategies and the Company's operations. Notwithstanding the deviation, the Board is of the view that it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Group and its shareholders. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the chief executive officer to two individuals.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors of the Company and they have confirmed that they have complied with the Model Code throughout the Reporting Year.

CHANGE IN DIRECTOR'S INFORMATION

During the period from the date of 2017 Interim Report to the date of this announcement, change in the information of the Director of the Company is as follows:

Mr. Tse Yat Hong, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Sky Light Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 03882) on 5 December 2017. Mr. Tse Yat Hong has ceased to be a non-executive director of Shenzhen Expressway Company Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00548) and the Shanghai Stock Exchange (stock code: 600548)) since 31 December 2017.

Mr. Zhang Huaqiao, an independent non-executive Director of the Company, has ceased to be an independent non-executive director of Yancoal Australia Limited (the shares of which are listed on the Australian Securities Exchange, ASX code: YAL) since January 2018. In addition, Mr. Zhang Huaqiao has been re-designated as a non-executive director of China Smartpay Group Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange, stock code: 8325) since 15 September 2017.

ANNUAL RESULTS AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has held a meeting with the auditor of the Company to review the annual results of the Group for the year ended 31 December 2017.

The figures in respect of the results announcement of the Group for the year ended 31 December 2017 have been reviewed and agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 28 May 2018. A notice convening the annual general meeting of the Company will be published and dispatched to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 May 2018 to Monday, 28 May 2018 (both dates inclusive) and from Friday, 1 June 2018 to Monday, 4 June 2018 (both dates inclusive), during which periods no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Monday, 21 May 2018. In order to qualify for the proposed final dividend (subject to the approval by shareholders at the forthcoming annual general meeting), all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Thursday, 31 May 2018.

Pursuant to the CIT Law, the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" and the "Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management", the Company is required to withhold and pay 10% withholding tax on the distribution of the 2017 Final Dividend to its non-resident enterprise shareholders. The withholding and payment obligation lies with the Company. In respect of all shareholders whose names appear on the Company's register of members as at the Record Date who are not individuals (including HKSCC Nominees Limited ("**HKSCC**"), corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-resident enterprise shareholders), the Company will distribute the 2017 Final Dividend after deducting withholding tax of 10%. The Company will not withhold and pay the withholding tax in respect of the 2017 Final Dividend payable to any natural person shareholders whose names appear on the Company's register of members as at the Record Date. Investors who invest in the shares in the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited through the Shanghai Stock Exchange or the Shenzhen Stock Exchange (the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect investors) are investors who hold shares through HKSCC and in accordance with the above requirements, the Company will pay to HKSCC the amount of the 2017 Final Dividend after withholding for payment the 10% withholding tax.

If any resident enterprise (as defined in the CIT Law) listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% withholding tax, it shall lodge with Hong Kong

Registrars Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay withholding tax in respect of the dividend to which it is entitled by 4:30 p.m. on Monday, 4 June 2018.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the withholding tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cnhuirong.com). The annual report for the year ended 31 December 2017 containing all relevant information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

DEFINITION

Unless otherwise required by the context, terms used in this results announcement shall have the same meanings as those defined in the prospectus of the Company dated 16 October 2013.

By Order of the Board
China Huirong Financial Holdings Limited
WU Min
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yannan, Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong.