



# 2015 Annual Report



## Join-Share 中盈盛达

共创 共享 共成长

Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\*

廣東中盈盛達融資擔保投資股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)  
Stock Code : 1543

\*For identification purpose only



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# Corporate Profile

Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (“**Guangdong Join-Share**” or the “**Company**”, together with its subsidiaries the “**Group**”, “**we**”, “**our**” or “**us**”) is a leading financing guarantee services provider in Guangdong province, focusing on providing credit-based financing solutions to small and medium enterprises (“**SMEs**”) to satisfy their financing and business needs. Since our establishment in Foshan, Guangdong province in 2003, our business network has been significantly expanded to cover all the major cities in Guangdong province and certain cities in Anhui province.

Guangdong Join-Share primarily provides guarantees on behalf of and entrusted loans to SMEs and individual business proprietors. We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Chancheng Join-Share Micro Credit Co., Ltd. (佛山禪城中盈盛達小額貸款有限公司) (“**Foshan Micro Credit**”), which was consolidated into our Group in June 2014.

We have established strong cooperative relationships with various banks and non-bank financial institutions, which allows us to diversify our sources of customer referrals, reduce credit risks, and strengthen our leading position in our industry in Guangdong province. We have a diverse shareholder base and do not have a controlling shareholder. It is our aim to ensure the management’s independence in the daily operations, and we endeavour to carry out prudent corporate governance since our establishment without being affected by any single shareholder of the Company (the “**Shareholders**”). We possess an experienced and reputable management team with diverse backgrounds and substantial expertise in the finance, banking, accounting and legal industries. We received an “AA+” corporate rating with stable outlook from Shenzhen Lianhe Credit Information Service Co., Ltd..

The H shares of the Company were successfully listed on the Main Board of the Stock Exchange on 23 December 2015, marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group’s future development.





# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Wu Liejin (吳列進)  
Mr. Xie Yongdong (謝勇東)

## NON-EXECUTIVE DIRECTORS

Mr. Zhang Minming (張敏明)  
Ms. Gu Lidan (顧李丹)  
Ms. Wu Yanfen (吳艷芬)  
Mr. Huang Guoshen (黃國深)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Xiangneng (吳向能)  
Mr. Leung Hon Man (梁漢文)  
Mr. Liu Heng (劉恒)

## SUPERVISORS

Mr. Li Qi (李琦)  
Ms. Feng Qunying (馮群英)  
Mr. Wang Wei (王維)  
Mr. Liang Yi (梁毅)  
Mr. Liao Zhenliang (廖振亮)  
Mr. Zhong Jian (鍾堅)

## AUDIT COMMITTEE

Mr. Wu Xiangneng (吳向能) (*Chairman*)  
Mr. Leung Hon Man (梁漢文)  
Mr. Huang Guoshen (黃國深)

## REMUNERATION AND APPRAISAL COMMITTEE

Mr. Leung Hon Man (梁漢文) (*Chairman*)  
Mr. Liu Heng (劉恒)  
Mr. Wu Xiangneng (吳向能)  
Mr. Zhang Minming (張敏明)  
Mr. Xie Yongdong (謝勇東)

## NOMINATION COMMITTEE

Mr. Wu Liejin (吳列進) (*Chairman*)  
Mr. Leung Hon Man (梁漢文)  
Mr. Liu Heng (劉恒)  
Mr. Wu Xiangneng (吳向能)  
Ms. Wu Yanfen (吳艷芬)

## RISK MANAGEMENT COMMITTEE

Mr. Zhang Minming (張敏明) (*Chairman*)  
Mr. Wu Liejin (吳列進)  
Mr. Xie Yongdong (謝勇東)  
Mr. Huang Guoshen (黃國深)  
Mr. Wu Xiangneng (吳向能)

## STRATEGY COMMITTEE

Mr. Wu Liejin (吳列進) (*Chairman*)  
Mr. Zhang Minming (張敏明)  
Mr. Xie Yongdong (謝勇東)  
Ms. Gu Lidan (顧李丹)  
Mr. Liu Heng (劉恒)

## JOINT COMPANY SECRETARIES

Mr. Wong Yat Tung (黃日東)  
Mr. Zheng Zhengqiang (鄭正強)

## AUTHORISED REPRESENTATIVES

Mr. Wu Liejin (吳列進)  
Mr. Wong Yat Tung (黃日東)

## REGISTERED OFFICE

Unit 2202–2212, 22/F, Chuangye Building  
No. 215 Fenjiang Middle Road  
Foshan, Guangdong  
PRC



# Corporate Information (Continued)

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN PRC

Unit 2202–2212, 22/F, Chuangye Building  
No. 215 Fenjiang Middle Road  
Foshan, Guangdong  
PRC

## COMPLIANCE ADVISOR

KGI Capital Asia Limited

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
46th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL BANKERS

China Construction Bank Corporation  
Guangdong Branch  
No. 509, Dongfeng Middle Road  
Yuxiu District  
Guangzhou, Guangdong  
PRC

Bank of China Limited  
Foshan Branch  
2 Renmin West Road  
Chancheng District  
Foshan, Guangdong  
PRC

## LEGAL ADVISORS AS TO HONG KONG LAW

Deacons

## AUDITORS

KPMG  
*Certified Public Accountants*

## COMPANY'S WEBSITE

[www.join-share.com](http://www.join-share.com)

## STOCK CODE

1543



# Financial Highlights

For the year ended 31 December 2015, the Group's operating results were as follows:

- Total revenue was approximately RMB285.6 million, representing a decrease of approximately 7.1% as compared to last year.
- Net profit for the year and net profit margin were RMB142.8 million and 50.0%, respectively.
- Profit before taxation amounted to approximately RMB192.6 million, representing a decrease of approximately 9.0% as compared to last year.
- Profit for the year attributable to equity Shareholders amounted to approximately RMB112.1 million, representing a decrease of approximately 22.8% as compared to last year.
- The payment of final dividends of RMB0.085 per share for the year ended 31 December 2015 is recommended by the board (the “Board”) of directors (the “Directors”) of the Company.

	Consolidated P&L			
	2015	2014	2013	2012
<i>(RMB'000)</i>				
<b>Operating Results</b>				
Revenue	<b>285,634</b>	307,343	261,845	236,475
– Net guarantee fee income	<b>131,206</b>	163,374	161,390	154,616
– Net interest income	<b>121,076</b>	102,155	74,402	56,741
– Service fee from consulting service	<b>33,352</b>	41,814	26,053	25,118
Other revenue	<b>28,800</b>	20,992	21,458	24,590
Provisions for guarantee losses	<b>(2,533)</b>	(8,146)	(13,590)	(10,125)
Impairment losses	<b>(27,358)</b>	(29,361)	(20,424)	(36,562)
Operating expenses	<b>(91,928)</b>	(82,035)	(80,177)	(63,315)
Profit for the year	<b>142,830</b>	156,754	130,969	115,791
– Attributable to equity Shareholders	<b>112,104</b>	145,258	129,767	115,633
<b>Key Financial Ratios</b>				
Return on net assets	<b>9.4%</b>	12.6%	12.2%	13.0%
Return on assets	<b>7.1%</b>	9.5%	9.6%	9.5%
Net profit margin	<b>50.0%</b>	51.0%	50.0%	49.0%
<b>Scale Indicators</b>				
Total assets	<b>2,171,054</b>	1,852,328	1,431,294	1,294,371
Total liabilities	<b>449,011</b>	528,311	274,065	299,848
Net assets	<b>1,722,043</b>	1,324,017	1,157,229	994,523





Wu Liejin  
**Chairman**





# Chairman's Statement

## Dear shareholders:

On behalf of the board of directors, I am pleased to present the annual report of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (our "Company" or "Guangdong Join-Share") from 1 January 2015 to 31 December 2015.

In retrospect to 2015, China's macro-economy faced relatively strong downward pressure. The annual growth rate of GDP fell to 6.9%, which was the first time that the GDP growth rate fell below "7" (percentage) since 1990. The economic restructuring has brought about great challenges to all trades and industries among which SMEs suffered particularly prominent pains and difficulties. Under such an ordeal circumstance, the State Council of the PRC duly promulgated the Opinions on Promoting the Development of Financing Guarantee Industry (《關於促進融資擔保行業加快發展的意見》) (Guo Fa [2015] No. 43), which explicitly indicated that "financing guarantee is an important means and a critical part to solve the difficulty and high costs of financing for small and micro enterprises and the 'agriculture, rural areas and farmers'", and also systematically planned to give full play to the important role of financing guarantee in stabilizing growth, adjusting structure and benefiting livelihood by way of stimulating the rapid development of the financing guarantee industry.

Keeping abreast of the great trend of economic development, Guangdong Join-Share took a firm grip on the policy opportunity, adjusted its strategic layout and adopted itself to the market changes. Focusing consistently on the strategic positioning of "becoming a systematic financing service provider with maximum synergy value for SMEs", Guangdong Join-Share, on one hand, responded to the call of policy by holding fast to its principal business, namely financing guarantee, and innovated in business varieties under the guidance of market-oriented concept on the other hand.

In terms of financing guarantee businesses, our Company attached great importance to self-capability construction, streamlined risk management, properly controlled indirect financing guarantee businesses from banks and strengthened cooperation with securities houses, trust corporations, and equity exchanges so as to steadily develop direct financing guarantee businesses. Under the circumstance that banks tightened credit facilities, our Company, taking advantage of the credit enhancement function of financing guarantee, assisted SMEs to raise funds through assets transactions. Besides, targeted at other demands of SMEs, our Company also devoted great efforts to develop businesses such as micro-lending, entrusted loans, non-financing guarantees and consulting services in order to increase our Company's consolidated income.

Leveraging on our clearly-defined strategic positioning, mature profit-making model and sound corporate governance, Guangdong Join-Share still managed to manifest powerful vitality and growth capability under such an economic downturn. In December 2015, our Company was granted consecutively the award of Financing Guarantee Company with Highest Growth Rate of the Year (年度最具成長性融資擔保公司) on the golden medal list for PRC financial institutions (中國金融機構金牌榜), further enlarging our Company's brand influence. On 23 December 2015, the H Shares of our Company was approved to be listed on the Hong Kong Stock Exchange, with over-subscription in both the international placing and the Hong Kong public offering at an offer price of HK\$1.36, which was close to the highest offer price range.



## Chairman's Statement (Continued)

Looking ahead, a number of policies formulated by the Chinese government will foster the development of the financing guarantee industry and even the entire finance industry, which provides a favorable environment for the development of Guangdong Join-Share. With the advancing of supply-side reforms and the implementation of various policies, and further contributed by the situation of insufficiency of effective supply by traditional finance, the enormous financing demands of SMEs would bring about extensive market space for Guangdong Join-Share. Since the second half of 2015, the People's Government of Guangdong Province has vigorously implemented the province-wide scheme of credit guarantee system, which will also bring forth valuable strategic cooperative opportunity for Guangdong Join-Share. Based on the analysis above, in 2016 Guangdong Join-Share will continue to build up the strength of the registered capital for financing guarantee and micro-lending with its focus on the various financing demands of SMEs and use it as the basis to expand inclusive finance segments such as finance lease and Internet-based finance, to deepen strategic cooperation with the local government, reinvigorate the private capital, accelerate the strategic layout in the Pearl River Delta and strive to build an inclusive finance holding group with mixed operations. Our operation and management team will spare no effort to achieve these goals.

On behalf of the board of directors, I would like to take this opportunity to express sincere gratitude to governments at all levels, shareholders of the Company, cooperative partners and corporate customers for their continuous care for and support to the Company's development as well as to express high respect to all the staff of the Company for their hard work in the past year.

**Mr. Wu Liejin**  
*Chairman*

Foshan, the PRC  
28 March 2016



# Management Discussion and Analysis

## OVERVIEW

2015 was a year of great significance for the Company. The H shares of the Company were successfully listed on the Main Board of the Stock Exchange on 23 December 2015 (the “**Listing Date**”), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group’s future development.

The growth of the overall Chinese economy has experienced slowdown during 2015. We believe that small and medium enterprises (“**SMEs**”) in China, which are our primary source of customers, are more susceptible to such adverse macro-economic conditions given their sizes. As a result, the commercial banks in China have been continuing to tighten their credit policies for SMEs, and to better manage our credit risk, we have also been continuing to tighten our overall requirements in our project assessment and acceptance process before approving a project. Against the background of economic downturn, our total revenue decreased by 7.1% as compared to last year.

## BUSINESS REVIEW

We are a leading financing guarantee services provider in Guangdong province, focusing on providing credit-based financing solutions to SMEs to satisfy their financing and business needs. Since our establishment in Foshan, Guangdong province in 2003, our branch network has significantly expanded to Fohsan, Guangzhou, Shunde, Zhongshan, Zhaoqing and Dongguan in Guangdong province and Hefei in Anhui province.

Our business primarily comprises two segments, namely:

- **Guarantees:** we provide guarantees on behalf of SMEs and individual business proprietors to guarantee the repayment of their loans or performance of their certain contractual obligations. We mainly provide the following products and services:

### Financing Guarantees

Indirect financing guarantees  
Direct financing guarantees

### Non-financing Guarantees

Attachment bonds  
Construction contract bonds and other contract bonds

As of 31 December 2015, the net balance of our outstanding guarantee was RMB4,895.2 million. For the year ended 31 December 2015, our net guarantee fee income was RMB131.2 million.



# Management Discussion and Analysis (Continued)

- SME lendings: We provide entrusted loans to SMEs and individual business proprietors, where we deposit our own funds into intermediary banks, which on-lend the funds to ultimate borrowers selected by us. Our entrusted loan business allows us to provide loans of relatively large amount through banks, usually ranging from RMB3.0 million to RMB30.0 million, and is not subject to geographical restriction. As of 31 December 2015, the balance of our entrusted loans was RMB402.7 million.

We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Micro Credit, which was consolidated into our Group in June 2014. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province. As of 31 December 2015, the balance of our micro-lending was RMB272.6 million. Due to limits imposed by certain laws and regulations, the amount of micro-lending that we may provide is up to RMB5.0 million. In general, the micro-lending that we provide has a term within one year.

As of 31 December 2015, the net interest income from our SME lending business was RMB121.1 million.

We maintain cooperative relationships with commercial banks, re-guarantee institutions, other guarantee companies and local governments. As of 31 December 2015, we had established cooperative relationships with 13 commercial banks, which had agreed to grant credit lines of approximately RMB6.9 billion in aggregate to us. We have provided guarantee services to customers in transactions involving over 100 branches of these commercial banks. We have also established strong cooperative relationships with several non-bank financial institutions, including re-guarantee institutions and other guarantee companies. We also provided our products and services through arrangements involving trust companies, securities companies and finance lease companies. We believe our cooperative relationships with banks and non-bank financial institutions diversify our sources of customer referrals, reduce credit risks, and strengthen our leading position in our industry in Guangdong province.

We believe strategic expansion of our branch network is important to our sustainable success. In 2016, we will continue to actively and strategically expand our branch network in Guangdong province.

## FINANCIAL REVIEW

### Net Guarantee Fee Income

Our net guarantee fee income decreased by approximately RMB32.2 million, or approximately 19.7%, to approximately RMB131.2 million in 2015 from approximately RMB163.4 million in 2014, primarily due to a decrease in the average balance of our outstanding guarantees by approximately 14.4% as compared to 2014. The annualized average guarantee fee ratio for the year ended 31 December 2015 was approximately 3.0%, as compared to approximately 3.1% for the year ended 31 December 2014.





# Management Discussion and Analysis (Continued)

## Net Interest Income

Our SME net interest income increased by approximately RMB18.9 million, or approximately 18.5%, to approximately RMB121.1 million in 2015 from approximately RMB102.2 million in 2014, primarily due to an increase in interest income from our micro-lending business by approximately 93.3%, and to a lesser extent, by the increase of approximately 2.8% in interest income from our entrusted loan business.

The interest income from our entrusted loan business for the year ended 31 December 2015 increased by approximately 2.8% as compared to that for the same period in 2014, which was primarily attributable to the decrease in the annualized average interest fee rate from approximately 20.5% to approximately 16.8%, as a result of (i) the decrease of the People's Bank of China (“PBOC”) benchmark interest rate in the year ended 31 December 2015; and (ii) the entrusted loans of larger amount which accounted for an increasing portion in our entrusted loan portfolio, and the interest rates for such entrusted loans generally lower in the 2015. The decrease in the annualized average interest fee rate was partially offset by the increase in the average month end balance of entrusted loans by approximately 25.5%.

The interest income from our micro-lending business for the year ended 31 December 2015 increased by approximately 93.3% as compared to that for the same period in 2014, primarily as a result of the consolidation of Foshan Chancheng Join-Share Micro Credit Co., Ltd. (佛山禪城中盈盛達小額貸款有限公司) (“Foshan Micro Credit”) in our financial statements since June 2014, and partially offset by the decrease in the annualized average interest fee rate for our micro-lending business from approximately 21.7% to approximately 18.1% as a result of the decrease of PBOC benchmark interest rate in 2015.

## Service Fee from Consulting Services

Our service fee from consulting services decreased by approximately RMB8.4 million, or approximately 20.1%, to approximately RMB33.4 million in 2015 from approximately RMB41.8 million in 2014, primarily due to the tightened credit policies of the commercial banks in China, which reduced the financings that our customers could obtain.

## Other Revenue

Our other revenue increased by approximately RMB7.8 million, or approximately 37.1%, to approximately RMB28.8 million in 2015 from approximately RMB21.0 million in 2014, primarily due to (i) an increase in investment income from disposal of available-for-sale financial assets by approximately RMB8.2 million, or approximately 745.5%, to approximately RMB9.3 million in 2015 from approximately RMB1.1 million in 2014, and (ii) an increase in government grant by approximately RMB5.0 million, or approximately 200.0%, to approximately RMB7.5 million in 2015 from approximately RMB2.5 million in 2014.



# Management Discussion and Analysis (Continued)

## Share of Profits of Associates

We recorded share of profits of associates of approximately RMB2.4 million in the six months ended 30 June 2014 from Foshan Micro Credit, which was our then associate and became our subsidiary since June 2014.

## Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect our management's estimate on the level of provisions that is adequate to our guarantee business. We made provisions for guarantee losses of approximately RMB2.5 million in 2015 compared to approximately RMB8.1 million in 2014, primarily due to a decrease in the net balance of our outstanding financing guarantees from approximately RMB4,300.9 million as of 31 December 2014 to approximately RMB3,415.8 million as of 31 December 2015.

## Impairment Losses

Impairment losses mainly include impairment allowances we make in relation to (i) receivables for default guarantee payments, which reflect the net default guarantee payments which we are unable to collect; (ii) loans and advances to customers primarily in our entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to customers which we are unable to collect; and (iii) receivable generated by treasury bonds we purchased through HanTang Securities Co., Ltd. (漢唐證券有限責任公司) ("HanTang Securities") in 2003. Our impairment losses decreased by approximately RMB2.0 million, or approximately 6.8%, to approximately RMB27.4 million in 2015 from approximately RMB29.4 million in 2014, primarily due to the decrease in the impairment loss of receivables for default guarantee payments to approximately RMB14.6 million in 2015 from approximately RMB22.2 million in 2014. The foregoing decrease was partially offset by a decrease in our write-back of impairment losses of receivable from HanTang Securities to nil in 2015 from approximately RMB4.1 million in 2014.

## Operating Expenses

Our operating expenses increased by approximately RMB9.9 million, or approximately 12.1%, to approximately RMB91.9 million in 2015 from approximately RMB82.0 million in 2014, mainly attributable to (i) an increase in listing expense in connection with the listing of our H shares by approximately RMB4.0 million, or approximately 1,333.3%, to approximately RMB4.3 million in 2015 from approximately RMB0.3 million in 2014, (ii) an increase in our depreciation and amortization expenses by approximately RMB1.2 million, or approximately 66.7%, to approximately RMB3.0 million in 2015 from approximately RMB1.8 million in 2014, due to the increase in employees, the expansion of business locations, the consolidation of Foshan Micro Credit in our financial statements and the establishment of Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. (中山中盈盛達科技融資擔保投資有限公司) ("Zhongshan Join-Share").



# Management Discussion and Analysis (Continued)

## Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB19.0 million, or approximately 9.0%, to approximately RMB192.6 million in 2015 from approximately RMB211.6 million in 2014. Our profit before taxation accounted for approximately 67.4% and 68.9% of our revenue in 2015 and 2014, respectively.

## Income Tax

Our income tax decreased by approximately RMB5.1 million, or approximately 9.3%, to approximately RMB49.8 million in 2015 from approximately RMB54.9 million in 2014, primarily due to an decrease in taxable profit.

## Profit for the Year

As a result of the foregoing, our profit for the year decreased by approximately RMB14.0 million, or approximately 8.9%, to approximately RMB142.8 million in 2015 from approximately RMB156.8 million in 2014, and our net profit margin decreased to approximately 50.0% in 2015 from approximately 51.0% in 2014.

## Capital Expenditure

Our capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipments and office decoration. For the year ended 31 December 2015, our capital expenditures amounted to approximately RMB1.0 million, which was primarily related to our business expansion.

## Commitments and Contingent Liabilities

As at 31 December 2015, our outstanding commitments of the leases of our office premises amounted to approximately RMB9.0 million.

The Group did not have any contingent liabilities as at 31 December 2015.

## Charge on Assets

As at 31 December 2015, the Group did not pledge any of its assets to secure any banking facility or bank loan.



# Management Discussion and Analysis (Continued)

## Capital Structure

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity Shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holder/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

## Foreign Exchange Risks

The Group operates and conducts business in the PRC, and all the Group's transactions, assets and liabilities are denominated in RMB. Most of the Group's cash and cash equivalents and pledged deposits are denominated in RMB, while bank deposits are placed with banks in the PRC. Any remittance from the PRC is subject to the restrictions on foreign exchange control imposed by the PRC government.

## Liquidity and Capital Resources

Our liquidity and capital requirements primarily relate to capital investments in the registered capital of our operating subsidiaries, extending micro-lending and entrusted loans, making default payments, maintaining security deposits at banks and other working capital requirements. We have in the past funded our working capital and other capital requirements primarily by equity contributions from Shareholders, cash flows from operations and bank borrowings and bonds payable.

The net proceeds from the listing of the Company's H shares on the Stock Exchange on 23 December 2015 (after deducting underwriting fees and commissions and listing-related expenses) amounted to approximately HKD376.6 million. During the financial year ended 31 December 2015, the net proceeds had not yet been utilized. The intended use of proceeds has been set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

As of 31 December 2015, our cash and cash equivalent was approximately RMB866.2 million.





# Management Discussion and Analysis (Continued)

## Indebtedness

As of 31 December 2015, private placement bonds issued by Foshan Micro Credit amounted to RMB50.0 million.

In addition, we had other financial instrument – liability component of RMB86.7 million.

## Off-Balance Sheet Arrangements

We are a party to guarantee contracts with off-balance-sheet risk in the ordinary course of our business. The contract amount reflects the extent of our involvement in the financing guarantee business and also represents our maximum exposure to credit loss. As of 31 December 2015, our outstanding guarantee totaled approximately RMB4,895.2 million. We have no other off-balance-sheet arrangements.

## Event after Reporting Period

In February 2016, the Company has established a company, namely Yunfu Yuecai Puhui Financing Guarantee Co., Ltd\* (雲浮市粵財普惠融資擔保股份有限公司) (“**Yunfu Yuecai Guarantee**”) with Guangdong Financing Re-Guarantee Company Limited\* (廣東省融資再擔保有限公司) (“**Guangdong Re-Guarantee**”), Yunfu Rongda Asset Operations Company Limited\* (雲浮市融達資產經營有限公司) (“**Yunfu Rongda**”) and Guangdong Wenshi Investment Company Limited\* (廣東溫氏投資有限公司) (“**Guangdong Wenshi**”) for the purpose of providing financial and non-financial guarantee and financial consulting services for individuals and SMEs in Yunfu. Yunfu Yuecai Guarantee is held as to 20% by the Company, 40% by Guangdong Re-Guarantee, 33.33% by Yunfu Rongda and 6.67% by Guangdong Wenshi. The financial results of Yunfu Yuecai Guarantee will be presented in the Group’s financial statements for the year ending 31 December 2016 as an interest in associate. Details of the transaction were disclosed in the Company’s announcement dated 18 February 2016.

## SIGNIFICANT INVESTMENT

During the year, the Group held listed securities, wealth management products and unlisted bonds and trust rights of approximately RMB61.5 million. Details of which are set out in note 14 and 15 of the notes to financial statements in this annual report.



# Management Discussion and Analysis (Continued)

## HUMAN RESOURCES

The total number of staff within the Group at 31 December 2015 and 31 December 2014 was 242 and 230 respectively. The Directors believe that employees' quality is the most important factor in maintaining the sustained development and growth of the Group and in raising its profitability. We offer a base salary with bonuses based on our employees' performance and benefits and allowances to all our employees as an incentive. For the year ended 31 December 2015, we paid approximately RMB41.8 million to our employees as remuneration. We also offer trainings to our new employees twice a year. We believe both the performance-based salary and staff training play an important role in recruiting and retaining talent as well as enhancing employee loyalty.

## PROSPECTS

While the signs of general economic recovery in China are still relatively fragile, we believe the continued strong demand for financing by China's SME segment will continue to lend positive support to the financing guarantee and SME lending industries in the foreseeable future. We also continue to see a generally favorable regulatory environment promoting the sustainability and long term development of financing guarantee and SMEs in China, thereby enabling companies like us to play a bigger role in helping SMEs with financing needs.

In the second half of 2015, we entered into cooperation agreements with three newly established commercial banks and a cooperation agreement with Guangdong Re-Guarantee for cooperation in the contract bonds business. Foshan Micro Credit issued two series of private placement bonds, each of which is of an amount of RMB25.0 million, in September 2015 and October 2015, respectively. The proceeds from such issuance of private placement bonds were used for the development of our micro-lending business. We consider issuance of private placement bonds as an alternative source of financing that we may use to develop our business in the future.

We will continue to steadfastly and methodically implement the strategies as set out in the prospectus of the Company dated 11 December 2015 (the "**Prospectus**"), as we continue to build to become a premier diversified and integrated financial services company in China, focusing on meeting the diverse financing and business needs of SMEs. Our strategic goal is to become an integrated financing services provider for SMEs and maintain our leading position in the financing guarantee industry in Guangdong province.

Leveraging our prudent risk management system, professional management team and good management culture, we believe that our key competitiveness and long-term profitability will continue to be enhanced. We will strengthen our existing market position as a foundation to further explore new regional markets in Guangdong province, and continue to enhance our influence and competitiveness in the financing guarantee industry in China. To realize our strategic goal, we intend to implement the following measures: (1) strategically expand our branch network and extend our reach in the industry value chain; (2) enhance product development and innovation; (3) strengthen our cooperative relationships with re-guarantee institutions, other guarantee companies and local governments to further optimize our risk management; (4) continue to enhance our information technology and other capabilities to strengthen our risk management and internal controls; and (5) continue to attract, retain, motivate and train experienced and talented employees.



# Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Wu Liejin (吳列進)**, aged 55, is our executive Director and the Chairman. He was appointed as a Director on 23 May 2003 and was re-designated as our executive Director on 6 June 2014. Mr. Wu joined our Group on 23 May 2003. Mr. Wu is responsible for the overall development planning and business operation of our Group. Mr. Wu is also the chairman of Foshan Micro Credit, Anhui Join-Share, Zhongshan Join-Share as well as a director of Foshan Consultancy and Foshan Join-Share Industrial Investment. Apart from his duty in our Group, Mr. Wu holds or had previously held positions in various associations since 2008.

Organization, programme and university	Position
11th and 12th Guangdong Provincial People's Congress (廣東省第11屆、12屆人民代表大會)	Representative
China Association of Small and Medium Enterprises (中國中小企業協會)	Executive director
Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會)	Chairman
Guangdong Credit Association (廣東省信用協會)	Executive vice-chairman
Foshan Guarantee Association (佛山市信用擔保行業協會)	Chairman
Executive Committee of Foshan Federation of Industry & Commerce Federation (佛山市工商業聯合會執行委員會)	Executive member
Guangdong Provincial Qualification Authentication Committee for Credit Guarantee Industry (廣東省信用擔保行業從業資格認證委員會)	Director
Guangdong Credit Association Credit Service Professional Committee (廣東省信用協會信用服務專業委員會)	Deputy director
Guangdong Business College (廣東商學院) <sup>1</sup>	Master instructor (off campus)

<sup>1</sup> Now known as Guangdong University of Finance & Economics (廣東財經大學).

In the earlier period of his career, Mr. Wu worked at Tongling Finance and Economics College (銅陵財務專科學校) (now known as Tongling University (銅陵學院)) in China from July 1983 to May 1993, and was primarily responsible for teaching courses and school administration management. He had been a Party committee member of the college, director of accounting department (with professional lecturer title) during that period. He had also concurrently been appointed as a vice director of Tongling municipal youth league committee through September 1985 to October 1988. Then from May 1993 to May 1994, Mr. Wu served as the manager of the general manager(s) office at Hainan Jialing Group (海南嘉陵集團), a company principally engaged in industry, trade, real estate development, where he was primarily responsible for system establishment and branch management. Mr. Wu has about 20 years of experience in finance industry. From May 1994 to May 2001, he served as the vice general manager and then general manager at Guangzhou YinYe Development Group Co., Ltd. (廣州銀業發展集團有限公司), a company principally engaged in materials supply and sales, investment, properties development and consulting service, where Mr. Wu



## Directors, Supervisors and Senior Management (Continued)

was primarily in charge of operation management of the company. From May 2001 to May 2003, Mr. Wu served as the general manager at Guangdong Yinda Financing Guaranty Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司), a company principally engaged in providing financing guarantee, guarantee-related consulting service and doing investment, where he was primarily responsible for business operations.

In July 1983, Mr. Wu received his bachelor's degree of economics from Anhui Finance and Trading College (安徽財貿學院) (now known as Anhui University of Finance and Economics (安徽財經大學)) in the PRC, majoring in business accounting. In July 2010, he obtained a certificate of completion for a "Foshan 2010 Advanced Workshop of Enterprises Leaders" (佛山市2010年企業領導人高級研修班) granted by Fudan University (復旦大學) in the PRC. In April 1990, Mr. Wu obtained a lecturer eligibility qualification certificate (講師任職資格證書) of PRC granted by Teachers Qualification Evaluation Committee of Tongling Finance and Economics College (銅陵財經專科學校教師職務評審委員會). In September 2007, he obtained a certificate from a training course on eligibility of independent directors of listed companies of Shanghai Stock Exchange 上海證券交易所上市公司獨立董事任職資格培訓班) granted by Shanghai Stock Exchange in the PRC. In December 2013, Mr. Wu obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong Province.

**Mr. Xie Yongdong (謝勇東)**, aged 44, is our executive Director and the president. Mr. Xie was appointed as a Director on 11 May 2012 and was re-designated as an executive Director on 6 June 2014. Mr. Xie joined our Group in 26 May 2003 and has served as a vice-president from July 2004 to July 2012. Mr. Xie is responsible for day-to-day management and business operation of our Group. Mr. Xie is also a director of Zhongshan Join-Share and Foshan Micro Credit.

Mr. Xie has about 20 years of experience in finance industry. From July 1994 to March 2000, he worked as the vice manager at international finance department of Guangdong Oversea-Chinese Trust Investment Co., Ltd (廣東華僑信託投資有限公司), a company principally engaged in finance service including trust, securities, investment, commercial trading and so on, where Mr. Xie was primarily responsible for operation of credit business. In April 2000, Mr. Xie participated in the founding and served as an assistant of the general manager of Guangzhou Guohao Small and Medium-Sized Enterprises Guarantee Co., Ltd. (廣州國浩中小企業擔保有限公司), a company principally engaged in providing credit guarantee to medium, small and micro enterprises, where Mr. Xie was primarily responsible for business expansion and cooperation with banks.

Mr. Xie received his bachelor's degree of economics from Hunan University in the PRC in November 2002 through external higher adult education (函授成人高等教育), majoring in finance. Mr. Xie received his executive master of business administration degree from Sun Yat-Sen University (中山大學) in the PRC in December 2010. In November 2001, he obtained an intermediate qualification certificate of financial economy, granted by MOP. In December 1997, he obtained a certificate of completion for a investment economy professional training workshop (投資經濟專業培訓班) granted by economy department of Jinan University (暨南大學經濟系) (now known as economy college of Jinan University (暨南大學經濟學院)) in the PRC and Guangdong Oversea-Chinese Trust Investment Co., Ltd. In December 2013, Mr. Xie obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong Province.





## Directors, Supervisors and Senior Management (Continued)

### Non-executive Directors

**Mr. Zhang Minming (張敏明)**, aged 36, is our non-executive Director and vice chairman of the Board. Mr. Zhang was appointed as our non-executive Director on 21 April 2015. Mr. Zhang joined our Group on 21 April 2015.

Mr. Zhang has about 10 years of experience in enterprise operations and management industry. From August 2008 to May 2009, Mr. Zhang served as the manager of purchasing department at concretes branch of Guangdong Formanda Group Co., Ltd. (廣東科明達集團有限公司), a company principally engaged in property development and the commodity concretes production, where he was primarily responsible for coordinating daily purchase work of concretes company and controlling procurement cost. From May 2009 to May 2010, Mr. Zhang served as the general manager of Guangdong Formanda Group Co., Ltd. and primarily responsible for daily operational management, establishing and improving management system, and implementing and realizing management objectives and development goals. Since May 2010, Mr. Zhang has been the president of Guangdong Formanda Group Co., Ltd. and primarily responsible for formulating and implementing the overall strategy and annual operational plan of the Group establishing and improving the management system and organizational structure of the Group.

Mr. Zhang received his bachelor's degree of science from Saint Peter's College in the USA in May 2003, majoring in computer. Mr. Zhang received his master of business administration degree from Saint Peter's College in the USA in May 2005. Currently, Mr. Zhang is the president of Guangdong Private enterprise, chamber of commerce Youth Work Committee (廣東民營企業商會青年工作委員會).

**Ms. Gu Lidan (顧李丹)**, aged 39, is our non-executive Director. Ms. Gu joined our Group as a Director on 28 March 2014 and was re-designated as a non-executive Director on 6 June 2014.

Ms. Gu has about 18 years of experience in management of state-owned assets and enterprises. From July 1996 to April 2003, Ms. Gu worked as a clerk at Jiangxi Branch of China National Exported Goods Bases Development Corporation Co., Ltd. (中國出口商品基地建設江西公司), a company principally engaged in international commercial trade of goods, where Ms. Gu was primarily responsible for import and export trade of commodity. From April 2003 to October 2009, she was a governmental officer at enterprises division (企業處) of State-owned Assets Supervision and Administration Commission of Jiangxi province (江西省人民政府國有資產監督管理委員會), where she successively served as the junior member and then senior member and was primarily responsible for state-owned enterprise restructuring and capital operation. From December 2004 to October 2009, Ms. Gu served as a director of Jiangxi Guoxing Assets Management Co., Ltd. (江西省國興資產管理有限公司), a company principally engaged in assets managements and other investment, where she was primarily responsible for asset management and other investments. Between October 2009 to July 2012, Ms. Gu served as the deputy director of evaluation and assignment division (考核分配處) of the State-owned Assets Supervision and Administration Commission of Jiangxi province, where she was mainly responsible for operation performance appraisal and remuneration review of leaders in state-owned enterprises. Since July 2012, Ms. Gu works in Foshan Investment Holdings Co., Ltd. (佛山市投資控股有限公司) (now known as Foshan Financial Investment Holding Co., Ltd. (佛山市金融投資控股有限公司)), a company principally engaged in property management and investment and finance related business, where she



## Directors, Supervisors and Senior Management (Continued)

served as a director, deputy general manager, member of Party committee, general manager and deputy Party secretary and was primarily responsible for strategic development department, finance department and financial management department, and successively in charge of production operational management, work safety, enterprise resource planning. From July 2012 to January 2013, she has also concurrently served as the assistant to the director of State-owned Assets Supervision and Administration Commission of Foshan city (佛山市人民政府國有資產監督管理委員會) under secondment. Since May 2013, Ms. Gu has been the chairwoman of board of directors and general manager at Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司), where she was primarily in charge of overall management.

Ms. Gu received her bachelor's degree of economics from Jiangxi Agricultural University (江西農業大學) in the PRC in July 1996, majoring in agricultural economics management. Ms. Gu obtained a certificate of completion on advanced corporate management workshop from Tsinghua University (清華大學) in the PRC in April 2007. In May 2005, she received a certificate of international business engineer of the PRC re-issued by Jiangxi provincial title affairs office. In March 2006, she received a certificate of enterprise legal advisor (企業法律顧問) of the PRC issued by Jiangxi provincial title affairs office.

**Ms. Wu Yanfen (吳艷芬)**, aged 51, is our non-executive Director. Ms. Wu joined our Group as a Director on 23 May 2003 and was re-designated as a non-executive Director on 6 June 2014.

Ms. Wu has about 33 years of experience in enterprises management. From July 1981 to March 1988, Ms. Wu served as at Yanbu Top Firm Underwear Factory (鹽步奧麗斯內衣廠), a underwear manufacturing and processing plant, where she was primarily responsible for management. From June 1988 to July 1989, she was factory director at Yanbu Xinghua Underwear Factory (鹽步興華內衣廠), another underwear manufacturing plant, where she was primarily responsible for workshop production management. From August 1989 to October 1990, Ms. Wu served as the general manager at Nanhai Meisi Underwear Co., Ltd. (南海美思內衣有限公司), now known as Guangdong Meisi Underwear Co. Ltd (廣東美思內衣有限公司), a company principally engaged in female underwear's development, design, manufacturing, marketing, sales and export, where she was primarily responsible for production, sales and research and development management. Since January 1990, Ms. Wu has been the chairwoman of board of directors at Guangdong Meisi Underwear Co., Ltd., where she was primarily responsible for the development, design, production, marketing, sales and exports of women's underwear and mainly focus on the overall development strategy, brand management and general management. Apart from her current duty in the enterprise, Ms. Wu also holds or has held positions in various organizations.



## Directors, Supervisors and Senior Management (Continued)

Organization	Position
Foshan Tenth Committee of Chinese People's Political Consultative Conference (佛山市第十屆人民政治協商會議)	Member
China Female Entrepreneur Association (廣東省工商聯女企業家商會)	Executive director
Guangdong Provincial Female Entrepreneur Association (廣東省女企業家商會)	Vice-chairwoman
Commercial Committee Directly under Guangdong Federation of Industry & Commerce (廣東省工商聯直屬會員商會)	Executive director
China Woman's Chamber of Commerce (全國工商業聯合會女企業家商會)	Chief supervisor
Guangdong Private Entrepreneur Investment Committee (廣東省民營企業投資商會)	Vice director
Foshan Federation of Industry & Commerce Federation (佛山市工商業聯合會)	Vice-chairwoman
Foshan Female Entrepreneur Commercial Association (佛山市民營女企業家商會)	President
Foshan Investment Chamber of Private Entrepreneur (佛山市民營企業投資商會)	Executive director
Foshan Thirteenth Municipal People's Congress (佛山市第十三屆人民代表大會)	Representative
Third Executive Committee of Nanhai Yanbu Underwear Industry Association (南海區鹽步內衣行業協會第三屆)	Vice-chairwoman

Ms. Wu received a certificate of completion on advanced course seminar for executive master of business administration from Sun Yat-Sen University (中山大學) in the PRC in April 2001, majoring in business administration. In November 2008, she obtained a certificate of completion on advanced workshop of entrepreneurs innovative management granted by School of Marxism of Peking University (北京大學馬克思主義學院) in the PRC.

**Mr. Huang Guoshen (黃國深)**, aged 52, is our non-executive Director. Mr. Huang joined our Group as a Director on 23 May 2003 and was re-designated as a non-executive Director on 6 June 2014.

Mr. Huang has about 20 years of experience in enterprises operation and management. From August 1994 to September 2010, he worked at Guangdong Chigo Air Conditioning Co., Ltd (廣東志高空調有限公司), a company listed on the Stock Exchange (stock code: 449) and primarily engaged in designing, development, manufacturing and sales of air conditioners products, where he served successively as a technician, manager, vice general manager, director of costs center, director of infrastructure center and director and was primarily responsible for operational management of the pipeline valves and copper pipe plant, costs control, management of infrastructure and power equipments. Since June 2007, Mr. Huang has served as the general manager at Sihui Zhigao Huamei Investment Co., Ltd. (四會市志高華美投資有限公司), a company principally engaged in investment in tourism, industry, construction and services projects, where he was primarily in charge of overall operation. Since August 2007, he has been the general manager at Yangjiang Zhigao Lidao Real Estate Development Co., Ltd. (陽江市志高麗島房地產開發有限公司), a company principally engaged in real estate development, hotel management service and property management, where he was primarily responsible for overall operation. Apart his duty in these companies, Mr. Huang was also a member of Zhaoqing municipal ninth committee of Chinese People's Political Consultative Conference (肇慶市第九屆政協委員).



## Directors, Supervisors and Senior Management (Continued)

### Independent Non-executive Directors

**Mr. Wu Xiangneng (吳向能)**, aged 41, was appointed as an independent non-executive Director of our Company on 7 August 2013.

Mr. Wu has about 18 years of experience in finance and financial management. He holds or has held positions in various organizations.

Entities	Principal business	Position	Duration	Responsibilities
Jiangsu Zhangjiagang Industrial and Commercial School (江蘇省張家港市工貿學校)	Education	Finance and accounting teacher	August 1996 – July 1999	Accounting teaching and research
Jiangsu Xingzhong Accounting Firm (江蘇興中會計師事務所)	Accounting	Part-time chartered accountant	May 1997 – August 1999	Accounting and auditing practice
Xiada Accounting Firm (廈大會計師事務所)	Accounting	Part-time project manager	October 1999 – May 2002	Accounting and auditing practice
Guangdong Electronic Power Development Co., Ltd. (廣東電力發展股份有限公司) (listed on Shenzhen Stock Exchange, stock codes: 000539, 200539)	Investment, construction and management of electronic power projects	Financial and budget director	July 2002 – January 2006	Financial management
Guangdong Supervision Division of China Securities Regulatory Commission (中國證券監督管理委員會廣東監管局)		Supervisor of listed company (上市公司監管員)	January 2006 – January 2009	Supervising listed companies
Secondment Supervisors Committee of the State-owned Assets Supervision and Administration Commission of Guangdong Province (廣東省人民政府國有資產監督管理委員會外派監督會)		Full-time supervisor	January 2009 – December 2011	Supervising state-owned enterprises
Guangdong Nanhai Holding Investment Co., Ltd. (廣東南海控股投資有限公司) (a wholly state-owned company)	Projects investment, shareholding and management	Vice general manager	January 2012 – present	Equity investment



## Directors, Supervisors and Senior Management (Continued)

Mr. Wu received his master's degree of management from Xiamen University (廈門大學) in the PRC in June 2002, majoring in accounting. He also obtained various professional qualifications or certificates, including a certificate of completion (全科合格證) issued by examination council of chartered accountants' at MOF (中華人民共和國財政部註冊會計師考試委員會) in June 1999, non-practice membership certificate (非執業會員證書) granted by the Guangdong Provincial Institute of Certified Public Accountants (廣東省註冊會計師協會) in February 2010, senior accountant qualification certificate (高級會計師資格證書) of the PRC granted by Department of Personnel of Guangdong Province (廣東省人事廳) (now known as Department of Human Resources, Social Security of Guangdong Province (廣東省人力資源和社會保障廳)) in March 2008 and the certificate of national accounting leading personnel (Candidates) (全國會計領軍(後備)人才) granted by MOF in October 2009. In August 2010, he obtained a certificate for training course on senior managers of listed companies (上市公司高級管理人員培訓班) granted by Shenzhen Stock Exchange (深圳證券交易所) in the PRC.

**Mr. Leung Hon Man (梁漢文)**, aged 50, was appointed as an independent non-executive Director on 23 June 2014.

Mr. Leung has over 20 years of experience in company management, accounting and company secretarial matters. From June 1990 to May 1994, he served as a senior officer in the loans department of the Hong Kong Branch of the Kwangtung Provincial Bank (廣東省銀行香港分行) (now known as Bank of China (Hong Kong) Limited (中國銀行(香港)有限公司)). From May 1994 to August 2000, he served as the finance manager in Soundwill Holdings Limited (金朝陽集團有限公司), a company listed on the Stock Exchange (stock code: 878) and primarily engaged in property consolidation, development and leasing, where he was principally responsible for financial management. From August 2000 to December 2007, Mr. Leung was employed by Sanyuan Group Limited (三元集團有限公司), a company formerly listed on the Stock Exchange and primarily engaged in property investment, medical care and healthcare etc., where he held various positions including the company secretary, financial controller and executive director and primarily responsible for financial management. Mr. Leung has served as the chief financial officer since December 2007 and served concurrently as the company secretary since August 2008 in Chigo Holding Limited, a company listed on the Stock Exchange (stock code: 449) and primarily engaged in designing, development, manufacturing and sales of air-conditioning products, where he was responsible for financial management and compliance.

Mr. Leung received his professional diploma in business studies (banking) from the Hong Kong Polytechnic (香港理工學院) (now known as The Hong Kong Polytechnic University (香港理工大學) in Hong Kong in November 1990. Mr. Leung received his master of business administration degree through distance learning course from Andrews University in the United States in August 1996 and master degree of accounting through distance learning course from Central Queensland University in Australia in September 1999. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) since April 2008 and a certified practising accountant of Australian Society of Certified Practising Accountants (澳洲會計師公會) since August 2000.



## Directors, Supervisors and Senior Management (Continued)

**Mr. Liu Heng (劉恆)**, aged 52, was appointed as an independent non-executive Director on 23 June 2014.

Mr. Liu has taught in Sun Yat-Sen University (中山大學) since June 1988. He currently works as the director of the public law center of Sun Yat-Sen University, professor and doctoral tutor of school of law. Mr. Liu acted as the dean of school of law from February 2004 to October 2008, the dean of school of intellectual property rights from November 2005 to November 2008 and a deputy dean of graduate school of Yat-Sen University from October 2008 to September 2010 at Sun Yat-Sen University. Since September 2001, he has served as or had previously served as an independent non-executive director in the following listed companies.

Company name	Listed stock exchange	Stock code	Principal business	Duration
Guangdong Kaiping Chunhui Co., Ltd. (廣東開平春暉股份有限公司)	Shenzhen Stock Exchange	000976	Chemical fiber products manufacturing	September 2008 – September 2014
Dongguan Development (Holdings) Co., Ltd. (東莞發展控股有限公司)	Shenzhen Stock Exchange	000828	Investment, construction and management on Dongguan highway	October 2002 – June 2008
Shenzhen Yantian Port Holdings Co., Ltd. (深圳鹽田港股份有限公司)	Shenzhen Stock Exchange	000088	Port development and management, goods loading and unloading, port ancillary facilities construction and management, container reparation, entrepot trade, importation and exportation of goods and technique	September 2003 – April 2008
Fenghua Advanced Technology Holding Co., Ltd. (廣東風華高新科技股份有限公司)	Shenzhen Stock Exchange	000636	Electronic information basic products including new types of components, electronic materials and special equipments	August 2003 – July 2010

Mr. Liu received his bachelor's degree of law and master's degree of law from Zhongnan College of Political Science and Law (中南政法學院) (now known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in July 1985 and July 1988, majoring in law, respectively. He received his doctor's degree of economics by in-service education from Sun Yat-Sen University (中山大學) in the PRC in June 1998, majoring in economics. Mr. Liu had a post-doctoral position at law school of Wuhan University in the PRC from September 1998 to January 2001. He had been a visiting scholar in Stetson University College of Law in the United States from October 2001 to March 2002. Mr. Liu had participated the training courses on eligibility of independent directors of listed companies of Shenzhen Stock Exchange for times.



# Directors, Supervisors and Senior Management (Continued)

## SUPERVISORS

**Mr. Li Qi (李琦)**, aged 39, was appointed as the chairman of the board of supervisors of the Company (the “Supervisor(s)”) on 21 April 2015. Mr. Li joined our Group on 11 May 2012.

From December 2004 to July 2008, Mr. Li served as an accountant at a financial department of Ningyuan Steel Factory in Zhangjiakou City, Hebei (河北張家口市寧遠鋼廠), where he was primarily involved in plant accounting and operational analysis. Since August 2008, he has worked at Huanai Home Investment Holding Co., Ltd. (華耐家居投資集團有限公司), a company primarily engaged in investment on household industry and related projects, where he served successively as the assistant to general manager, chief financial officer, vice president and director of the group at this company and was primarily responsible for financial management, human resources management, enterprise informatization and coordinating the work of daily operation of Huanai Luxehome Building Material Co., Ltd. (華耐立家建材有限公司), a subsidiary of Huanai Home Investment Holding Co., Ltd..

Mr. Li received his college diploma from Hebei University of Economics and Business (河北經貿大學) in the PRC in June 1995 through self-study higher education examination (高等教育自學考試), majoring in business economy management. In December 2004, he obtained a certificate for the forty-eighth business administration training course (第48期工商管理培訓班) granted by School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in the PRC. Mr. Li was elected as the deputy secretary-general for the second EMBA alumni association of school of business of Renmin University of China (中國人民大學商學院) in December 2010. Mr. Li obtained a qualification certificate of accountant (會計師資格證書) granted by MOF in May 1998.

**Ms. Feng Qunying (馮群英)**, aged 41, was appointed as a Supervisor on 21 April 2015. Ms. Feng joined our Group on 21 April 2015.

Since July 2006, Ms. Feng has worked at Guangdong Huaxing Glass Co., Ltd. (廣東華興玻璃股份有限公司) (previously known as Guangdong Huaxing Glass Co., Ltd. (廣東華興玻璃有限公司)) a company principally engaged in manufacture and sale of glass products. She successively served as the taxation manager and finance manager from July 2000 to December 2006, finance general manager and chief financial officer concurrently from January 2007 to December 2014. Ms. Feng has served as the vice president of finance and chief financial officer concurrently since January 2015.

Ms. Feng received her college’s degree of accounting from Nanhai Continuing Education College (南海成人學院) in the PRC in July 2002, majoring in finance management. She received her master’s degree from City University of Macau (澳門城市大學) at Macau in March 2013, majoring in business administration.





## Directors, Supervisors and Senior Management (Continued)

**Mr. Wang Wei (王維)**, aged 52, was appointed as an employee representative Supervisor on 9 February 2010. Mr. Wang joined our Group in 30 October 2008. He currently serves as the general manager of the asset safeguard department, a vice general manager of risk management department and the director of legal division. He is responsible for the affairs of our legal division.

Mr. Wang has held positions in various organizations.

Entities	Principal Business	Position	Duration	Responsibilities
Anhui Maanshan Materials Recycling Co., Ltd. (安徽馬鞍山市物資回收公司)	Materials recycling	Labor and personal staff, economic staff (經濟員)	June 1985 – September 1989	Human resources
Anhui Maanshan Foreign Trade Industrial Company (安徽馬鞍山市外貿實業開發公司)	Foreign trade	Clerk (辦事員)	September 1989 – December 1990	Security work
Anhui Maanshan Labor-Dispute Arbitration Office of Labor Bureau (安徽馬鞍山市勞動局勞動爭議仲裁辦公室)	Labor-dispute arbitration and mediation	Public servant	December 1990 – December 1992	Labor dispute arbitration work
Anhui Maanshan Foreign Trade Law Firm (安徽馬鞍山市對外經濟律師事務所)	Legal business	Full-time lawyer	December 1992 – August 1997	Practicing PRC Law
Sanfang Law Firm in Anhui (安徽三方律師事務所)	Legal business	Partner, full-time lawyer	August 1997 – May 2001	Practicing PRC Law
Guangdong Xinlicheng Law Firm (廣東新里程律師事務所)	Legal business	Full-time lawyer	May 2001 – June 2003	Practicing PRC Law
Guangdong Guardian Law Firm (廣東國鼎律師事務所)	Legal business	Partner, full-time lawyer	June 2003 – March 2005	Practicing PRC Law
Whobound Law Firm in Guangdong (廣東合邦律師事務所)	Legal business	Partner, full-time lawyer	March 2005 – October 2008	Practicing PRC Law

Mr. Wang received the graduation certificate in law from Anhui University (安徽大學) in the PRC in June 1999 through self-study higher education examination, majoring in law. In March 1991, Mr. Wang obtained the lawyer's qualification certificate (律師資格) of the PRC issued by department of justice of Anhui province (安徽省司法廳). In April 2007, he obtained the lawyer's license of the PRC issued by department of justice of Guangdong province (廣東省司法廳). In March 2014, Mr. Wang obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong province.



## Directors, Supervisors and Senior Management (Continued)

**Mr. Liang Yi (梁毅)**, aged 51, was appointed as an employee representative Supervisor on 21 April 2015. Mr. Liang joined our Group as a project manager and was primarily responsible for business marketing and project operation management on 1 June 2006. From March 2007 to December 2010, Mr. Liang successively served as the vice general manager and general manager of Zhaoqing branch of our Company, where he was primarily responsible for business marketing, project management and risk control of first-line business of Zhaoqing branch. Since January 2011, he has served as the general manager of Nanhai branch of our Company, where he was primarily responsible for business marketing and team management of Nanhai branch.

From September 1984 to May 1986, Mr. Liang served as a principal staff member in forestry section of Jinchang agriculture bureau in Gansu province, where he was primarily responsible for the forestry management of the city. From June 1986 to June 1987, he served as a landscape assistant engineer at Foshan Shiwan park management office in Guangdong, where he was primarily responsible for landscape design and green management. From July 1987 to October 1999, Mr. Liang served as the chief of credit division and director of Zhangcuo office at Shiwan sub-branch under Foshan branch of Industrial and Commercial Bank of China, a commercial bank, where he was primarily responsible for credit issuance and management of Shiwan sub-branch and overall management of Zhangcuo office. From November 1999 to May 2004, Mr. Liang worked at Foshan Urban Cooperative Bank (佛山市城市合作銀行), a commercial bank, where he successively served as the vice president of Xinyuan sub-branch, general manager of special assets department, general manager of credit department of the head office of the bank and president of Xinjiang branch, he was primarily responsible for management of credit business, disposal of non-performing assets and operational management of the head office of the bank.

Mr. Liang received his bachelor's degree of agronomy from Guangxi University (廣西大學) in the PRC in July 1984, majoring in forestry. He received the graduation certificate in economics management from Guangdong Academy of Social Science (廣東省社科院) in the PRC in July 2002. In August 2003, he participated risk controlling training workshop for commercial banks held in Shanghai bank (上海銀行). In November 2011, Mr. Liang obtained the intermediate economist certificate (中級經濟師) issued by MOP.

**Mr. Liao Zhenliang (廖振亮)**, aged 64, was appointed as an independent Supervisor on 21 April 2015.

Mr. Liao has worked at Guangdong University of Finance (廣東金融學院) (previously known as Guangdong Bank College (廣東金融學院) and Guangzhou Finance College (廣州金融高等專科學校) since July 1977. He successively served as the secretary of the youth league on campus and deputy director of students department from July 1985 to July 1990, the assistant to principal from July 1990 to July 1991, the deputy principal from July 1991 to April 2005, and the deputy secretary of the Party committee on campus from April 2005 to November 2011 at Guangdong University of Finance (廣東金融學院). Mr. Liao has worked as the senior consultant of CFP (Certified Financial Planner) projects centre of Guangdong Finance College since November 2011.

Mr. Liao received the graduation certificate in finance from Jinan University Night University of the PRC (中國暨南大學夜大學) in August 1984.



## Directors, Supervisors and Senior Management (Continued)

**Mr. Zhong Jian (鍾堅)**, aged 54, was appointed as an independent Supervisor on 21 April 2015.

From December 1979 to August 1982, Mr. Zhong worked at the credit section of the central sub-branch of the Peoples' Bank of China in Foshan. From January 1988 to April 1995, he worked at Foshan Chengqu Law Firm (佛山市城區律師事務所), where he successively served as a lawyer and deputy director. From April 1995 to December 1997, Mr. Zhong worked as the director of Foshan Huayang Law Firm (佛山市華洋律師事務所). From December 1997 to November 2005, he worked as the director of Guangdong Tongfa Law Firm (廣東通法律師事務所). Since November 2005, Mr. Zhong worked as the director of Guangdong T & Z Law Firm (廣東通法正承律師事務所).

Mr. Zhong received his bachelor's degree of philosophy from South China Normal University (華南師範大學) in July 1986 in the PRC, majoring in political education. He received his bachelor's degree of law from Sun Yat-Sen University self-study programme in December 1993 in the PRC, majoring in law. He had took graduate course in procedure law at Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in July 2002. Mr. Zhong was qualified as an independent director for listing companies in the PRC in May 2008. He has been the arbitrator in Foshan arbitration committee and Guangzhou arbitration committee since March 2010 and November 2013, respectively.

### SENIOR MANAGEMENT

**Mr. Xie Yongdong (謝勇東)**, aged 44, details about Mr. Xie's biography are set out in page 18 of this Annual Report.

**Mr. Zhang Deben (張德本)**, aged 54, is an executive vice president of our Group. Mr. Zhang joined our Group on 6 July 2009 as the vice president. He is responsible for day-to-day operational management of Anhui Financing Guarantee. Mr. Zhang is also a director of Anhui Join-Share and Hefei Consultancy.

Mr. Zhang has about 15 years of experience in guarantee industry. He has held positions in various organizations.

Entities	Principal Business	Position	Duration	Responsibilities
Anhui Tongling Economy and Trade Committee (安徽銅陵市經濟貿易委員會)	–	Section member and section chief	July 1984 – May 1994	Integrated planning analysis
Tongling Suburban District Government (銅陵市郊區政府)	–	Deputy head	May 1994 – October 1997	Instructing township enterprises



## Directors, Supervisors and Senior Management (Continued)

Entities	Principal Business	Position	Duration	Responsibilities
Tongling State-owned Assets Administration Bureau (銅陵市國有資產管理局)	–	Deputy head of the bureau	October 1997 – June 2002	Administration of state-owned assets
Tongling Municipal Finance Bureau (銅陵市財政局)	–	Chief accountant	June 2002 – June 2003	Managing accountant team and accounting regulations
Tongling Jinyu Small and Medium-Sized Enterprises Guarantee Center (銅陵金譽中小企業擔保中心)	Guarantee	General manager	March 1999 – June 2003	Day to day operations and financing
Guangdong Yinda Financing Guaranty Investment Group Co., Ltd.	Financing, guarantee, guarantee-related consulting service and investment	Deputy general manager	June 2003 – June 2004	Government relationship and communication inside the industry
Guangdong Provincial Guarantee Association (廣東省擔保協會)	–	Secretary – general	June 2004 – July 2008	Daily work of secretariat
Guanghui Sci-Tech Financing Guarantee Co., Ltd. (廣匯科技融資擔保股份有限公司)	Guarantee products and other types of finance service	Vice president	July 2008 – July 2009	Day to day operations

Mr. Zhang received his bachelor's degree of economics from Anhui Finance and Trading College in the PRC in June 1992, majoring in statistics through self-study education. He received his master's degree of business administration from Anhui Institute of Business Administration (安徽工商管理學院) in the PRC in December 2003. In April 2008, Mr. Zhang obtained a certificate of completion issued by examination council of chartered accountants' at Ministry of Finance of the PRC. In April 1994, he also obtained an intermediate qualification certificate of industrial economy granted by MOP.



## Directors, Supervisors and Senior Management (Continued)

**Mr. Ou Weiming (歐偉明)**, aged 49, is a vice president of our Group and general manager of Foshan Micro Credit. Mr. Zhang joined our Group on 25 April 2005. He is responsible for day-to-day operational management of Foshan Micro Credit.

Mr. Ou has about 21 years of experience in finance industry. Prior to joining our Group, he served as a clerk, manager, deputy manager and deputy general manager successively at credit sector of Foshan Branch of Agricultural Bank of China from July 1993 to April 2005, a commercial bank listed on Stock Exchange (stock code: 1288) and Shanghai Stock Exchange (stock code: 601288), where Mr. Ou was primarily responsible for marketing, credit business investigation and assessment work successively.

Mr. Ou received his master's degree of science from Huazhong University of Science and Technology (華中理工大學) in the PRC in June 1993, majoring in applied mathematics. In September 1996, he obtained an engineer certificate granted by Professional and Technical Title Evaluation Committee of Foshan Branch of Agricultural Bank of China (中國農業銀行佛山市分行專業技術職務評審委員會). In November 2000, he also obtained an intermediate professional certificate of finance granted by MOP. In December 2013, Mr. Ou was awarded as a China Guarantee Elite (中國擔保英才) by China Guarantee magazine (《中國擔保》雜誌社) and China Guarantee Pioneer & China Guarantee Elite Committee (中國擔保先鋒中國擔保英才評委會).

**Ms. Lu Haoming (陸皓明)**, aged 49, is the chief financial officer and general manager of finance management department (財務管理部) of our Company. Ms. Lu joined our Group on 8 July 2003. She is responsible for the overall financial management of our Group.

Ms. Lu has about 26 years of experience in finance industry. Prior to joining our Group, she worked as a department vice manager at Foshan International Trust Investment Co., Ltd. (佛山國際信託投資公司) from July 1988 to March 2001, a company principally engaged in trust products and investment, where she was primarily responsible for accounting and financial management of foreign exchange business, financing and fund management of foreign exchange fund, and accounting and financial management of the Hong Kong subsidiary of that company. From April 2001 to September 2001, Ms. Lu served as the chief financial officer at Guangdong Fotao Group Co., Ltd. (廣東佛陶集團), a company principally engaged in manufacturing and distribution of ceramic hardware accessories and functional ceramic materials, where she was primarily responsible for supervising the operations and finance of Guangdong Fotao Group Materials Industry & Trade Co., Ltd. (廣東佛陶集團物資工貿有限公司) and Guangdong Fotao Group Import and Export Branch Company (廣東佛陶集團進出口分公司), two subsidiaries of Guangdong Fotao Group Co., Ltd. From September 2001 to January 2002, Ms. Lu served as a director deputy general manager and the manager of the financial management department in Sanitaryware Co., Ltd. (潔具有限公司), a subsidiary of Guangdong Fotao Group Co., Ltd., where she was primarily responsible for financial management. From July 2002 to August 2003, she was the manager of auditing and financing department (計財部) at the central branch company in Foshan of Huatai Property & Casualty Insurance Co., Ltd. (華泰財產保險股份有限公司), a company principally engaged in property and casualty insurance as well related insurance service and investment, where she was primarily responsible for accounting, financial management, and ensuring the implementation of financial policy of the head office in branches.

Ms. Lu received her bachelor's degree of economics from Jinan University (暨南大學) in the PRC in July 1988, majoring in accounting. In December 1992, she obtained a qualification certificate of accountant of the PRC granted by MOF. In March 2014, Ms. Lu obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong Province.



## Directors, Supervisors and Senior Management (Continued)

**Ms. Huang Biwen (黃碧汶)**, aged 41, is the chief risk officer and general manager of risk management department (風險管理部) of our Group. Ms. Huang joined our Group on 5 June 2003 and has 12 years' working experience in our Group. She is responsible for risk management of our Group.

Ms. Huang has about 17 years of experience in finance industry. Prior to joining our Group, she worked as a clients manager at Foshan Branch of Industrial and Commercial Bank of China from August 2000 to June 2003, a commercial bank listed on Stock Exchange (stock code: 1398) and Shanghai Stock Exchange (stock code: 601398), where Ms. Huang was primarily responsible for credit customers management, including investigating customer credit status, credit rating, credit management, post-loan inspection, credit risk classification, loan recovery, managing non-performing customers, and collaborating with law firms to take actions against non-performing clients. The rich practical experience at Foshan Branch of Industrial and Commercial Bank of China enabled Ms. Huang to have a deep understanding of risk management mechanism in a financial institution and provided solid experience basis for her implementing of a comprehensive risk management.

Ms. Huang received her bachelor's degree of economics from Sun Yat-Sen University in the PRC in June 1997, majoring in international finance. In November 2001, she obtained an intermediate qualification certificate of financial economy granted by MOP. In May 2010, she obtained a certificate of completion for an "EMBA Advanced Workshop of CEOs in Guangdong Credit Guarantee Industry" (廣東省信用擔保行業總裁EMBA研修班), granted by South China University of Technology (華南理工大學). In March 2014, Ms. Huang obtained a certificate of senior credit manager (guarantee) (高級信用管理師(擔保)) granted by the department of human resources and social security of Guangdong province.

**Mr. Zheng Zhengqiang (鄭正強)**, aged 39, is the secretary to the Board, head of office of the Board and general manager of development planning department (規劃發展部) of our Company. Mr. Zheng joined our Group on 13 April 2005 with past positions of the assistant general manager of development and planning department, assistant general manager of guarantee department, deputy general manager of Guangzhou Branch, deputy general manager of development and planning department. He is responsible for management of the office of the board and development planning.

Ms. Zheng has about 17 years of experience in finance, guarantee and corporate management. Prior to joining our Group, he worked as an employee at Guangzhou Municipal Postal Office (廣州市郵政局) from July 1998 to June 2002, where he was primarily responsible for economy operation analysis and business management. From August 2002 to March 2005, Mr. Zheng served as the general manager at Guangzhou Baofu Auto Beauty Co., Ltd. (廣州市保夫汽車美容有限公司), a company primarily engaged in automobile beautifying and maintenance service, where he was primarily responsible for overall operational management.

Mr. Zheng received his bachelor's degree of economics from Central University of Finance and Economics (中央財經大學) in the PRC in July 1998, majoring in monetary banking. In November 2007, he obtained an intermediate qualification certificate of financial economy granted by MOP. In March 2014, Mr. Zheng obtained a certificate of senior credit manager (guarantee) granted by the Department of Human Resources and Social Security of Guangdong Province.



# Corporate Governance Report

The Group is committed to maintaining high level of corporate governance. The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

As the H shares of the Company were listed on the Main Board of the Stock Exchange on 23 December 2015, the CG Code was not applicable to the Company before the Listing Date. During the period from the Listing Date to 31 December 2015, the Company has complied all the code provisions under the CG Code.

The Board will continue to review and improve the Company’s corporate governance system to ensure its compliance with the CG Code.

## THE BOARD

### Duties and Division of Responsibility

The Board is responsible for the overall leadership of the Group, overseeing the Group’s strategic decisions and monitoring our business and performance. The Board has delegated the authority and responsibility of day-to-day management and operation of the Group to the senior management of the Group. The powers and duties of our Board include convening Shareholders’ general meetings, reporting the Board’s work at the Shareholders’ meetings, implementing the resolutions passed at general meetings, determining our business and investment plans, formulating our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our articles of association of the Company (the “**Articles of Association**”).

To oversee particular aspects of the Company’s affairs, the Board has established five Board committees, including the audit committee (the “**Audit Committee**”), the remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”), the nomination committee (the “**Nomination Committee**”), the risk management committee (the “**Risk Management Committee**”) and the strategy committee (the “**Strategy Committee**”) (together, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.





# Corporate Governance Report (Continued)

## Chairman of the Board and Chief Executive Officer

The Company does not have the position of chief executive officer, the duties of which are performed by the president. Mr. Wu Liejin is the chairman of the Board while Mr. Xie Yongdong is the president of the Company. They have clear division of duties. Mr. Wu Liejin is responsible for the overall development and planning of the Group while Mr. Xie Yongdong is responsible for the day-to-day management and business operation of the Group.

To the best knowledge of the Company, there is no financial, business, family or other relationship between the Directors, the Supervisors, the chairman of the Board, the president of the Company and the senior management of the Company.

## Composition of the Board

As at the date of this annual report, the Board comprises nine Directors, including two executive Directors namely, Mr. Wu Liejin (the Chairman) and Mr. Xie Yongdong (the President), four non-executive Directors namely, Mr. Zhang Minming, Ms. Gu Lidan, Ms. Wu Yanfen and Mr. Huang Guoshen, and three independent non-executive Directors namely, Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng. Particulars of the Directors are set out in the section “Directors’, Supervisors’ and Senior Management’s Profiles” in this annual report.

During the period from the Listing Date to the date of this annual report, the Board has complied with the requirement of Rule 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive Directors, including at least an independent non-executive Director who has the relevant professional qualification or accounting or related financial management expertise. In accordance with Rule 3.10A of the Listing Rules, at least one-third of the Directors shall be independent non-executive directors. The Company had three independent non-executive Directors during the Relevant Period, representing one-third of the total number of Directors and was in compliance with the relevant requirement. In accordance with the Articles of Association of the Company, the Directors (including non-executive Directors) are elected by Shareholders at a general meeting for a term of three years, which is renewable upon re-election and re-appointment.

None of the independent non-executive Directors of the Company has any business or financial interests in the Company and its subsidiaries, nor do they hold any executive positions in the Company, which demonstrated their independence. The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as per Rule 3.13 of the Listing Rules. As at date of this report, the Company is of the opinion that all the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

## Positions in Other Companies Held by Directors

Other than those disclosed in the section headed “Directors’, Supervisors’ and Senior Management’s Profiles” in this annual report, none of the Directors holds any directorship in other listed companies.



# Corporate Governance Report (Continued)

## BOARD MEETINGS

In accordance with the Articles of Association, the Board should hold at least four meetings a year at approximately quarterly intervals, to be convened by the chairman of the Board. Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with the opportunities to attend and include matters in the agenda for a regular meeting.

Meetings of the Board shall be held only if more than half of the Directors are present. Directors shall personally attend the meeting. In the event that any Director is unable to attend a meeting for any reason, he may appoint another Director by a written power of attorney.

During the year ended 31 December 2015, the Board of Directors held 5 meetings in total, with details of the attendance of Directors specified as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	5/5	100%
Mr. Xie Yongdong	Executive Director and president	5/5	100%
Mr. Zhang Minming	Non-executive Director and vice chairman	5/5	100%
Ms. Gu Lidan	Non-executive Director	5/5	100%
Ms. Wu Yanfen	Non-executive Director	5/5	100%
Mr. Huang Guoshen	Non-executive Director	5/5	100%
Mr. Wu Xiangneng	Independent non-executive Director	5/5	100%
Mr. Leung Hon Man	Independent non-executive Director	5/5	100%
Mr. Liu Heng	Independent non-executive Director	5/5	100%

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, Directors shall be elected at the general meetings for a term of office of three years. Upon expiration of the term of office, a director is eligible for re-election and re-appointment. The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board of Directors, subject to the approval by the general meeting.



# Corporate Governance Report (Continued)

## BOARD DIVERSITY POLICY

The Board of Directors adopted the Board Diversity Policy on 4 December 2015. The Nomination Committee shall review, at its discretion, the Board Diversity Policy of the Company. For designing the composition the Board of Directors, Board diversity shall be considered from a number of aspects, including but not limited to age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board of Directors. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, culture, race and educational background, professional experience, knowledge and skills.

## TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

Prior to the Listing Date, Mr. Wu Liejin, Mr. Xie Yongdong, Mr. Zhang Minming, Ms. Gu Lidan, Ms. Wu Yanfen, Mr. Huang Guoshen, Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng had already participated in a formal and comprehensive training program in respect of (i) the obligations of compliance with the Listing Rules by the directors, supervisors and senior management of companies listed in Hong Kong; and (ii) the compliance requirement for connected transactions of listed companies under the Listing Rules.

The Directors will keep abreast of the latest development in legal and regulatory requirements and the operation of the Company to facilitate the performance of their duties. Training will also be provided for the Directors when necessary to ensure that the Directors understand the business and operation of the Group and their duties and obligations under the Listing Rules and the applicable laws and regulations.

## INSURANCE FOR DIRECTORS

The Company has arranged appropriate insurance cover in respect of legal litigation against its Directors.



# Corporate Governance Report (Continued)

## BOARD COMMITTEES

There are five committees under the Board of Directors including Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, Risk Management Committee and Strategy Committee.

### Audit Committee

The Audit Committee consists of three members, being Mr. Wu Xiangneng (being the chairman of the Audit Committee who has a professional qualification in accountancy), Mr. Leung Hon Man and Mr. Huang Guoshen, two of whom are independent non-executive Directors. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2015, the Audit Committee held 2 meetings. The details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Xiangneng	Independent non-executive Director	2/2	100%
Mr. Leung Hon Man	Independent non-executive Director	2/2	100%
Mr. Huang Guoshen	Non-executive Director	2/2	100%

During the meetings, the Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management.

During the period after 31 December 2015 up to the date of this Annual Report, the Audit Committee has held 1 meeting. During the meeting, the Audit Committee has reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2015 as set out in this annual report.

The Audit Committee is of the view that the financial statements are prepared in accordance with the applicable accounting standards and requirements and all the relevant and required disclosures are adequate.



# Corporate Governance Report (Continued)

## Remuneration and Appraisal Committee

The Remuneration and Appraisal committee consists of five members, being Mr. Leung Hon Man, Mr. Liu Heng, Mr. Wu Xiangneng, Mr. Zhang Minming and Mr. Xie Yongdong, three of whom are independent non-executive Directors. The remuneration and appraisal committee is chaired by Mr. Leung Hon Man. The primary duties of the remuneration and appraisal committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration and Appraisal Committee are posted on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2015, the Remuneration and Appraisal Committee held 1 meeting. The details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Leung Hon Man	Independent non-executive Director	1/1	100%
Mr. Liu Heng	Independent non-executive Director	1/1	100%
Mr. Wu Xiangneng	Independent non-executive Director	1/1	100%
Mr. Zhang Minming	Non-executive Director and vice chairman	1/1	100%
Mr. Xie Yongdong	Executive Director and president	1/1	100%

During the year ended 31 December 2015, the Remuneration Committee reviewed the performance of the senior management and the remuneration packages of the Directors and senior management for 2015 were approved by the Board.

Remuneration of the senior management for the year ended 31 December 2015 is as follows:

Remuneration range (RMB)	Number of people
500,000 to 800,000	3
500,000 or below	2



# Corporate Governance Report (Continued)

## Nomination Committee

The Nomination Committee consists of five members, being Mr. Wu Liejin, Mr. Leung Hon Man, Mr. Liu Heng, Mr. Wu Xiangneng and Ms. Wu Yanfen. Three of the members are our independent non-executive Directors. The Nomination Committee is chaired by Mr. Wu Liejin. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2015, the Nomination Committee held 1 meeting. The details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	1/1	100%
Mr. Leung Hon Man	Independent non-executive Director	1/1	100%
Mr. Liu Heng	Independent non-executive Director	1/1	100%
Mr. Wu Xiangneng	Independent non-executive Director	1/1	100%
Ms. Wu Yanfen	Non-executive Director	1/1	100%

During the year ended 31 December 2015, the Nomination Committee examined the structure, number of members and composition of the Board of the Company.

## Risk Management Committee

The Risk Management Committee consists of five members, being Mr. Zhang Minming, Mr. Wu Liejin, Mr. Xie Yongdong, Mr. Huang Guoshen and Mr Wu Xiangneng. The Risk Management Committee is chaired by Mr. Zhang Minming. The primary duties of the Risk Management Committee include (but without limitation) (i) identifying and managing all of the material risks, including credit risks, operational risks, liquidity risks, market risks, legal and compliance risk and reputation risks, that we may encounter in our business operations, (ii) determining our important management strategies and policies with respect to risk management, (iii) establishing and improving credit evaluation standards and risk management measures and procedures, and (iv) coordinating with the relevant commercial banks and financial institutes relating to risk sharing. The terms of reference of the Risk Management Committee are posted on the websites of the Company and the Stock Exchange.



# Corporate Governance Report (Continued)

During the year ended 31 December 2015, the Risk Management Committee held 2 meetings. The details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Zhang Minming	Non-executive Director and vice chairman	2/2	100%
Mr. Wu Liejin	Executive Director and Chairman	2/2	100%
Mr. Xie Yongdong	Executive Director and president	2/2	100%
Mr. Huang Guoshen	Non-executive Director	2/2	100%
Mr. Wu Xiangneng	Independent non-executive Director	2/2	100%

## Strategy Committee

The Strategy Committee consists of five members, being Mr. Wu Liejin, Mr. Zhang Minming, Mr. Xie Yongdong, Ms. Gu Lidan and Mr. Liu Heng. The Strategy Committee is chaired by Mr. Wu Liejin. The primary duties of the Strategy Committee include (but without limitation) (i) studying and advising on long-term development strategy; (ii) studying and advising on material investment plans and capital operation plans subject to the approval of Board of Directors as required by our Articles of Association (iii) studying and advising on other material matters that may impact on company development; (iv) assessing and inspecting the implementation of the above issues; and (v) handling other matters as authorized by the Board of Directors. The terms of reference of the Strategy Committee are posted on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2015, the Strategy Committee held 2 meetings. The details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	2/2	100%
Mr. Zhang Minming	Non-executive Director and vice chairman	2/2	100%
Mr. Xie Yongdong	Executive Director and president	2/2	100%
Ms. Gu Lidan	Non-executive Director	2/2	100%
Mr. Liu Heng	Independent non-executive Director	2/2	100%





# Corporate Governance Report (Continued)

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The senior management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with annual updates on the Company's performance, positions and prospects.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" in this annual report.

## COMPLIANCE WITH 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 practice for carrying out securities transactions by the Company's Directors and Supervisors. Having made specific enquiry with all members of the Board and Supervisors, they have confirmed their compliance with the relevant standards stipulated in the Model Code during the period from the Listing Date to 31 December 2015.

## JOINT COMPANY SECRETARIES

To maintain good corporate governance practices and compliance with the Listing Rules and applicable laws, the Company appointed Mr. Zheng Zhengqiang and Mr. Wong Yat Tung as the joint company secretaries. Mr. Wong Yat Tung assists Mr. Zheng Zhengqiang, who is the primary corporate contact person at the Company, in performing his duties as company secretary of the Company. The Company was listed on 23 December 2015. As such, Mr. Zheng Zhengqiang did not take the minimum required professional training hours as required by Rule 3.29 of the Listing Rules but he is committed to fulfill the minimum required professional training time in 2016. Mr. Wong Yat Tung has confirmed that he received not less than 15 hours of relevant professional training during the year ended 31 December 2015.



# Corporate Governance Report (Continued)

## INTERNAL CONTROLS

The Board understands that it is the Board's responsibility to evaluate the risks of the Company and implement the Company's strategic objective through an established, appropriate and effective risk management and internal control systems. Such systems are designed to manage rather than fully eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board shall have the decision on all operation matters and is committed to establish and improve the internal control system. It shall also supervise the implementation of the internal control system to safeguard the investment of the Shareholders and the assets of the Group. In the process of the listing of the Company, the effectiveness of the internal control system of the Group was reviewed by the internal control consultant and the Board to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered our major business cycles, corporate governance policies, risk management policies and systems, controls and procedures over compliance, information system, financial management, human resources and payroll, cash and treasury management, fixed assets management and tax management.

The Company has established, amended, strengthened and implemented its respective internal policies, procedures and practices following the internal control review. In particular, the Company has (i) strengthened the implementation of its accounting policies by all of the relevant department and has appointed one of the independent non-executive Directors, Mr. Leung Hon Man, to further enhance the financial and accounting functions of the Group; and (ii) established a specific internal control supervision team to regularly monitor and perform sample checking on a monthly basis to make sure proper and continuous implementation of internal control procedures. The internal control supervision team will also report its findings and results to the responsible senior management and the Audit Committee on a regular basis.

In addition, to further enhance the degree of enforcement of the internal control measures, we have strengthen (i) the internal policy which escalates the level of disciplinary action in future against those employees who have failed to strictly observe the respective internal control measures; and (ii) the double checking and review arrangements of the respective internal control measures. Training has also been provided and will continue to be provided to the Group's employees to increase their awareness of our internal control policies and ensure compliance with the same.

Since the listing of the Company which took place on 23 December 2015, the internal control procedures were effectively implemented. The internal control system was improved to strengthen the risk prevention and internal control capabilities. The Audit Committee will continue to review and evaluate the effectiveness of the internal control system of the Group and to report the findings to the Board. The Board will review and evaluate the internal control system at least once a year to ensure that no material internal control loophole exists.



# Corporate Governance Report (Continued)

## AUDITORS' REMUNERATION

For the year ended 31 December 2015, the total remuneration paid or payable to the Company's auditors, KPMG, for audit and audit related services amounted to a total of RMB0.5 million.

In addition, KPMG was engaged by the Company as the reporting accountants for our initial public offering, for which the total remuneration paid or payable to KPMG amounted to a total of RMB6.8 million for the year ended 31 December 2015.

An analysis on the remuneration paid or payable to KPMG for the provision of annual auditing services is as follows:

Services provided by the Auditors	Amount (RMB)
Annual auditing services	500,000
Non-auditing services:	
Services in relation to the reporting accountant for listing	6,820,000
Total	<u>7,320,000</u>

## GENERAL MEETINGS

During the year ended 31 December 2015, the Company held 3 general meetings, details of the attendance of Directors are specified as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	3/3	100%
Mr. Xie Yongdong	Executive Director and president	3/3	100%
Mr. Zhang Minming (appointed as a non-executive Director on 21 April 2015)	Non-executive Director and vice chairman	2/2	100%
Ms. Gu Lidan	Non-executive Director	3/3	100%
Ms. Wu Yanfen	Non-executive Director	3/3	100%
Mr. Huang Guoshen	Non-executive Director	3/3	100%
Mr. Wu Xiangneng	Independent non-executive Director	3/3	100%
Mr. Leung Hon Man	Independent non-executive Director	3/3	100%
Mr. Liu Heng	Independent non-executive Director	3/3	100%



# Corporate Governance Report (Continued)

## COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company attaches great importance to listening and accepting reasonable suggestions and opinions from Shareholders and investors. To promote effective communication, the Company maintains a website at [www.join-share.com](http://www.join-share.com), where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

## SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at the general meetings of the Company, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

## CONVENING AND PUTTING FORWARD PROPOSALS AT AN EXTRAORDINARY GENERAL MEETING

According to Article 65 of the Articles of Association, when an extraordinary general meeting is requested in writing by Shareholders who separately or jointly hold more than 10% of the voting shares of the Company, the Board shall convene an extraordinary general meeting as soon as practicable upon receipt of the foresaid written request. In the event that the Board cannot or fails to perform its duty to convene a meeting, the board of supervisors of the Company shall convene and chair the meeting promptly; if the Board of Supervisors of the Company fails to convene and chair the meeting, Shareholders who separately or jointly hold more than 10% of the voting shares of the Company for more than 90 consecutive days may convene and chair the meeting themselves.

According to Article 66 of the Articles of Association, when the Company is to hold a general meeting, Shareholders who separately or jointly hold more than 3% of the voting shares of the Company may submit a proposal to the Board in writing 10 days before the date of the general meeting, and the Board shall notify the other Shareholders within two days of receiving the proposal and include it for consideration at the general meeting. The matters stated in the proposal must be within the functions and powers of the general meeting and it shall have a clear subject and specific resolutions



# Corporate Governance Report (Continued)

## ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to [zysd@join-share.com](mailto:zysd@join-share.com) or mail their enquiries in writing to the Company's principal places of business in the PRC at Unit 2202-2212, 22/F, Chuangye Building No. 215 Fenjiang Middle Road, Foshan, Guangdong, PRC.

## AMENDMENT OF CONSTITUTIONAL DOCUMENTS

The Articles of the Company took effect on the Listing Date. From the Listing Date to the date of this report, there were no significant changes in the Articles of the Company. The Articles of the Company are available on the websites of the Stock Exchange for information disclosure and the Company.



# Report of the Board of Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2015.

## PRINCIPAL ACTIVITIES

The Company is a leading financing guarantee services provider in Guangdong province, focusing on providing credit-based financing solutions to SMEs to satisfy their financing and business needs. We primarily provide guarantees on behalf of and entrusted loans to SMEs and individual business proprietors. We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Micro Credit, which was consolidated into our Group in June 2014.

## RESULTS

The results of the Group for the year ended 31 December 2015 are set out on pages 59 to 168 of this annual report.

## BUSINESS REVIEW

A review of the business of the Group as at 31 December 2015, and a discussion on the Group's future business development are set out in the paragraphs headed "Business Review" and "Prospects" under the section headed "Management Discussion and Analysis" of this report respectively. Descriptions of principal risks and uncertainties that the Group may be facing are provided in this Report of the Board of Directors on page 50. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2015 can be found in the paragraph headed "Event after Reporting Period" under the section headed "Management Discussion and Analysis" of this report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" of this report. In addition, discussions on the Group's environmental policies and performance and compliance with relevant laws and regulations are contained and available in this Report of the Board of Directors on page 54, respectively. The above discussions constitute part of this report of the Board of Directors.

## FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.085 (before considering any tax effect) per share for the year ended 31 December 2015, amounting to RMB90,666,666.695 (the "2015 Final Dividend") in aggregate.

According to the Articles of Association of the company, dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of the H Shares will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate of which will be calculated in accordance with the related national regulations on foreign exchange control. The 2015 Final Dividend will be subject to approval at the forthcoming 2015 annual general meeting ("AGM") to be held on 6 June 2016 and is expected to be paid on or about Thursday, 28 July 2016.



## Report of the Board of Directors (Continued)

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Administrative Measures of the State Administration of Taxation on Tax Convention Treatment for Non-resident Taxpayers (No. 60 of the Announcement of the State Administration of Taxation for 2015) (《國家稅務總局非居民納稅人享受稅收協定待遇管理辦法》) (國家稅務總局公告2015年第60號), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any Shareholders who hold the Company's shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)). Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.





# Report of the Board of Directors (Continued)

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from Saturday, 7 May 2016 to Monday, 6 June 2016, both days inclusive, during which no transfer of shares will be registered. Only Shareholders of the Company whose names appear on the register of members of the Company on Monday, 6 June 2016 or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 6 May 2016.

In order to determine the Shareholders entitled to the 2015 Final Dividend, the register of members of the Company will be closed from Saturday, 11 June 2016 to Thursday, 16 June 2016, both days inclusive, during which no transfer of shares will be registered. Only Shareholders of the Company whose names appear on the register of members of the Company on Thursday, 16 June 2016 are entitled to the 2015 Final Dividend. In order to qualify for receiving the 2015 Final Dividend which is still subject to approval of the Shareholders at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 June 2016.

## FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out on page 5 of this annual report. This summary does not form part of the audited consolidated financial statements.

## USE OF PROCEEDS FROM THE LISTING

The net proceeds from the listing of the Company's H shares on the Stock Exchange on 23 December 2015 (after deducting underwriting fees and commissions and listing related expenses) amounted to approximately HKD376.6 million. During the financial year ended 31 December 2015, the net proceeds from the Global Offering had not yet been utilized. In 2016, we will utilize the net proceeds for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

## MAJOR BANKING PARTNERS

In 2015, our five largest cooperative banks accounted for 80.0% of the total net balance of our outstanding indirect financing guarantees, while the largest cooperative bank accounted for 33.2% of the total net balance of our outstanding indirect financing guarantees. As of 31 December 2015, we guaranteed a total financing of RMB2,107.7 million provided by our top five cooperative banks.

Due to the Group's business nature, the Group does not have major suppliers.



# Report of the Board of Directors (Continued)

## MAJOR CUSTOMERS

Our customers primarily include SMEs and individual business proprietors. For the year ended 31 December 2015, revenue derived from our five largest customers accounted for 8.6% of our total revenue.

To the best knowledge of the Directors, none of the Directors or any of their associates or any Shareholders own more than 5% of the Company's issued share capital had any interests in the Group's five largest customers.

## PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2015 are set out in note 17 of the notes to financial statements in this annual report.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2015 are set out in note 26 of the notes to financial statements in this annual report.

## RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2015 are set out in note 26 of the notes to the audited consolidated financial statements, and details of movement in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on page 62 to 63 of this annual report.

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law in the PRC, amounted to approximately RMB144.9 million.

## BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2015 are set out in notes 20 and 24 of the notes to financial statements in this annual report.

## RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Company are set out in note 29 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed under Chapter 14A of the Listing Rules.

## DIRECTORS AND SUPERVISORS

Details of the Directors and Supervisors during the year ended 31 December 2015 and up to the date of this annual report are set out in the section headed "Directors, Supervisors and Senior Management" of this annual report.



# Report of the Board of Directors (Continued)

## BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the Directors, Supervisors and senior management of the Group are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report.

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In accordance with Rule 3.13 of the Listing Rules, the Company has received the annual confirmation from each of the independent non-executive Directors in respect of their independence, and considered all of the independent non-executive Directors to be independent.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company on 7 December 2015 for a term of three years commencing from the Listing Date, subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our articles of association and the applicable laws, rules or regulations.

Each independent non-executive Directors has signed a letter of appointment on 7 December 2015 for an initial term of three years commencing from the Listing Date.

None of the Directors or the Supervisors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as the material related party transactions entered into by the Company and the relevant related party as set out in note 29 to the consolidated financial statements, none of the Directors or the Supervisors has any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries was a party subsisted at the end of the year or at any time during the year ended 31 December 2015.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Except as disclosed in this annual report, during the year, none of the Directors and their respective associates (as defined in the Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.



# Report of the Board of Directors (Continued)

## REMUNERATION POLICY

A Remuneration and Appraisal Committee was set up for, among others, reviewing and making recommendations on remuneration policy for Directors and senior management of the Company, taking into account salaries paid by comparable companies, time commitment, responsibilities and employment conditions elsewhere in the Group.

## PRINCIPAL RISKS AND UNCERTAINTIES

As a financing services provider, the Company's principal risks include credit risk, market risk and liquidity risk. We have put in place a series of risk management procedures for guarantee business since our establishment in 2003. We review and enhance those procedures annually and when necessary to cater to the on-going development and evolution of our business and products as well as any changes in the regulatory and industry environment, and supplement our risk management procedures when we start new business lines or introduce new products.

We aim to manage our risks through internal mechanisms that carefully and systematically manage the risks we bear via a series of standardized risk management procedures, and external mechanisms that allocate risks among ourselves and other parties, including counter-guarantees from customers or their affiliates, and joint-guarantee arrangements with certain guarantee companies and local governments. We are also trying to develop and maintain a diversified customer base to reduce the risks of any downturn in any of our customers' industries causing a material adverse effect on our business, and to cautiously select our customers. In addition, we continuously manage our project portfolio to avoid concentration of our guarantee obligations and loans maturing in a particular period. We tailor our risk management procedures according to the characteristics of each of our business segments, focusing on implementing a systematic and thorough review of our potential risks at multiple levels, and covering every key stage of our business operations, from pre-transaction assessment, customer due diligence, multiple-level review and approval processes and counter-guarantee arrangement to post-transaction monitoring. We also continuously monitor the strengths and weaknesses of our risk management system, aiming to minimize risk and adapt to changes in the markets in which we operate.

## PERMITTED INDEMNITY

During the year ended 31 December 2015, the Company has purchased liability insurance for Directors and Supervisors which provides proper insurance for the Directors and Supervisors in respect of liabilities from legal actions against them arising from corporate activities.

## RETIREMENT BENEFITS SCHEME

The Group is required to participate in pension schemes organised by the respective municipal governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above. The details of the Group's retirement benefits scheme are set out to note 4(b) of the notes to the financial statements.



# Report of the Board of Directors (Continued)

## REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, Supervisors and the five highest paid individuals are set out in notes 6 and 7 of the notes to financial statements in this annual report.

## CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed “Directors, Supervisors and Senior Management” in this annual report, there was no change to any of the information required to be disclosed in relation to any Director and Supervisor pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since the Listing Date.

## DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND ITS ASSOCIATED CORPORATION

As at 31 December 2015, the interests or short positions of Directors, chief executive or Supervisors of the Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (b) to be recorded in the register required to be kept under Section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

### Interest in Shares of our Company

Name of Shareholder	Position	Nature of Interest	Number and class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(3)</sup>
Mr. Xie Yongdong <sup>(4)</sup>	Director	Interest in controlled corporation	39,920,000 Domestic shares (L)	5.16%	3.74%
Mr. Huang Guoshen	Director	Beneficial owner	41,760,000 Domestic shares (L)	5.40%	3.92%
Mr. Wu Liejin	Director	Beneficial owner	31,280,351 Domestic shares (L)	4.04%	2.93%
Ms. Wu Yanfen	Director	Beneficial owner	29,700,000 Domestic shares (L)	3.84%	2.78%



# Report of the Board of Directors (Continued)

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) As at 31 December 2015, the issued Domestic shares and the H shares of the Company were 773,333,333 shares and 293,333,334 shares, respectively.
- (3) As at 31 December 2015, there were 1,066,666,667 shares of the Company in issue.
- (4) Mr. Xie Yongdong is the only general partner of Foshan Venture Growth Investment Centre L.P. (佛山創業成長投資中心(有限合夥)) ("**Foshan Venture Growth**"), which is a limited partnership directly holds 39,920,000 Domestic shares of our Company. As Mr. Xie Yongdong, being the general partner, can solely exercise control over Foshan Venture Growth, he is deemed to be interested in the 39,920,000 Domestic Shares held by Foshan Venture Growth.

Save as disclosed above, as at 31 December 2015, none of the Directors, Supervisors or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required (i) to be recorded in the register required to be kept under section 352 of the SFO; or (ii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## Interests in associated corporations

None of the Directors, Supervisors or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of associated corporations (within the meaning of Part XV of SFO) of the Company.

## DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this annual report, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.



# Report of the Board of Directors (Continued)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the persons, (not being the Directors, Supervisors or chief executive of the Company) or corporations having short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO and who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Shareholder	Nature of Interest	Number and class of Shares <sup>(1)</sup>	Approximate percentage of shareholding in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of the Company <sup>(3)</sup>
粵財控股香港國際有限公司 <sup>(4)</sup>	Beneficial owner	58,000,000 H shares (L)	19.77%	5.44%
廣東粵財投資控股有限公司 <sup>(4)</sup>	Interest of controlled corporation	58,000,000 H shares (L)	19.77%	5.44%
國海富蘭克林基金管理有限公司	Investment manager	45,000,000 H shares (L)	15.34%	4.22%
Dawanjia (HK) Limited	Beneficial owner	43,632,000 H shares (L)	14.87%	4.09%
CITIC Securities Co., Ltd.	Beneficial owner	34,904,000 H shares (L)	11.90%	3.27%
Sung Ka Woon (formerly known as Song Li)	Beneficial owner	26,000,000 H shares (L)	8.86%	2.44%
Ms. Zhang Yubing	Beneficial owner	41,760,000 Domestic shares (L)	5.40%	3.92%
Foshan Venture Growth Investment Centre L.P. 佛山創業成長投資中心 (有限合夥)	Beneficial owner	39,920,000 Domestic shares (L)	5.16%	3.74%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) As at 31 December 2015, the issued Domestic shares and the H shares of the Company were 773,333,333 shares and 293,333,334 shares, respectively.
- (3) As at 31 December 2015, there were 1,066,666,667 shares of the Company in issue.
- (4) 廣東粵財投資控股有限公司 holds 100% of 粵財控股香港國際有限公司, which directly holds 58,000,000 H shares of the Company and is deemed to be interested in 58,000,000 H shares held by 粵財控股香港國際有限公司.





# Report of the Board of Directors (Continued)

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 31 December 2015, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the PRC that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

## CHARITABLE DONATIONS

There was no charitable donations made by the Group during the year ended 31 December 2015.

## POST-BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 34 to the audited consolidated financial statements.

## AUDIT COMMITTEE

The Audit Committee had held 2 meetings during the year ended 31 December 2015. During the meetings, the Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group carries out internal recycling measures in terms of its consumables (e.g. toner cartridge and paper) in order to lessen its impact on consumption of resources and impact on environment resulting from the operating activities. The Group implements energy saving measures in the offices and branches and encourages its employees to reduce unnecessary use of light and air-conditioning.

## COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is able to comply with relevant requirements of laws, regulations, rules and provisions of the Companies Ordinance, the Listing Rules and SFO in Hong Kong, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Basic Norms of Enterprise Internal control (《企業內部控制基本規範》), Interim Measures for the Administration of Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》), Guiding opinions of China Banking Regulatory Commission and People's Bank of China on pilot projects of small loan companies (《中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見》) in China etc., including information disclosure, corporate governance and standard industry operation, etc.. The Group has adopted the Model Code.



# Report of the Board of Directors (Continued)

## CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance. The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules.

As the H shares of the Company were listed on the Main Board of the Stock Exchange on 23 December 2015, the CG Code was not applicable to the Company before the Listing Date. During the period from the Listing Date to 31 December 2015, the Company has complied all the code provisions under the CG Code.

The Board will continue to review and improve the Company's corporate governance system to ensure its compliance with the CG Code.

## SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report and based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the prescribed public float under the Listing Rules.

## AUDITORS

The consolidated financial statements for the year ended 31 December 2015 have been audited by KPMG. KPMG shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming AGM.

By order of the Board of  
**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***  
**Wu Liejin**  
*Chairman of the Board*  
24 March 2016



# Report of the Board of Supervisors

The Board of Supervisors has executed its duties earnestly, safeguarded the rights and interests of the Company and Shareholders, complied with the principle of good faith and carried out its work in a diligent and proactive manner pursuant to the provisions of the Company Law of the PRC, other relevant laws and regulations and the Articles of Association.

During the year, the Board of Supervisors reviewed cautiously the operation and development plans of the Company and put forward reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the significant policies and specific decisions made by the management of the Company to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association, and in the interests of the Company's Shareholders.

The Board of Supervisors have reviewed earnestly and approved the report of the Board, audited financial statements and the dividend payment proposal to be presented by the Board at the forthcoming 2015 AGM. We are of the opinion that the Board, chief executive and other senior management of the Company have strictly complied with the principle of good faith, and have worked diligently, exercised their authority faithfully in the best interests of the Company, and executed various tasks pursuant to the Articles of Association. Up till now, none of the directors, chief executive nor senior management of the Company has been found to have been in breach of any laws or regulations or the Articles of Association and damaged the interests of the Company or the Shareholders of the Company.

The Board of Supervisors is satisfied with the various tasks carried out by the Company in 2015 and the economic benefits generated therefrom. It has full confidence in the future development outlook of the Company.

By order of the Board of Supervisors

**Li Qi**

*Chairman of the Board of Supervisors*

24 March 2016



# Independent Auditor's Report



**To the shareholders of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.**

*(Incorporated in the People's Republic of China with limited liability)*

We have audited the consolidated financial statements of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 59 to 168, which comprise the consolidated statement of financial position of the Group as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



# Independent Auditor's Report (Continued)

## Auditor's responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year ended 31 December 2015 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## KPMG

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

28 March 2016



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2015  
(Expressed in RMB'000)

	Notes	2015 RMB'000	2014 RMB'000
Guarantee fee income		140,582	170,434
Re-guarantee expenses		(9,376)	(7,060)
Net guarantee fee income		131,206	163,374
Interest income		131,702	107,413
Interest expenses		(10,626)	(5,258)
Net interest income		121,076	102,155
Service fee from consulting services		33,352	41,814
<b>Revenue</b>	2	<b>285,634</b>	307,343
Other revenue	3	28,800	20,992
Share of profits of associates	16	–	2,355
Net gain on disposal of subsidiaries	16	–	473
Provisions for guarantee losses	21(a)	(2,533)	(8,146)
Impairment losses	4(a)	(27,358)	(29,361)
Operating expenses	4(b)/(c)	(91,928)	(82,035)
<b>Profit before taxation</b>		<b>192,615</b>	211,621
Income tax	5	(49,785)	(54,867)
<b>Profit for the year</b>		<b>142,830</b>	156,754
<b>Attributable to:</b>			
Equity shareholders of the Company		112,104	145,258
Non-controlling interests		30,726	11,496
<b>Profit for the year</b>		<b>142,830</b>	156,754
<b>Earnings per share</b>			
Basic and diluted (RMB per share)	9(a)	0.14	0.18

The notes on pages 65 to 168 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit of the year are set out in Note 26(b).



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015  
(Expressed in RMB'000)

	Note	2015 RMB'000	2014 RMB'000
<b>Profit for the year</b>		<u>142,830</u>	<u>156,754</u>
<b>Other comprehensive income to be classified to profit or loss in subsequent year:</b>			
Net gain on available-for-sale financial assets		9,721	3,101
Income tax arises from available-for-sale financial assets		<u>(2,431)</u>	<u>(775)</u>
Other comprehensive income for the year	8	<u>7,290</u>	<u>2,326</u>
<b>Total comprehensive income for the year</b>		<u>150,120</u>	<u>159,080</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		119,394	147,584
Non-controlling interests		<u>30,726</u>	<u>11,496</u>
<b>Total comprehensive income for the year</b>		<u>150,120</u>	<u>159,080</u>

The notes on pages 65 to 168 form part of these financial statements.





# Consolidated Statement of Financial Position

(Expressed in RMB'000)

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
<b>Assets</b>			
Cash and cash equivalents	10	866,247	858,328
Pledged bank deposits	11	260,565	240,321
Trade and other receivables	12	303,455	219,338
Loans and advances to customers	13	637,974	357,367
Available-for-sale financial assets	14	28,576	18,497
Receivable investments	15	32,875	120,500
Fixed assets	17	3,772	4,860
Intangible assets	18	1,809	232
Goodwill	19	419	419
Deferred tax assets	25(b)	35,362	32,466
<b>Total assets</b>		<b>2,171,054</b>	<b>1,852,328</b>
<b>Liabilities</b>			
Interest-bearing borrowings	20	–	75,000
Liabilities from guarantees	21	163,269	175,415
Customer pledged deposits	22(a)	6,871	14,505
Accruals and other payables	22(b)	101,028	135,094
Current tax liabilities	25(a)	42,259	35,314
Other financial instrument-liability component	23	86,748	92,983
Financial institution bonds	24	48,836	–
<b>Total liabilities</b>		<b>449,011</b>	<b>528,311</b>
<b>NET ASSETS</b>		<b>1,722,043</b>	<b>1,324,017</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	26	1,066,667	800,000
Reserves		370,965	251,705
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,437,632</b>	<b>1,051,705</b>
<b>Non-controlling interests</b>		<b>284,411</b>	<b>272,312</b>
<b>TOTAL EQUITY</b>		<b>1,722,043</b>	<b>1,324,017</b>

Approved and authorised for issue by the board of directors on 28 March 2016.

**Wu Liejin**  
Executive Director and Chairman

**Xie Yongdong**  
Executive Director

**Company Stamp**

The notes on pages 65 to 168 form part of these financial statements.



# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015  
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument-equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note	Note	Note	Note	Note	Note	Note	Note			
	26(c)	26(d)(i)	26(d)(ii)	26(d)(iii)	26(d)(iv)	26(d)(v)	26(d)(vi)				
<b>Balance at 1 January 2014</b>	<u>800,000</u>	<u>43,107</u>	<u>30</u>	<u>5,516</u>	<u>42,744</u>	<u>44,543</u>	<u>-</u>	<u>119,415</u>	<u>1,055,355</u>	<u>101,874</u>	<u>1,157,229</u>
<b>Changes in equity for 2014:</b>											
Profit for the year	-	-	-	-	-	-	-	145,258	145,258	11,496	156,754
Other comprehensive income	-	-	-	2,326	-	-	-	-	2,326	-	2,326
Total comprehensive income	-	-	-	2,326	-	-	-	145,258	147,584	11,496	159,080
Issue financial instrument	-	-	-	-	-	-	2,370	-	2,370	-	2,370
Acquisition of non-controlling interest (NCI) without a change in control	-	-	169	-	-	-	-	-	169	(1,118)	(949)
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-	188,999	188,999
Disposal of subsidiaries	-	-	(1,773)	-	-	-	-	-	(1,773)	(24,634)	(26,407)
Appropriation to surplus reserve	-	-	-	-	14,861	-	-	(14,861)	-	-	-
Appropriation to general reserve	-	-	-	-	-	16,693	-	(16,693)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(152,000)	(152,000)	(4,305)	(156,305)
Balance at 31 December 2014 and 1 January 2015	<u>800,000</u>	<u>43,107</u>	<u>(1,574)</u>	<u>7,842</u>	<u>57,605</u>	<u>61,236</u>	<u>2,370</u>	<u>81,119</u>	<u>1,051,705</u>	<u>272,312</u>	<u>1,324,017</u>

The notes on pages 65 to 168 form part of these financial statements.



# Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2015  
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument-equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note	Note	Note	Note	Note	Note	Note				
	26(c)	26(d)(i)	26(d)(ii)	26(d)(iii)	26(d)(iv)	26(d)(v)	26(d)(vi)				
Balance at 1 January 2015	800,000	43,107	(1,574)	7,842	57,605	61,236	2,370	81,119	1,051,705	272,312	1,324,017
<b>Changes in equity for 2015:</b>											
Profit for the year	-	-	-	-	-	-	-	112,104	112,104	30,726	142,830
Other comprehensive income	-	-	-	7,290	-	-	-	-	7,290	-	7,290
Total comprehensive income	-	-	-	7,290	-	-	-	112,104	119,394	30,726	150,120
Shares issued upon initial public offering ("IPO")	266,667	-	-	-	(134)	-	-	-	266,533	-	266,533
Appropriation to surplus reserve	-	-	-	-	9,615	-	-	(9,615)	-	-	-
Appropriation to general reserve	-	-	-	-	-	10,559	-	(10,559)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	-	-	(18,627)	(18,627)
Balance at 31 December 2015	1,066,667	43,107	(1,574)	15,132	67,086	71,795	2,370	173,049	1,437,632	284,411	1,722,043

The notes on pages 65 to 168 form part of these financial statements.



# Consolidated Cash Flow Statement

For the year ended 31 December 2015  
(Expressed in RMB'000)

	Note	2015 RMB'000	2014 RMB'000
<b>Operating activities</b>			
Cash (used in)/generated from operations	10(b)	(171,527)	43,185
PRC income tax paid	25(a)	(48,166)	(57,422)
<b>Net cash used in operating activities</b>		<b>(219,693)</b>	<b>(14,237)</b>
<b>Investing activities</b>			
Proceeds from dispose of financial assets		91,625	67,454
Investment income		19,691	19,568
Proceeds from sale of fixed assets and other non-current assets		80	32
Net proceeds from disposal of subsidiaries		–	35,923
Payments for the purchase of fixed assets and other non-current assets		(1,963)	(1,629)
Payments on acquisition of investments and subsidiaries		(85,119)	(157,218)
<b>Net cash generated from/(used in) investing activities</b>		<b>24,314</b>	<b>(35,870)</b>
<b>Financing activities</b>			
Net proceeds from IPO		314,437	–
Proceeds from new borrowings		48,836	100,000
Repayment of borrowings		(75,000)	–
Interest paid		(5,005)	(2,453)
Dividends paid		(98,627)	(76,305)
Payment of listing expense		(16,105)	(6,947)
<b>Net cash generated from financing activities</b>		<b>168,536</b>	<b>14,295</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(26,843)</b>	<b>(35,812)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>568,789</b>	<b>604,601</b>
<b>Effect of foreign exchange rate changes</b>		<b>1,058</b>	<b>–</b>
<b>Cash and cash equivalents at 31 December</b>	10(a)	<b>543,004</b>	<b>568,789</b>

The notes on pages 65 to 168 form part of these financial statements.



# Notes to the Financial Statements

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group”).

The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale financial assets (see Note 1(j)) that are stated at their fair value and liabilities from guarantees (see Note 1(r)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 32.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- *Annual Improvements to HKFRSs 2010–2012 Cycle*
- *Annual Improvements to HKFRSs 2011–2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

#### ***Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee Contributions***

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group does not operate defined benefit plans.

#### ***Annual Improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle***

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity/shareholders holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (d) Subsidiaries and non-controlling interests (Continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(j)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(n)(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (e) Associates

An associate is an entity in which the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statement under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(f) and (n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (e) Associates (Continued)

In all other cases, when the Company ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(j)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 1(n)(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

### (f) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(n)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see Note 1(n)(ii)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	<b>Estimated useful lives</b>
Motor vehicles	5 years
Office and other equipments	5 years
Leasehold improvements	1–5 years

Where parts of an item of fixed assets have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (h) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 1(n)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	<b>Estimated useful lives</b>
Software	2–10 years

Both the period and method of amortization are reviewed annually.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

#### (ii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments

#### (i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value, plus, for instruments not classified as at fair value through profit or loss, any directly attributable transaction costs.

Financial assets and financial liabilities are categorized as follows:

- *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables for default guarantee payments made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

- *Loans and receivables*

Loans and receivables are non-derivative financial assets held by the Group with fixed or determinable recoverable amounts that are not quoted in an active market, other than:

- (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (i) Recognition and measurement of financial assets and liabilities (Continued)

- *Available-for-sale financial assets*

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available-for-sale and other financial assets are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity assets.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, without any deduction for transaction costs that may occur on sale and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss.

- *Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)*

A financial asset or financial liability is classified at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, a financial instrument managed in a pattern of short-term profit taking, a derivative, or if it is designated at fair value through profit or loss.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, without any deductions for transactions costs that may occur on sale, and changes therein are recognised in profit or loss.

- *Other financial liabilities*

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (ii) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- disappearance of an active market for financial assets because of financial difficulties;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- *Loans and receivables*

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (ii) Impairment of financial assets (Continued)

- *Individual assessment*

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The impairment losses are recognised in profit or loss.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralized loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

- *Collective assessment*

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (ii) Impairment of financial assets (Continued)

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loan is written off against its provisions for impairment losses upon necessary approval.

- *Available-for-sale financial assets*

For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (iii) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (iv) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

#### (v) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realizing the asset and settling the liability simultaneously.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (j) Financial instruments (Continued)

#### (vi) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is premeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

#### (vii) Convertible financial instrument

Convertible financial instrument that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instrument which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible financial instrument is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed. If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fees payable, using the effective interest method.

### (l) Other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within six months of maturity at acquisition.

### (n) Impairment of non-financial assets

#### (i) *Impairment of investments in subsidiaries and associates*

Investments in subsidiaries and associates are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the loss events in Note 1(j)(ii). When any such evidence exists, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(d) and Note 1(e). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with Note 1(n)(ii).



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (n) Impairment of non-financial assets (Continued)

#### (ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Fixed assets;
- Intangible assets;
- Goodwill; and
- Investments in subsidiaries and associates in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units (or group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, if determinable.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (n) Impairment of non-financial assets (Continued)

#### (ii) Impairment of other assets (Continued)

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (o) Employee benefits

Employee benefits include short term employee benefits and contributions to defined contribution retirement plans.

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits the Group makes pursuant to the relevant laws and regulations of the PRC are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to the statement of profit or loss on an accrual basis.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (p) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company and the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (q) Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group issues performance guarantee and litigation guarantee contracts, in which the Group agrees to provide guarantees to its customers who entered into contracts with third parties for services to be rendered, goods to be supplied or obligation to fulfil within an agreed time period. The Group is required to compensate the guarantee holder if a specified uncertain future event adversely results in the counterparties' failure to delivery services and goods, or to fulfil the obligation.

Where the Group issues a guarantee, the fair value of the guarantee contract issued is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued. In addition, provisions are recognised in accordance with Note 1(r)(i) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (r) Provisions and contingent liabilities

#### (i) Provisions for guarantee losses

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect profit or loss in future years.

#### (ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (s) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 1(t)(iv) and (ii).

Dated debt securities that the group and/or the company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(n)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(n)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in notes 1(t)(iv) and 1(t)(ii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 1(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or they expire.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### (i) *Guarantee fee income*

Guarantee fee income is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. Guarantee fee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the statement of profit or loss over the period of guarantee. Generally, the Group receives guarantee fee income in full at inception and records it as unearned income before amortising it throughout the period of guarantee.

#### (ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

#### (iii) *Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services (e.g. financial consulting services) is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to extent of the costs incurred that it is probable be recoverable.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (t) Revenue recognition (Continued)

#### (iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

### (u) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for providing guarantee services and SME lending to SMEs under certain criteria are recognised as revenue in profit or loss upon receiving such grants. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### (v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

### (w) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (x) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The initial cost of repossessed assets is measured at the lower of the net carrying amount of loans and advances and the fair value of the assets less costs to sell on the acquisition date. Repossessed assets are not depreciated or amortised. The impairment losses of initial measurement and subsequent revaluation are charged to the profit or loss.

### (y) Related parties

(i) *A person, or a close member of that person's family, is related to the Group if that person:*

- (1) Has control or joint control over the Group;
- (2) Has significant influence over the Group; or
- (3) Is a member of the key management personnel of the Group or the Group's parent.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 1 Significant accounting policies (Continued)

### (y) Related parties (Continued)

#### (ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (3) Both entities are joint ventures of the same third party;
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (6) The entity is controlled or jointly controlled by a person identified in (i);
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 2 Revenue and segment reporting

### (a) Revenue

The principal activities of the Group are provision of credit guarantee, loans and advances to customers and related consulting services in the PRC. Revenue represents net guarantee fee income and net interest income and service fee from consulting services. The amount of each significant category of net fee and interest income recognised in revenue is as follows:

	2015 RMB'000	2014 RMB'000
<b>Guarantee fee income</b>		
Financing guarantee fee income	134,446	167,999
Performance guarantee fee income	5,900	2,106
Litigation guarantee fee income	236	329
Subtotal	140,582	170,434
Less: Re-guarantee expenses	(9,376)	(7,060)
<b>Net guarantee fee income</b>	131,206	163,374
<b>Interest income</b>		
– Loans and advances to customers	119,644	96,403
– Cash at banks and pledged bank deposits	12,058	11,010
Subtotal	131,702	107,413
<b>Interest expenses</b>		
– Borrowings from banks	(3,448)	(2,462)
– Interest expenses from financial institution bonds	(1,413)	–
– Interest expenses from other financial instruments liability component	(5,765)	(2,796)
Subtotal	(10,626)	(5,258)
<b>Net interest income</b>	121,076	102,155
<b>Service fee from consulting services</b>	33,352	41,814
<b>Revenue</b>	285,634	307,343



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 2 Revenue and segment reporting (Continued)

The Group's customer base is diversified and has no customer with whose transactions have exceeded 10% of the Group's net guarantee fee and interest income and service fee from consulting services during the years ended 31 December 2015 and 2014. Details of concentrations of credit risk are set out in Note 27(a).

### (b) Segment reporting

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

#### **Guarantee business**

This segment represents the provision of a range of guarantee services and related consulting service to customers. These guarantee services include financing guarantee, performance guarantee and litigation guarantee. The consulting services include debt financing, internal control and risk management related consulting services to the guarantee customers.

#### **SME lending**

This segment represents the provision of a range of loan and related financing consulting services to the small and medium sized and micro enterprises ("SME enterprises") or the owners of SME enterprises.

#### **Others**

This segment represents the aggregation of other non-significant business lines and the operational results of the headquarters.

#### (i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets. Segment liabilities include all liabilities managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

#### Others (Continued)

##### (i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 are set out below:

	2015		
	Guarantee business RMB'000	SME lending RMB'000	Total RMB'000
Guarantee fee income	140,582	–	140,582
Re-guarantee expenses	(9,376)	–	(9,376)
Interest income	11,202	120,500	131,702
Interest expenses	(5,765)	(4,861)	(10,626)
Service fee from consulting services	24,461	8,891	33,352
Reportable segment revenue	<u>161,104</u>	<u>124,530</u>	<u>285,634</u>
Other revenue	28,536	264	28,800
Provisions for guarantee losses	(2,533)	–	(2,533)
Impairment losses	(18,187)	(9,171)	(27,358)
Operating expenses	<u>(52,853)</u>	<u>(39,075)</u>	<u>(91,928)</u>
Reportable segment profit before taxation	<u>116,067</u>	<u>76,548</u>	<u>192,615</u>
Segment assets	<u>1,454,086</u>	<u>681,606</u>	<u>2,135,692</u>
Segment liabilities	<u>389,171</u>	<u>59,840</u>	<u>449,011</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

#### Others (Continued)

#### (i) Segment results, assets and liabilities (Continued)

	2014			
	Guarantee business RMB'000	SME lending RMB'000	Others RMB'000	Total RMB'000
Guarantee fee income	170,434	–	–	170,434
Re-guarantee expenses	(7,060)	–	–	(7,060)
Interest income	10,225	97,167	21	107,413
Interest expenses	(2,796)	(2,462)	–	(5,258)
Service fee from consulting services	38,795	1,964	1,055	41,814
Reportable segment revenue	209,598	96,669	1,076	307,343
Other revenue	20,588	404	–	20,992
Share of profits of associates	2,355	–	–	2,355
Net gain on disposal of subsidiaries	473	–	–	473
Provisions for guarantee losses	(8,146)	–	–	(8,146)
Impairment losses	(22,823)	(6,538)	–	(29,361)
Operating expenses	(57,371)	(24,415)	(249)	(82,035)
Reportable segment profit before taxation	<u>144,674</u>	<u>66,120</u>	<u>827</u>	<u>211,621</u>
Segment assets	<u>1,403,251</u>	<u>416,611</u>	<u>–</u>	<u>1,819,862</u>
Segment liabilities	<u>440,932</u>	<u>87,379</u>	<u>–</u>	<u>528,311</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

#### Others (Continued)

#### (ii) Reconciliation of reportable segment assets

		31 December 2015 RMB'000	31 December 2014 RMB'000
	Note		
<b>Assets</b>			
Reportable segment assets		2,135,692	1,819,862
Deferred tax assets	25(b)	<u>35,362</u>	<u>32,466</u>
Consolidated total assets		<u><u>2,171,054</u></u>	<u><u>1,852,328</u></u>

## 3 Other revenue

		2015 RMB'000	2014 RMB'000
	Note		
Government grant		7,470	2,487
Available-for-sale financial assets (listed security) reclassified from equity on disposal	8(b)	9,312	–
Dispose gain of available-for-sale financial assets (unlisted security)		–	1,080
Investment income of receivable investments		6,129	7,037
Investment income from available-for-sale financial assets		4,570	10,046
Foreign exchange gains	10(b)	1,058	–
Others		<u>261</u>	<u>342</u>
		<u><u>28,800</u></u>	<u><u>20,992</u></u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

### (a) Impairment and provision – charged/(reversed)

	Note	2015 RMB'000	2014 RMB'000
Receivables for default guarantee payments	12(b)(i)	14,551	22,160
Receivables from guarantee customers	12(b)(ii)	3,634	3,070
Loans and advances to customers	13(f)	9,173	8,276
Receivable from HanTang Securities	(i)/12(d)	–	(4,145)
		<u>27,358</u>	<u>29,361</u>

(i) Receivable from HanTang Securities represents the purchase of national debt, which was deposited in a custodian account at HanTang Securities Co. Ltd. 漢唐證券有限責任公司 (“HanTang Securities”). The official name of HanTang Securities is in Chinese, and the English translation is for reference only.

### (b) Staff costs

	2015 RMB'000	2014 RMB'000
Salaries, wages, bonuses and other benefits	38,758	39,629
Contributions to retirement schemes	3,023	1,297
	<u>41,781</u>	<u>40,926</u>

The Group is required to participate in pension schemes organized by the respective local governments of the People's Republic of China (the “PRC”) whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 4 Profit before taxation (Continued)

### (c) Other items

	Note	2015 RMB'000	2014 RMB'000
Depreciation and amortization	17 & 18 & 10(b)	2,985	1,829
Operating lease charges: minimum lease payments		5,691	6,045
Auditors' remuneration			
– annual audit		613	128
– IPO audit		2,347	294
Listing expense upon IPO	(i)	4,256	325

(i) The transaction costs were charged by the professional parties in connection with the listing of the ordinary shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 23 December 2015. These costs were charged to profit or loss except for the costs directly attributable to the issuance of incremental shares for IPO recognised in equity upon listing (Note 26(d)(i)).



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 5 Income tax in the consolidated statement of profit or loss

### (a) Taxation in the consolidated statement of profit or loss:

	Note	2015 RMB'000	2014 RMB'000
<b>Current tax</b>			
Provision for PRC income tax for the year	25(a)	55,111	67,995
<b>Deferred tax</b>			
Origination and reversal of temporary differences	25(b)	(5,326)	(13,128)
<b>Income tax expense</b>		<b>49,785</b>	<b>54,867</b>

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2015 RMB'000	2014 RMB'000
Profit before taxation	192,615	211,621
Notional tax on profit before taxation, calculated at 25%	48,159	52,905
Effect of non-deductible expenses	4,814	6,523
Effect of non-taxable income	(3,188)	(4,561)
Actual income tax expense	<b>49,785</b>	<b>54,867</b>





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 6 Directors' remuneration

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme Contributions RMB'000	
<b>Chairman</b>					
Wu Liejin	75	481	850	23	1,429
<b>Executive directors</b>					
Liang Daming (resigned on 25 March 2015)	8	144	-	-	152
Xie Yongdong	60	309	523	23	915
<b>Non-executive directors</b>					
Huang Guoshen	30	-	-	-	30
Wu Yanfen	30	-	-	-	30
Gu Lidan	-	-	-	-	-
Zhang Minming (appointed on 25 March 2015)	23	-	-	-	23
<b>Independent non-executive directors</b>					
Wu Xiangneng	80	-	-	-	80
Leung Hon Man	80	-	-	-	80
Liu Heng	80	-	-	-	80



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 6 Directors' remuneration (Continued)

	2015				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme Contributions RMB'000	
<b>Supervisor</b>					
Wang Wei	15	142	264	23	444
Li Qi	15	-	-	-	15
Sun Weiqun (resigned on 25 March 2015)	4	-	-	-	4
Feng Qunying (appointed on 25 March 2015)	11	-	-	-	11
Liang Yi (appointed on 25 March 2015)	11	139	121	12	283
Liao Zhenliang (appointed on 25 March 2015)	23	-	-	-	23
Zhong Jian (appointed on 25 March 2015)	23	-	-	-	23
	<u>568</u>	<u>1,215</u>	<u>1,758</u>	<u>81</u>	<u>3,622</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 6 Directors' remuneration (Continued)

	2014				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme Contributions RMB'000	Total RMB'000
<b>Chairman</b>					
Wu Liejin	65	450	1,533	19	2,067
<b>Executive directors</b>					
Liang Daming	30	433	169	–	632
Xie Yongdong	50	267	892	19	1,228
<b>Non-executive directors</b>					
Huang Guoshen	30	–	–	–	30
Wu Yanfen	30	–	–	–	30
Yang Wenhui (resigned on 6 June 2014)	15	–	–	–	15
Gu Lidan (appointed on 22 January 2014)	–	–	–	–	–
Cai Guolin (resigned on 22 January 2014)	–	–	–	–	–



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 6 Directors' remuneration (Continued)

	2014				Total RMB'000
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme Contributions RMB'000	
<b>Independent non-executive directors</b>					
Wu Qing (resigned on 6 June 2014)	40	–	–	–	40
Wu Xiangneng	80	–	–	–	80
Leung Hon Man (appointed on 6 June 2014)	40	–	–	–	40
Liu Heng (appointed on 6 June 2014)	40	–	–	–	40
<b>Supervisors</b>					
Wang Wei	15	123	297	10	445
Sun Weiqun	15	–	–	–	15
Li Qi	15	–	–	–	15
	<u>465</u>	<u>1,273</u>	<u>2,891</u>	<u>48</u>	<u>4,677</u>

There were no amounts paid during the years ended 31 December 2015 and 2014 to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. Except Gu Lidan and Cai Guolin (representatives of the Company's state-owned share holders), there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

\* The dates of appointment and resign are subject to the approvals of shareholders. The relevant filing regarding the approvals of shareholders dated 25 March 2015 was completed by the State Administration for Industry & Commerce of the People's Republic of China on 21 April 2015.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2014: three) are directors of the Company whose emoluments are disclosed in Note 6.

The aggregate of the emoluments in respect of the other three (2014: two) individuals are as follows:

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
Salaries, allowance and benefits in kind	719	408
Discretionary bonuses	1,085	922
Retirement scheme contributions	<u>68</u>	<u>34</u>
Total	<u><u>1,872</u></u>	<u><u>1,364</u></u>

No emoluments are paid or payable to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2015 and 2014.

The emoluments of the three (2014: two) individuals with the highest emoluments are all within the following bands:

	<b>2015</b> <b>Number of</b> <b>Individuals</b>	2014 Number of individuals
HKD		
nil–1,000,000	3	1
1,000,001–1,500,000	–	1



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 8 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income is as follows:

	2015			2014		
	Before-tax	Tax	Net-of-tax	Before-tax	Tax	Net-of-tax
	amount	expense	amount	amount	expense	amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets:						
net movement in fair value reserve	<u>9,721</u>	<u>(2,431)</u>	<u>7,290</u>	<u>3,101</u>	<u>(775)</u>	<u>2,326</u>

(b) Components of other comprehensive income, including reclassification adjustments

	2015	2014
	RMB'000	RMB'000
Available-for-sale financial assets:		
Changes in fair value recognised during the year	19,033	3,101
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal (note 3)	<u>(9,312)</u>	<u>–</u>
Net movement in the fair value reserve during the year recognised in other comprehensive income	<u>9,721</u>	<u>3,101</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 9 Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average of ordinary shares in issue during the year, calculated as follows:

	2015	2014
Profit attributable to the equity shareholders of the Company (RMB'000)	112,104	145,258
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share ('000)	<u>806,575</u>	<u>800,000</u>
Basic earnings per share (RMB per share)	<u><u>0.14</u></u>	<u><u>0.18</u></u>

### (b) Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January ('000)	800,000	800,000
Effect of shares upon IPO ('000)	<u>6,575</u>	–
Weighted average number of ordinary shares at 31 December ('000)	<u><u>806,575</u></u>	<u><u>800,000</u></u>

Note

(i) On 23 December 2015, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited, with 266,666,667 shares issued.

There were no dilutive potential ordinary shares during the years ended 31 December 2015 and 2014, and therefore, diluted earnings per share are the same as the basic earnings per share.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 10 Cash and cash equivalents

### (a) Cash and cash equivalents comprise:

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
Cash in hand	<b>13</b>	23
Cash at banks	<b>542,991</b>	568,766
Cash and cash equivalents in the consolidated cash flow statement	<b>543,004</b>	568,789
Term deposits with banks	<b>320,744</b>	285,581
Restricted bank deposits	<b>2,499</b>	3,958
	<b>866,247</b>	858,328

The Group's operation of guarantees and loans to customers services in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Restricted bank deposits represented the received guarantee business pledged customer deposit with tripartite custodian agreement among lending bank, guarantee customer and the Group. For the purpose of the consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 10 Cash and cash equivalents (Continued)

### (b) Reconciliation of profit before taxation to cash (used in)/generated from operating activities:

	Note	2015 RMB'000	2014 RMB'000
<b>Profit before tax</b>		<b>192,615</b>	211,621
Adjustments for:			
Impairment losses		<b>27,358</b>	29,361
Investment income	3	<b>(20,011)</b>	(18,163)
Interest expenses		<b>10,626</b>	5,258
Listing expense upon IPO	4(c)	<b>6,603</b>	619
Depreciation and amortization	4(c)	<b>2,985</b>	1,829
Provisions for guarantee losses		<b>2,533</b>	8,146
Foreign exchange gains		<b>(1,058)</b>	–
Losses on disposal of fixed assets		<b>13</b>	3
Share of profits of associates		–	(2,355)
Net gain on disposal of subsidiaries		–	(473)
<b>Change in working capitals:</b>			
Decrease/(increase) from term deposits with banks and restricted bank deposits		<b>26,812</b>	(16,885)
Increase in loans and advances to customers		<b>(289,780)</b>	(60,127)
Increase in trade and other receivables		<b>(125,377)</b>	(113,066)
Decrease in customer pledged deposits		<b>(7,634)</b>	(2,167)
Increase/(decrease) in accruals and other payables		<b>2,788</b>	(416)
<b>Cash (used in)/generated from operations</b>		<b>(171,527)</b>	43,185

## 11 Pledged bank deposits

All pledged bank deposits represent the deposits at banks according to the requirements from banks or related government regulations for the financing guarantees that the Group provides to third parties for borrowing from banks.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables

		31 December 2015 RMB'000	31 December 2014 RMB'000
	Note		
Receivables for default guarantee payments	(i)/12(a)(i)	202,028	171,095
Less: Allowance for doubtful debts	12(b)(i)	<u>(56,978)</u>	<u>(56,753)</u>
		<u>145,050</u>	<u>114,342</u>
Receivables from guarantee customers	(ii)/12(a)(ii)	69,055	40,084
Less: Allowance for doubtful debts	12(b)(ii)	<u>(7,476)</u>	<u>(4,282)</u>
		<u>61,579</u>	<u>35,802</u>
Receivable from HanTang Securities		-	2,684
Less: Allowance for doubtful debts	12(d)	<u>-</u>	<u>(2,684)</u>
		<u>-</u>	<u>-</u>
Interest receivables	12(e)	14,150	9,403
Amount due from related parties	12(f)	-	173
Receivables from disposal of default guarantee payments		18,414	18,414
Other receivables		<u>20,576</u>	<u>13,828</u>
		<u>53,140</u>	<u>41,818</u>
Deposits and prepayments	(iii)	35,343	13,447
Reposessed assets		8,343	7,601
IPO services fees		<u>-</u>	<u>6,328</u>
		<u>43,686</u>	<u>27,376</u>
		<u>303,455</u>	<u>219,338</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

As at 31 December 2015, receivables from guarantee customers, other receivables, deposits and prepayments and repossessed assets expected to be recovered or recognised as expense after more than one year is RMB22.57 million (2014: RMB22.02 million). All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

- (i) During the year ended 31 December 2015, the Group disposed of receivables for default guarantee payments amounted to RMB109,021,000 (with allowances for doubtful debts of RMB11,189,000), without recourse to four third parties at considerations amounted to RMB97,832,000.
- (ii) During the year ended 31 December 2015, the Group disposed of receivables from guarantee customers amounted to RMB67,689,000 without recourse to four third parties at considerations amounted to RMB67,249,000.
- (iii) The Company made a prepayment amounted to RMB30,000,000 to establish Yunfu Yuecai Puhui Financing Guarantee Co.,Ltd. 雲浮市粵財普惠融資擔保股份有限公司 (“**Yunfu Yuecai Guarantee**”) at 31 December 2015, in which the Company holds 20% equity interests. Yunfu Yuecai Guarantee was established on 4 February 2016.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

### (a) Ageing analysis:

As of the end of the reporting period, the ageing analysis of receivables for default guarantee payments, based on the transaction date and net of allowance for doubtful debts, is as follows:

#### (i) Receivables for default guarantee payments

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	70,892	72,338
Over 1 year but less than 2 years	47,635	59,139
Over 2 years but less than 3 years	54,861	32,969
Over 3 years	28,640	6,649
Less: allowance for doubtful debts	<u>(56,978)</u>	<u>(56,753)</u>
	<u>145,050</u>	<u>114,342</u>

Receivables for default guarantee payments are due from the date of payment. Further details on the Group's credit policy are set out in Note 27(a).

#### (ii) Receivables from guarantee customers

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 1 year	69,055	40,084
Less: allowance for doubtful debts	<u>(7,476)</u>	<u>(4,282)</u>
	<u>61,579</u>	<u>35,802</u>

Receivables from guarantee customers are due within 1 year from the date of payment. Further details on the Group's credit policy are set out in Note 27(a).



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

### (b) Impairment of receivables for default guarantee payments and receivables from guarantee customers:

Impairment losses in respect of receivables for default guarantee payments and receivables from guarantee customers are recorded using an allowance unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against receivables for default guarantee payments and receivables from guarantee customers (see Note 1(j)(ii)).

The movement in the allowance for receivables for default guarantee payments and receivables from guarantee customers (including both individual and collective impairment) during the years ended 31 December 2015 and 2014, are as follows:

#### (i) Receivables for default guarantee payments

	Note	2015 RMB'000	2014 RMB'000
As at 1 January		56,753	44,563
Impairment losses recognised in the consolidated statement of profit or loss	4(a)	14,551	22,160
Amounts written off		(14,497)	(9,970)
Amounts recovered		171	–
As at 31 December		<u>56,978</u>	<u>56,753</u>

As at 31 December 2015, the Group's receivables for default guarantee payments of RMB202.03 million (2014: RMB171.10 million), were all individually assessed for the impairment. As at 31 December 2015, the Group's receivables for default guarantee payments of RMB126.61 million (2014: RMB127.40 million) were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered unless no losses is expected to ensue when collateral or guarantees of the receivables are involved. Consequently, individually assessed allowances for receivables for default guarantee payments RMB56.98 million were made as at 31 December 2015 (2014: RMB56.75 million).



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

### (b) Impairment of receivables for default guarantee payments and receivables from guarantee customers: (Continued)

#### (ii) Receivables from guarantee customers

	Note	2015 RMB'000	2014 RMB'000
As at 1 January		4,282	1,212
Impairment losses recognised in the consolidated statement of profit or loss	4(a)	3,634	3,070
Amount written off		(440)	–
As at 31 December		<u>7,476</u>	<u>4,282</u>

As at 31 December 2015, the Group's receivables from guarantee customers of RMB12.90 million (2014: RMB3.00 million) were individually assessed for the impairment and RMB2.50 million (2014: nil) were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered unless no losses is expected to ensue when collateral or guarantees of the receivables are involved. For the remaining balance amounted to RMB56.16 million (2014: RMB37.08 million), the management adopted a collective assessment. Consequently, individually assessed allowances for doubtful debts of RMB0.78 million (2014: nil) and collectively assessed allowances for receivables from guarantee customers of RMB6.70 million (2014: RMB4.28 million) were made at 31 December 2015.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

### (c) Receivables for default guarantee payments and receivables from guarantee customers that are not impaired:

#### (i) Receivables for default guarantee payments

	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Overdue within 3 months (inclusive)	<b>11,179</b>	21,225
Overdue more than 3 months to 6 months (inclusive)	<b>15,013</b>	6,580
Overdue more than 6 months to one year (inclusive)	<b>26,226</b>	332
Overdue more than one year	<b>23,001</b>	15,561
	<b>75,419</b>	43,698

Receivables for default guarantee payments that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

#### (ii) Receivables from guarantee customers

	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Neither past due nor impaired	<b>56,155</b>	38,084
Overdue within 3 months (inclusive)	<b>10,400</b>	2,000
	<b>66,555</b>	40,084

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

### (c) Receivables for default guarantee payments and receivables from guarantee customers that are not impaired:

#### (ii) Receivables from guarantee customers (Continued)

Receivables from guarantee customers that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

### (d) Impairment of receivable from HanTang Securities:

	Note	2015 RMB'000	2014 RMB'000
As at 1 January		2,684	6,829
Reversals	4(a)	–	(4,145)
Write off		<u>(2,684)</u>	<u>–</u>
As at 31 December		<u>–</u>	<u>2,684</u>

Impairment of receivable investments relates to the purchase of national debt deposited in a custodian account at HanTang Securities in 2003. HanTang Securities went into bankruptcy in 2005, therefore the Group has recognised 100% impairment loss for the unrecoverable amount. During the year ended 31 December 2014 the Group received repayments of RMB4.15 million in the process of bankruptcy liquidation and the Group reversed related impairment according to the amounts received. As at 20 December 2014, the court issued a judgement to notify the completion of Hantang Securities's bankruptcy liquidation procedure. Considering the possibility of further repayments is remote, management wrote off the remaining balance amounted to RMB2,684,000 as by 31 December 2015.

### (e) Interest receivables

As at 31 December 2015, the interest receivables include interest receivables from loans and advances amounted to RMB6,068,000 (2014: RMB3,857,000).





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 12 Trade and other receivables (Continued)

### (f) Amounts due from related parties

The amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

## 13 Loans and advances to customers

### (a) Analysed by nature

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
Entrusted loans	402,742	117,664
Micro-lending	<u>272,627</u>	<u>268,849</u>
Gross loans and advances to customers	<b>675,369</b>	386,513
Less: Allowances for impairment losses		
– Individually assessed	(16,438)	(15,980)
– Collectively assessed	<u>(20,957)</u>	<u>(13,166)</u>
Total allowances for impairment losses	<u>(37,395)</u>	<u>(29,146)</u>
Net loans and advances to customers	<b><u>637,974</u></b>	<b><u>357,367</u></b>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (b) Analysed by industry sector

	31 December 2015		31 December 2014	
	RMB'000	%	RMB'000	%
Wholesale and Retail	254,299	38%	81,190	21%
Service Sector	198,273	29%	90,835	24%
Loans to individual business proprietors	135,028	19%	90,091	22%
Manufacturing	71,363	10%	102,462	27%
Transportation Warehousing and Postal service	11,006	2%	12,385	3%
Construction industry	3,000	1%	–	–
Real estate and construction	2,400	1%	2,400	1%
Others	–	–	7,150	2%
<b>Gross loans and advances to customers</b>	<b>675,369</b>	<b>100%</b>	<b>386,513</b>	<b>100%</b>
Less: Allowances for impairment losses				
– Individually assessed	(16,438)		(15,980)	
– Collectively assessed	(20,957)		(13,166)	
<b>Total allowances for impairment losses</b>	<b>(37,395)</b>		<b>(29,146)</b>	
<b>Net loans and advances to customers</b>	<b>637,974</b>		<b>357,367</b>	



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (c) Analysed by type of collateral

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
Secured loans	156,701	158,500
Unsecured loans	123,608	496
Others	<u>395,060</u>	<u>227,517</u>
Gross loans and advances to customers	<u>675,369</u>	<u>386,513</u>
Less: Allowances for impairment losses		
– Individually assessed	(16,438)	(15,980)
– Collectively assessed	<u>(20,957)</u>	<u>(13,166)</u>
Total allowances for impairment losses	<u>(37,395)</u>	<u>(29,146)</u>
Net loans and advances to customers	<u><u>637,974</u></u>	<u><u>357,367</u></u>

- Unsecured Loans: Unsecured loans refer to the loan and advances which are not secured by collateral or counter-guaranteed;
- Secured Loans: Secured loans refer to the loan and advances which are secured by collateral that meets the following standards: (i) such collateral has been registered with the relevant governmental authorities; (ii) the market value of such collateral can be easily observed; and (iii) the Group has priorities over other beneficiaries on such collateral. Such collateral mainly includes real properties and land use rights.
- Others: Others refer to loans and advances guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily observed, or on which the Group does not have priorities over other beneficiaries. Such collateral includes unregistrable real properties, land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (d) Overdue loans analysed by overdue period

	31 December 2015 RMB'000	31 December 2014 RMB'000
Overdue within 3 months (inclusive)	3,045	96
Overdue more than 3 months to 6 months (inclusive)	3,054	1,296
Overdue more than 6 months to one year (inclusive)	31,720	11,631
Overdue more than one year	25,439	14,864
	<u>63,258</u>	<u>27,887</u>

Overdue loans represent loans and advances, of which the whole or part of the principal or interest were overdue for one day or more.

### (e) Analysed by methods for assessing allowances for impairment losses

	31 December 2015		
	Loans and advances for which allowances are collectively assessed RMB'000	Impaired loans and advances for which allowances are individually assessed RMB'000	Total RMB'000
Entrusted loans	344,574	58,168	402,742
Micro-lending	270,287	2,340	272,627
Gross loans and advances to customers	614,861	60,508	675,369
Less: Allowances for impairment losses	(20,957)	(16,438)	(37,395)
Net loans and advances to customers	<u>593,904</u>	<u>44,070</u>	<u>637,974</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (e) Analysed by methods for assessing allowances for impairment losses (Continued)

	31 December 2014		
	Loans and advances for which allowances are collectively assessed <i>RMB'000</i>	Impaired loans and advances for which allowances are individually assessed <i>RMB'000</i>	Total <i>RMB'000</i>
Micro-lending	266,746	2,103	268,849
Entrusted loans	91,880	25,784	117,664
Gross loans and advances to customers	358,626	27,887	386,513
Less: Allowances for impairment losses	(13,166)	(15,980)	(29,146)
Net loans and advances to customers	<u>345,460</u>	<u>11,907</u>	<u>357,367</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (f) Movements of allowances for impairment losses

	Note	2015		Total RMB'000
		Allowances for loans and advances which are collectively assessed RMB'000	Allowances for impaired loans and advances which are individually assessed RMB'000	
As at 1 January		13,166	15,980	29,146
Charge for the year	4(a)	7,791	1,382	9,173
Write-offs		-	(982)	(982)
Recoveries		-	58	58
As at 31 December		<u>20,957</u>	<u>16,438</u>	<u>37,395</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (f) Movements of allowances for impairment losses (Continued)

	Note	2014		Total RMB'000
		Allowances for loans and advances which are collectively assessed RMB'000	Allowances for impaired loans and advances which are individually assessed RMB'000	
As at 1 January		1,967	17,349	19,316
Charge for the year	4(a)	6,266	2,010	8,276
Write-offs		–	(3,455)	(3,455)
Addition through acquisition of a subsidiary		5,330	1,506	6,836
Transfer out through disposal of subsidiaries		(397)	(1,430)	(1,827)
As at 31 December		<u>13,166</u>	<u>15,980</u>	<u>29,146</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 13 Loans and advances to customers (Continued)

### (g) Analysed by credit quality

	31 December 2015 RMB'000	31 December 2014 RMB'000
Gross balance of loans and advances to customers		
Neither past due nor impaired	611,861	358,626
Impaired	60,508	27,887
Overdue but not impaired	3,000	–
	<u>675,369</u>	<u>386,513</u>
Less: Allowances for impairment losses		
Neither past due nor impaired	(20,957)	(13,166)
Impaired	(16,438)	(15,980)
	<u>(37,395)</u>	<u>(29,146)</u>
Net balance		
Neither past due nor impaired	590,904	345,460
Impaired	44,070	11,907
Overdue but not impaired	3,000	–
	<u>637,974</u>	<u>357,367</u>





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 14 Available-for-sale financial assets

	31 December 2015 RMB'000	31 December 2014 RMB'000
Listed securities	21,146	13,497
Wealth management products	2,530	5,000
Unlisted bonds	4,900	–
	<u>28,576</u>	<u>18,497</u>

When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at 31 December 2015, no impairment has been recognised (2014: nil).

Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses.

## 15 Receivable investments

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trust rights	32,875	80,500
Financial institutions bonds	–	40,000
	<u>32,875</u>	<u>120,500</u>

Financial institutions bonds represented the unlisted corporate bonds issued via Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心).



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 16 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

Name of company	Date and place of incorporation/ establishment	Date of consolidation	Paid-in/ registered capital	Proportion of ownership interest As at 31 December 2015 and 2014				
				Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity	Place of incorporation
Foshan Join-Share Investment and Financing Consultancy Co., Ltd. (" <b>Foshan Consultancy</b> ") (佛山中盈盛達投資諮詢服務有限公司)	11 November 2005 the PRC	11 November 2005	RMB 3,000,000	100%	100%	–	Investment and Consulting	Foshan
Foshan Join-Share Industrial Investment Co., Ltd. (" <b>Foshan Industrial Investment</b> ") (佛山中盈興業投資有限公司)	29 September 2007 the PRC	29 September 2007	RMB 5,100,000	100%	100%	–	Investment and Consulting	Foshan
Anhui Join-Share Financing Guarantee Co., Ltd. (" <b>Anhui Join-Share</b> ") (安徽中盈盛達融資擔保有限公司)	31 August 2009 the PRC	31 August 2009	RMB 150,000,000	51%	51%	–	Guarantee	Hefei
Hefei Join-Share Consultancy Service Co., Ltd. (" <b>Hefei Consultancy</b> ") (合肥中盈盛達諮詢服務有限公司)	8 May 2010 the PRC	8 May 2010	RMB 1,000,000	51%	–	100%	Consulting	Hefei
Foshan Chancheng Join-Share Micro Credit Co., Ltd. (" <b>Foshan Micro Credit</b> ") (佛山禪城中盈盛達小額貸款有限公司)*	30 May 2011 the PRC	27 June 2014	RMB 200,000,000	30%	30%	–	Microcredit	Foshan
Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. (" <b>Zhongshan Join-Share</b> ") (中山中盈盛達科技融資擔保投資有限公司)**	8 July 2014 the PRC	8 July 2014	RMB 200,000,000	79%	35%	–	Guarantee	Zhongshan

All of the above subsidiaries are companies with limited liability incorporated and operated in the PRC. The English translation of the names of these companies is for reference only. The official names of these companies are in Chinese.

\* The Company held 30% equity interests in Foshan Micro Credit since 24 June 2014. Besides the 30% equity interest held by the Company, the Company entered into a concert party agreement with Foshan Micro Credit's other shareholders, whose collective equity interests are 62.5%, and such equity owners have agreed to follow the instruction of the Company to act in concert when casting their votes at shareholders meetings of Foshan Micro Credit. Subsequent to the above agreement, the Company holds 92.5% voting rights in Foshan Micro Credit. Therefore, the Group has the power over Foshan Micro Credit such as appointment of directors and senior management, making decisions about material matters in daily operation, distribution of dividends, business operation and assets disposal. Considering above mentioned factors, the directors are of the opinion that the Company controlled Foshan Micro Credit.

\*\* On 8 July 2014, Zhongshan Join-Share was set up by the Company, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., Zhongshan Transportation Development Group Co., Ltd. and Zhongshan Changqing New Industry Co., Ltd. jointly, which hold 35%, 50%, 10% and 5% equity interest in Zhongshan Join-Share respectively.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 16 Investments in subsidiaries (Continued)

Besides the 35% equity interest held by the Company, the Company has also entered into a concert party agreement with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., a shareholder of Zhongshan Join-Share, which holds 50% equity interest in Zhongshan Join-Share. Pursuant to the concert party agreement, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. agrees to follow the instruction of the Company to act in concert when casting their votes at shareholders meetings of Zhongshan Join-Share. Subsequent to the above agreement, the Company holds 85% voting rights in Zhongshan Join-Share. Therefore, the Group has the power over Zhongshan Join-Share such as appointment of directors and senior management, making decisions about material matters in daily operation, distribution of dividends, business operation and assets disposal.

According to agreements signed between the Company and other shareholders of Zhongshan Join-Share, the capital injected by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. is regarded as other financial instrument by the Group, and the Group's effective interest in Zhongshan Join-Share is regarded as 79%, details are set out in Note 23.

Considering above mentioned factors, the directors are of the opinion that the Company controlled Zhongshan Join-Share.

### (a) Acquisition of subsidiaries

On 27 June 2014, Foshan Micro Credit had a capital injection of RMB50,000,000, among which the Company contributed an amount of RMB6,000,000. Meanwhile, the Company acquired equity interest in Foshan Micro Credit held by another shareholders of Foshan Micro Credit at total considerations of RMB26,400,000. Subsequent to the above capital injection and acquisition, the Company held 30% equity interests in Foshan Micro Credit.

Besides the 30% equity interest held by the Company, the Company entered into a concert party agreement with Foshan Micro Credit's other shareholders, whose collective equity interests are 62.5%, and such equity owners have agreed to follow the instruction of the Company to act in concert when casting their votes at shareholders meetings of Foshan Micro Credit. Subsequent to the above agreement, the Company holds 92.5% voting rights in Foshan Micro Credit. Therefore, the Group has the power over Foshan Micro Credit such as appointment of directors and senior management, making decisions about material matters in daily operation, distribution of dividends, business operation and assets disposal. Subsequent to the above capital increase and acquisition and concert party agreement, the directors are of the opinion that the Company controlled Foshan Micro Credit since 27 June 2014. Goodwill arising from the acquisition amounted to RMB419,000 has been recognised.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 16 Investments in subsidiaries (Continued)

### (b) Disposal of subsidiaries

On 26 June 2014, the Group disposed of 48% and 32% of the equity interests in Foshan Join-Share Pawn Co., Ltd. (佛山中盈盛達典當有限公司) to two independent third parties respectively at the total consideration of RMB10,800,000, and the Group also disposed of its entire equity interests in Guangdong Join-Share Fund Management Co., Ltd., (廣東中盈盛達基金管理有限公司) Shenzhen Linghang Growth Venture Capital Co., Ltd. (深圳市領航成長創業投資有限公司) at considerations of RMB5,100,000 and RMB26,914,524 respectively. The net gain of the disposal is RMB473,000, which is accounted for in the consolidated statement of profit or loss under the account of 'Net gain on disposal of subsidiaries'.

\* The English translation of the names is for reference only. The official names of the entities are in Chinese.

### (c) Carrying amount of investments in subsidiaries in the company-level statement of financial position

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
Anhui Join-Share	76,500	76,500
Zhongshan Join-Share	70,000	70,000
Foshan Micro Credit	65,702	65,702
Foshan Consultancy	3,000	3,000
Foshan Join-Share Industrial Investment	5,284	5,284
	<u>220,486</u>	<u>220,486</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 16 Investments in subsidiaries (Continued)

### (d) Material non-controlling interests

The following table lists out the information relating to Anhui Join -Share and Foshan Micro Credit and Zhongshan Join-Share, the three subsidiaries of the Group which have material non-controlling interest (NCI). The summarised financial statements presented below represents the amounts before any inter-company elimination.

#### (i) Anhui Join-Share

	<b>31 December</b>	31 December
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
NCI percentage	<b>49%</b>	49%
Gross amounts of the subsidiary:		
– Non-current assets	<b>7,093</b>	8,281
– Current assets	<b>172,674</b>	166,220
– Current liabilities	<b>(18,561)</b>	(17,027)
Net assets	<b>161,206</b>	157,474
<b>Carrying amount of NCI</b>	<b>78,991</b>	77,162
	<b>2015</b>	2014
	<b>RMB'000</b>	RMB'000
Gross amounts of the subsidiary:		
– Revenue	<b>16,723</b>	13,350
– Profit	<b>11,982</b>	12,960
– Total comprehensive income	<b>11,982</b>	12,960
<b>Profit allocated to NCI</b>	<b>5,871</b>	6,350
Cash flow from operating activities	<b>(1,207)</b>	(7,407)
Cash flow from investment activities	<b>(6,273)</b>	9,191
Cash flow from financing activities	<b>(8,250)</b>	(7,200)
Net decrease in cash and cash equivalents	<b>(15,730)</b>	(5,416)



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 16 Investments in subsidiaries (Continued)

### (d) Material non-controlling interests (Continued)

#### (ii) Foshan Micro Credit

	<b>31 December 2015 RMB'000</b>	31 December 2014 RMB'000
NCI percentage	70%	70%
Gross amounts of the subsidiary:		
– Non-current assets	4,930	4,666
– Current assets	286,700	307,740
– Non-current liabilities	(48,836)	(75,000)
– Current liabilities	(11,060)	(12,275)
Net assets	<u>231,734</u>	<u>225,131</u>
<b>Carrying amount of NCI</b>	<b>162,214</b>	157,592
		Period from 27 June 2014 to 31 December 2014
	<b>2015 RMB'000</b>	<b>RMB'000</b>
Gross amounts of the subsidiary:		
– Revenue	49,492	25,906
– Profit	28,234	8,620
– Total comprehensive income	28,234	8,620
<b>Profit allocated to NCI</b>	<b>19,764</b>	6,034
Cash flow from operating activities	(49,907)	(329)
Cash flow from investment activities	7,956	(97)
Cash flow from financing activities	<u>27,240</u>	<u>(1,455)</u>
Net decrease in cash and cash equivalents	<u>(14,711)</u>	<u>(1,881)</u>

Foshan Micro Credit was the Group's associate before 27 June 2014 (Note 16(a)). The Group enjoyed the share of profits of Foshan Micro Credit amounted to RMB2,355,000 under equity method during the period from 1 January 2014 to 26 June 2014.

Foshan Micro Credit has been the Group's subsidiary since 27 June 2014.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 16 Investments in subsidiaries (Continued)

### (d) Material non-controlling interests (Continued)

#### (iii) Zhongshan Join-Share

	31 December 2015 RMB'000	31 December 2014 RMB'000
NCI percentage	21%	21%
Gross amounts of the subsidiary:		
– Non-current assets	2,649	26,434
– Current assets	220,954	178,569
– Non-current liabilities	(22,006)	(26,371)
– Current liabilities	(19,320)	(4,444)
Net assets	<u>182,277</u>	<u>174,188</u>
<b>Carrying amount of NCI</b>	<b>40,101</b>	37,252
		Period from 8 July 2014 to 31 December
	2015 RMB'000	2014 RMB'000
Gross amounts of the subsidiary:		
– Revenue	16,368	2,617
– Profit	8,089	(234)
– Total comprehensive income	8,089	(234)
<b>Profit/(loss) allocated to NCI</b>	<b>1,780</b>	(50)
Cash flow from operating activities	(46,714)	521
Cash flow from investment activities	28,474	(124,379)
Cash flow from financing activities	(6,000)	200,000
Net (decrease)/increase in cash and cash equivalents	<u>(24,240)</u>	<u>76,142</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 17 Fixed assets

	Motor Vehicles RMB'000	Office and other equipments RMB'000	Deferred expenses RMB'000	Total fixed assets RMB'000
<b>Cost:</b>				
At 1 January 2014	2,062	2,920	2,581	7,563
Additions	295	1,077	1,391	2,763
Addition through acquisition of a subsidiary	172	173	18	363
Disposals	-	(199)	(76)	(275)
Transfer out through disposals of subsidiaries	-	(301)	(307)	(608)
At 31 December 2014 and 1 January 2015	<u>2,529</u>	<u>3,670</u>	<u>3,607</u>	<u>9,806</u>
Additions	-	339	701	1,040
Disposals	-	(243)	(5)	(248)
At 31 December 2015	<u>2,529</u>	<u>3,766</u>	<u>4,303</u>	<u>10,598</u>
<b>Accumulated depreciation:</b>				
At 1 January 2014	(1,025)	(1,592)	(926)	(3,543)
Charge for the year	(469)	(508)	(779)	(1,756)
Written back on disposals	-	166	76	242
Transfer out through disposals of subsidiaries	-	65	46	111
At 31 December 2014 and 1 January 2015	<u>(1,494)</u>	<u>(1,869)</u>	<u>(1,583)</u>	<u>(4,946)</u>
Charge for the year	(429)	(531)	(1,075)	(2,035)
Written back on disposals	-	150	5	155
At 31 December 2015	<u>(1,923)</u>	<u>(2,250)</u>	<u>(2,653)</u>	<u>(6,826)</u>
<b>Net book value:</b>				
At 31 December 2014	<u>1,035</u>	<u>1,801</u>	<u>2,024</u>	<u>4,860</u>
At 31 December 2015	<u>606</u>	<u>1,516</u>	<u>1,650</u>	<u>3,772</u>





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 18 Intangible Assets

All intangible assets of the Group are software during related years.

	2015 RMB'000	2014 RMB'000
<b>Cost:</b>		
At the beginning of the year	304	4
Additions	2,527	255
Addition through acquisition of a subsidiary	-	50
Disposals	(1)	-
Transfer out through disposals of subsidiaries	-	(5)
	<u>2,830</u>	<u>304</u>
At the end of the year	2,830	304
<b>Less: Accumulated amortization</b>		
At the beginning of the year	(72)	-
Charge for the year	(950)	(73)
Write-offs	1	-
Transfer out through disposals of subsidiaries	-	1
	<u>(1,021)</u>	<u>(72)</u>
At the end of the year	(1,021)	(72)
<b>Net book value:</b>		
At the end of the year	<u>1,809</u>	<u>232</u>
At the beginning of the year	<u>232</u>	<u>4</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 19 Goodwill

	Note	RMB'000
<b>Cost:</b>		
At 1 January 2014		2,605
Addition amounts recognised from business combinations occurring from 1 January to 31 December 2014		419
Disposal amounts recognised from disposal of subsidiary from 1 January to 31 December 2014		(2,605)
Addition amounts recognised from business combinations occurring from 1 January to 31 December 2015		–
Disposal amounts recognised from disposal of subsidiary from 1 January to 31 December 2015		–
		<u>–</u>
<b>Accumulated impairment losses:</b>		
At 31 December 2014 and 2015	19(a)	–
		<u>–</u>
<b>Carrying amount:</b>		
At 31 December 2014 and 2015		<u>419</u>

### (a) Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	Note	2015 RMB'000	2014 RMB'000
Foshan Micro Credit	(i)	<u>419</u>	<u>419</u>

- (i) The recoverable amount of the CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2014: 3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 10.56% (2014: 10.56%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 20 Interest-bearing borrowings

The Group's interest-bearing borrowings are analysed as follows:

	<b>31 December 2015</b> <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Bank loans		
– Guaranteed by third parties	<u>–</u>	<u>75,000</u>

Details of the repayment schedule of the Group's interest-bearing borrowings are set out in Note 27(c).

## 21 Liabilities from guarantees

	<b>31 December 2015</b> <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Deferred income	<b>84,288</b>	98,967
Provisions for guarantee losses	<b>78,981</b>	76,448
	<u><b>163,269</b></u>	<u>175,415</u>

### (a) Provisions for guarantee losses

	<b>2015</b> <i>RMB'000</i>	2014 <i>RMB'000</i>
As at 1 January	<b>76,448</b>	68,302
Charge for the year	<b>2,533</b>	8,146
Recoveries	<u>–</u>	<u>–</u>
As at 31 December	<u><b>78,981</b></u>	<u>76,448</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 22 Customer pledged deposits and accruals and other payables

### (a) Customer pledged deposits

Customer pledged deposits refer to deposits received from customers as collateral security of the credit guarantee issued by the Group. These deposits are interest-free, and will be returned to customers after the guarantee contracts expire.

According to Interim Measures for the Administration of Financing Guarantee Companies, jointly formulated and issued by China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China and the State Administration for Industry and Commerce on 8 March 2010, and the Notice of Inter-ministries Joint Meeting of Financing Guarantee Business Supervision Concerning the Regulation of the Management of Customer Deposits by Financing Guarantee Institutions promulgated by the Inter-ministerial Joint Meeting of Financing Guarantee Business Supervision on 5 April 2012, if a financing guarantee company accepts customer pledged deposits from its guarantee customers, the outstanding customer pledged deposits should be kept in a restricted account under tripartite custody. For those cooperated banks agreeing to coordinate, the Group has kept all received customer pledged deposits in a restricted bank account under tripartite custody.

### (b) Accruals and other payables

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Accrued staff cost		36,664	41,590
Share capital and share premium payable to NSSF	(i)	30,227	–
Principle and fix return payable for other financial instrument-liability component	23	12,000	–
Receipts in advance		6,052	4,598
Interest payables		–	144
Dividends payable		–	80,000
Withholding income tax		130	98
Other payables		15,955	8,664
Total		101,028	135,094

(i) In accordance with relevant PRC regulations regarding the reduction of state-owned shares, the state-owned shareholders of the Company transferred 26,666,667 of their shares (par value: RMB1.00 per share) to the National Council for Social Security Fund of the PRC ("NSSF") before the Company's IPO. Share capital and share premium payable to NSSF represents the share capital and share premium for such shares owned by the NSSF, since such shares were listed on The Stock Exchange of Hong Kong Limited upon the Company's IPO on 23 December 2015 with offer price at HKD1.36 per share.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 23 Other financial instrument-liability component

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
Other financial instrument-liability component	(i)	86,748	92,983

### (i) Significant terms and repayment schedule of the financial instrument

According to the agreements (“**the shareholders agreement**”, “**the shareholders supplementary agreement**”) signed by the Group and other third party shareholders, Zhongshan Join-Share should pay a fix return to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. (“**Zhongshan Health**”) during the period from 31 December 2015 to 31 December 2022. For each year, the amount of the fix return is 6% of Zhongshan Health’s outstanding contribution. Moreover, the Company is contracted to repurchase Zhongshan Health’s contribution amounting to RMB90,000,000 according to a repayment schedule in the shareholders agreement. After the year ending 31 December 2022, Zhongshan Health’s remaining contribution will no longer enjoy the fix return.

Considering the above factors, the management considered Zhongshan Health’s contribution as a compound financial instrument issued by Zhongshan Join-Share. The principle of this compound financial instrument is RMB100,000,000. Nominal interest rate is 6%. Maturity date is 31 December 2022. According to the shareholders agreement and the shareholders supplementary agreement, the Group should buy-back the contribution of Zhongshan Health, total amount of RMB90,000,000 according to the timetable during the period from the year ended 31 December 2015 to the year ending 31 December 2022. The remaining contribution of Zhongshan Health amounting to RMB10,000,000 would be transferred to ordinary share at the year ending 31 December 2022; each financial instrument would be transferred to ordinary share.

The Group considered Zhongshan Health’s RMB100,000,000 contribution as a compound financial instrument, and measured 6% fixed rate liability. The liability in this compound instrument is measured by amortised cost method; the interest expense is measured by effective interest method. The fair value of equity component is measured as the principal deducted the liability component.

As at 31 December 2015, the Group accrued RMB6,000,000 as the fix return and RMB6,000,000 as a replacement of Zhongshan Health’s original contribution, which are obligations according to the agreements.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 24 Financial institution bonds

	31 December 2015 RMB'000	31 December 2014 RMB'000
Financial institution bonds	<u>48,836</u>	<u>–</u>

Foshan Micro Credit issued financial institution bonds with par value of RMB25 million and RMB25 million on 28 September 2015 and 14 October 2015 respectively at the exchange center of Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心). The duration of the financial institution bonds are one year and the interest rate are 8.7%. The fair value of the bonds is calculated with amortised cost method.

## 25 Income tax in the consolidated statement of financial position

### (a) Movements in current taxation in the consolidated statements of financial position are as follows:

	Note	2015 RMB'000	2014 RMB'000
Balance of income tax payable at the beginning of the year		35,314	23,130
Provision for income tax on the estimated taxable profit for the year	5(a)	55,111	67,995
Income tax paid during the year		(48,166)	(57,422)
Acquisition of subsidiaries		<u>–</u>	<u>1,611</u>
Balance of income tax payable at the end of the year		<u>42,259</u>	<u>35,314</u>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 25 Income tax in the consolidated statement of financial position (Continued)

### (b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the years ended 31 December 2015 and 2014 are as follows:

Note	Deferred tax assets				Deferred tax liabilities						Net
	Deferred	Impairment	Salaries	Total	Re-	Provision for	Government	Financial	Total		
	Income	loss	Payable		guarantee	guarantee	grant	Instrument			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014	29,024	20,546	5,286	54,856	(1,942)	(22,966)	(10,660)	(5,880)	(41,448)	13,408	
Charged/(credited) to the consolidated statement of profit or loss	5(a) (4,282)	4,557	3,767	4,042	(131)	5,055	4,162	-	9,086	13,128	
Charged to reserves	-	-	-	-	-	-	-	(775)	(775)	(775)	
Disposal/acquisition of subsidiaries	-	636	1,437	2,073	-	-	-	4,632	4,632	6,705	
At 31 December 2014	<u>24,742</u>	<u>25,739</u>	<u>10,490</u>	<u>60,971</u>	<u>(2,073)</u>	<u>(17,911)</u>	<u>(6,498)</u>	<u>(2,023)</u>	<u>(28,505)</u>	<u>32,466</u>	
Note	Deferred tax assets				Deferred tax liabilities						Net
	Deferred	Impairment	Salaries	Total	Re-	Provision for	Government	Financial	Total		
	Income	loss	Payable		guarantee	guarantee	grant	Instrument			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2015	24,742	25,739	10,490	60,971	(2,073)	(17,911)	(6,498)	(2,023)	(28,505)	32,466	
Charged/(credited) to the consolidated statement of profit or loss	5(a) (3,670)	(248)	(1,233)	(5,151)	1,074	3,409	5,994	-	10,477	5,326	
Charged to reserves	-	-	-	-	-	-	-	(2,430)	(2,430)	(2,430)	
At 31 December 2015	<u>21,072</u>	<u>25,491</u>	<u>9,257</u>	<u>55,820</u>	<u>(999)</u>	<u>(14,502)</u>	<u>(504)</u>	<u>(4,453)</u>	<u>(20,458)</u>	<u>35,362</u>	



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 26 Capital, reserves and dividends

### (a) Movements in components of equity

The reconciliation between the opening and closing of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000 Note 26(c)	Share premium RMB'000 Note 26(d)(i)	Capital reserve RMB'000 Note 26(d)(ii)	Surplus reserve RMB'000 Note 26(d)(iv)	General reserve RMB'000 Note 26(d)(v)	Retained earnings RMB'000	Total RMB'000
<b>Balance at 1 January 2014</b>	800,000	43,107	-	42,744	42,744	101,061	1,029,656
<b>Changes in equity for 2014:</b>							
Profit for the year	-	-	-	-	-	148,610	148,610
Total comprehensive income	-	-	-	-	-	148,610	148,610
Appropriation to surplus reserve	-	-	-	14,861	-	(14,861)	-
Appropriation to general reserve	-	-	-	-	14,861	(14,861)	-
Dividends approved in respect of the previous year	-	-	-	-	-	(152,000)	(152,000)
<b>Balance at 31 December 2014 and 1 January 2015</b>	800,000	43,107	-	57,605	57,605	67,949	1,026,266





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 26 Capital, reserves and dividends (Continued)

### (a) Movements in components of equity (Continued)

The reconciliation between the opening and closing of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below: (Continued)

	Share capital RMB'000 Note 26(c)	Share premium RMB'000 Note 26(d)(i)	Capital reserve RMB'000 Note 26(d)(ii)	Surplus reserve RMB'000 Note 26(d)(iv)	General reserve RMB'000 Note 26(d)(v)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	800,000	43,107	-	57,605	57,605	67,949	1,026,266
<b>Changes in equity for 2015:</b>							
Profit for the year	-	-	-	-	-	96,149	96,149
Total comprehensive income	-	-	-	-	-	96,149	96,149
IPO	266,667	-	-	(134)	-	-	266,533
Appropriation to surplus reserve	-	-	-	9,615	-	(9,615)	-
Appropriation to general reserve	-	-	-	-	9,615	(9,615)	-
Balance at 31 December 2015	<u>1,066,667</u>	<u>43,107</u>	<u>-</u>	<u>67,086</u>	<u>67,220</u>	<u>144,868</u>	<u>1,388,948</u>

### (b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 28 March 2016, the proposed dividends appropriations for the year ended 31 December 2015 are as follows:

- Declare cash dividends to all shareholders of RMB90,666,666.695 representing RMB0.085 per share before tax.

The profit appropriation resolution mentioned above has yet to be approved by the Company's shareholders.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 26 Capital, reserves and dividends (Continued)

### (c) Share capital

The share capital of the Company as at 31 December 2015 and 2014 are as below:

	2015		2014	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
As at 1 January	800,000	800,000	800,000	800,000
New shares upon IPO	266,667	266,667	—	—
As at 31 December	<u>1,066,667</u>	<u>1,066,667</u>	<u>800,000</u>	<u>800,000</u>

266,666,667 ordinary shares, par value of RMB1.00 each, were authorized and issued at HKD1.36 per share on 23 December 2015, upon the Company's IPO on The Stock Exchange of Hong Kong Limited.

### (d) Nature and purpose of reserves

#### (i) Share premium

The share premium represents the difference between the share capital/par value of the shares of the Company and capital injection/proceeds received from the issuance of the shares of the Company.

As at 31 December 2015, the share premium related to the Company's IPO on The Stock Exchange of Hong Kong Limited was nil, after offsetting the listing costs related to its new shares upon IPO.

#### (ii) Capital reserve

The capital reserve represented the contribution from equity shareholders for disposal of a subsidiary.

#### (iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 1(j)(i).



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 26 Capital, reserves and dividends (Continued)

### (d) Nature and purpose of reserves (Continued)

#### (iv) Surplus reserve

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

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

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

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders.

#### (v) General reserve

Pursuant to relevant regulations, the Company and its subsidiaries engaged in credit guarantee business are required to set aside a general reserve through appropriations of profit after tax according to 10% of its net profit as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by MOF after making good prior year's accumulated loss to cover potential losses against their assets.

Pursuant to relevant MOF notices, Foshan Micro Credit is required to set aside a general reserve to cover potential losses against its assets, and the minimum general reserve balance should be 1.5% of the ending balance of gross risk-bearing assets.

#### (vi) Other financial instrument-equity component

Other financial instrument-equity component is the equity component of the compound financial instrument (see Note 23) issued by the Group.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 26 Capital, reserves and dividends (Continued)

### (e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity holder/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the years ended 31 December 2015 and 2014.

Particularly for guarantee and credit loan operation, the Group monitors regularly the residual balance of outstanding guarantees or/and credit loans for single customers and multiples of the total outstanding guarantees or/and credit loans in relation to share capital of companies in the Group engaging guarantee or/and credit loan business respectively, so as to keep the capital risk within an acceptable limit. The decision to manage the share capital of companies in the Group to meet the needs of developing guarantee or/and credit loans business rests with the directors.

## 27 Financial risk management and fair values of financial instruments

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

### (a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to unexpired guarantees issued by the Group, loans and advances to customers and trade and other receivables provided by the Group.

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as of the end of the reporting periods. In addition to guarantees issued as disclosed below, the Group has no credit risk arising from any other guarantee.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (a) Credit risk (Continued)

#### *Credit risk arising from guarantees issued and entrusted loan operations:*

The Group has taken measures to identify credit risks arising from guarantees issued and entrusted loan operations. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer, regional risk committee, or chairman depending on the transaction size.

During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post-transaction reviews focus on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The Group takes proactive preventive actions based on the risk analysis and design contingency plans accordingly.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its businesses in the PRC, there exists a certain level of geographical concentration risk for its guarantee and loan portfolios in that it might be affected by changes in the PRC economic conditions.

Guarantees issued: at the end of each reporting period, the total maximum guarantees issued are as follows:

	<b>31 December 2015</b>	31 December 2014
	<i>RMB'000</i>	<i>RMB'000</i>
Financing guarantee	<b>3,415,799</b>	4,300,912
Performance guarantee	<b>1,219,399</b>	165,761
Litigation guarantee	<b>259,987</b>	221,529
Subtotal	<b>4,895,185</b>	4,688,202
Less: Customer pledged deposits	<b>(6,871)</b>	(14,505)
Total	<b>4,888,314</b>	4,673,697



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (a) Credit risk (Continued)

The total maximum financial guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

The maximum exposure to credit risk in respect of financial guarantees issued by industry at 31 December 2015 and 2014 is as follows:

	31 December 2015		31 December 2014	
	RMB'000	%	RMB'000	%
Construction	1,472,588	30%	769,655	16%
Manufacturing	1,357,906	27%	1,782,669	38%
Wholesale and retail	1,018,758	21%	1,253,499	27%
Commercial services	109,563	2%	330,030	7%
Service industry	34,313	1%	36,418	1%
Transportation Warehousing and Postal service	29,600	1%	47,490	1%
Agriculture	31,948	1%	70,620	2%
Others	840,509	17%	397,821	8%
Total of financial guarantees issued	<u>4,895,185</u>	<u>100%</u>	<u>4,688,202</u>	<u>100%</u>

#### *Credit risk arising from micro-lending business:*

The Group adopts the similar pre-approval, review and credit approval risk management system for credit risk arising from micro-lending business. During the post-transaction monitoring process, the Group conducts a visit of customers regularly after disbursement of loans, and conducts on-site inspection on a regular basis. The review focuses on the use of loans, the financial and operational conditions of the borrowers or the progress of projects and status of the collateral.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk. Substandard, doubtful and loss loans are considered to be impaired loans and advances. They are classified as such when one or more events demonstrate that there is objective evidence of a loss event. The impairment loss is assessed collectively or individually as appropriate.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Group monitors the risk status of these customers regularly and reviews their risk positions at least on quarterly basis.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (a) Credit risk (Continued)

#### **Credit risk arising from micro-lending business:** (Continued)

In accordance with accounting policies and regulations, if there is objective evidence that indicates the cash flow for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in the statement of profit or loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

Impairment allowances are provided for the following portfolios according to historical data, experience and statistical techniques: (i) those consisting of homogeneous assets that are individually below materiality thresholds; and (ii) those where losses that have been incurred but have not yet been individually identified with any specific asset within the portfolio.

#### **Other credit risks:**

The Group's other credit risks is attributable to bank deposits, available-for-sale financial assets, receivable investments, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits, available-for-sale financial assets and receivable investments of the Group are mainly held with well-known financial institutions and state-owned enterprises. Management does not foresee any significant credit risks from these assets and does not expect that these financial institutions or state-owned enterprises may default and cause losses to the Group.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluation focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers except receivables for default guarantee payments and receivables from guarantee customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from loans and advances to customers and trade and other receivables are set out in Note 13 and Note 12, respectively.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (b) Interest rate risk

The Group is principally engaged in the provision of credit guarantee, lending and related consulting services to SME enterprises in the PRC. Its interest rate risk arises primarily from deposits with banks, receivable investments, available-for-sale financial assets, loans and advances to customers and interest-bearing borrowing.

The group has adopted a series of core indicators for interest rate risk management, standards for interest rate sensitivity gap analysis and guidelines for its interest rate risk management. The analysis of the Group's interest rate risk includes an assessment of the incremental gaps between interest-sensitive assets and liabilities as a result of an interest rate change. The Group manages its interest rate risk exposure by adjusting the structure of its assets and liabilities based on an assessment of potential changes in interest rate using gap analysis, which provides a measure of repricing characteristics of the Group's assets and liabilities.

#### (i) Interest rate profile

The following tables detail the interest rate profile of the Group's assets and liabilities as of the end of the years:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Fixed interest rate		
Financial assets		
– Cash and cash equivalents	320,744	285,581
– Pledged bank deposits	74,353	65,871
– Loans and advances to customers	637,974	357,367
– Trade and other receivables	61,579	35,802
– Receivable investments	32,875	120,500
– Available-for-sale financial assets	4,900	–
	1,132,425	865,121
Financial liabilities		
– Other financial instrument-liability component	(86,748)	(92,983)
– Financial institution bonds	(48,836)	–
	(135,584)	(92,983)
Net	996,841	772,138





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (b) Interest rate risk (Continued)

The following tables details the interest rate profile of the Group's assets and liabilities as of the end of the years: (Continued)

	31 December 2015 RMB'000	31 December 2014 RMB'000
Variable interest rate		
Financial assets		
– Cash and cash equivalents	545,503	572,747
– Pledged bank deposits	186,212	174,450
– Available-for-sale financial assets	2,530	5,000
	<u>734,245</u>	<u>752,197</u>
Financial liabilities		
– Interest-bearing borrowings	–	(75,000)
Net	<u>734,245</u>	<u>677,197</u>
Total net financial assets	<u>1,731,086</u>	<u>1,449,335</u>
Net fixed rate financial assets as a percentage of total net financial assets	<u>58%</u>	<u>53%</u>

### (ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Group's profit after tax and retained profits for the next 12 months by approximately RMB2,743,000 (2014: RMB2,520,000). Other components of consolidated equity would have increased by approximately RMB10,000 (2014: RMB20,000).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (c) Liquidity risk

Liquidity risk is the risk that the Group fail to meet the demands associated with its payables due, new loans and reasonable financing activities, or encounter difficulties in meeting these demands with reasonable costs.

The major liquidity management approaches of the Group include forecasting the fund inflows and outflows according to the market trend to maintain an adequate funding base; improving credit risk management; establishing the liquidity risk early warning system and business continuity plan; etc.

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

### (i) Maturity analysis

The following tables provide an analysis of liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the years:

	31 December 2015						Total RMB'000
	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	
<b>Liabilities</b>							
Customer pledged deposits	-	3,769	501	1,801	800	-	6,871
Liabilities from guarantees	-	1,881	11,234	74,980	75,174	-	163,269
Other financial instrument-liability component	-	-	-	12,844	50,164	23,740	86,748
Financial institution bonds	-	-	-	48,836	-	-	48,836
Other liabilities	-	9,754	108,819	7,748	16,966	-	143,287
<b>Total</b>	<b>-</b>	<b>15,404</b>	<b>120,554</b>	<b>146,209</b>	<b>143,104</b>	<b>23,740</b>	<b>449,011</b>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (c) Liquidity risk (Continued)

#### (i) Maturity analysis (Continued)

The following tables provide an analysis of liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the years: (Continued)

	31 December 2014						
	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities</b>							
Customer pledged deposits	–	2,430	5,855	3,810	2,410	–	14,505
Interest-bearing borrowings	–	–	–	75,000	–	–	75,000
Liabilities from guarantees	3,612	392	12,666	75,696	83,049	–	175,415
Other financial instrument-liability component	–	–	–	11,805	43,902	37,276	92,983
Other liabilities	–	88,284	56,595	3,159	22,370	–	170,408
<b>Total</b>	<b>3,612</b>	<b>91,106</b>	<b>75,116</b>	<b>169,470</b>	<b>151,731</b>	<b>37,276</b>	<b>528,311</b>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (c) Liquidity risk (Continued)

#### (ii) Contractual undiscounted cash flow

The following tables provide an analysis of the contractual undiscounted cash flow of the customer pledged deposits and liabilities of the Group at the end of the years. The Group expected cash flows on these items may vary significantly from this analysis.

	31 December 2015							
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
<b>Liabilities</b>								
Customer pledged deposits	6,871	6,871	-	3,769	501	1,801	800	-
Other financial instrument-liability component	86,748	110,640	-	-	-	13,640	61,980	35,020
Financial institution bonds	48,836	49,993	-	-	-	49,993	-	-
Other financial liabilities	57,158	57,158	-	9,754	43,859	1,748	1,797	-
<b>Total</b>	<b>199,613</b>	<b>224,662</b>	<b>-</b>	<b>13,523</b>	<b>44,360</b>	<b>67,182</b>	<b>64,577</b>	<b>35,020</b>
<b>Guarantee issued</b>								
Maximum amount guaranteed*		4,895,185	259,987	72,405	517,184	2,144,415	1,901,194	-
<b>31 December 2014</b>								
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
<b>Liabilities</b>								
Customer pledged deposits	14,505	14,505	-	2,430	5,855	3,810	2,410	-
Interest-bearing borrowings	75,000	79,219	-	-	-	79,219	-	-
Other financial instrument-liability component	92,983	122,640	-	-	-	12,000	59,380	51,260
Other financial liabilities	92,408	92,408	-	88,284	965	3,159	-	-
<b>Total</b>	<b>274,896</b>	<b>308,772</b>	<b>-</b>	<b>90,714</b>	<b>6,820</b>	<b>98,188</b>	<b>61,790</b>	<b>51,260</b>
<b>Guarantee issued</b>								
Maximum amount guaranteed*		4,688,202	221,529	14,920	652,006	2,104,974	1,694,773	-



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (c) Liquidity risk (Continued)

#### (ii) Contractual undiscounted cash flow (Continued)

\* The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

### (d) Currency risk

The Group's businesses are principally conducted in RMB, while most of the Group's monetary assets and liabilities are denominated in HKD and RMB. At the end of the reporting period, the recognised assets or liabilities are mainly denominated in the functional currency of the Group entity to which they relate. Accordingly, the directors considered the Group's exposure to foreign currency risk is not significant during the year.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividend in foreign currencies to its equity shareholders.

### (e) Fair values

#### (i) Financial assets and liabilities measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (e) Fair values (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

The Group has a team performing valuations for the financial instruments, including unlisted equity securities and redemption options which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation reports with analysis of changes in fair value measurement are prepared by the team at each reporting date, and is reviewed and approved by the chief financial officer. The Group also reassess the valuation process and results regularly.

	31 December 2015 RMB'000	31 December 2014 RMB'000
<i>Level 1</i>		
Available-for-sale financial assets	<u>21,146</u>	<u>–</u>
<i>Level 2</i>		
Available-for-sale financial assets	<u>–</u>	<u>13,497</u>
<i>Level 3</i>		
Available-for-sale financial assets	<u>7,430</u>	<u>5,000</u>
<i>Liabilities</i>		
Other financial instrument-liability component	<u>86,748</u>	<u>92,983</u>

The listed securities of available-for-sale has transferred from level 2 to level 1 during the year ended 31 December 2015, as its lock-up period ended at August 2015. There were no into or out of Level 3 during the year ended 31 December 2015. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of listed equity investments in lock up period in Level 2 is determined by discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates and lock up period.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 27 Financial risk management and fair values of financial instruments (Continued)

### (e) Fair values (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments and certain wealth management products is determined using the price ratios of comparable listed companies adjusted for lack of marketability discount and discounted cash flow analysis, respectively. The fair value measurement is negatively correlated to the discount for lack of marketability.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2015 RMB'000	2014 RMB'000
Available-for-sale financial assets		
At the beginning of the year	5,000	79,906
Payment for purchases	7,430	5,000
Proceeds from sales	(5,000)	(79,906)
At the end of the year	<u>7,430</u>	<u>5,000</u>

#### (ii) Fair value of financial assets and liabilities carried at other than fair value

	2015 RMB'000	2014 RMB'000
Other financial instrument-liability component		
At the beginning of the year	92,983	–
– issue the financial instrument	–	92,983
– change in fair value	(6,235)	–
At the end of the year	<u>86,748</u>	<u>92,983</u>

The carrying amounts of the Group's financial instrument carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 28 Commitments and contingent liabilities

### (a) Lease commitments

The total future minimum lease payments under non-cancellable operating leases of properties were payable as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within 1 year (inclusive)	4,148	4,113
After 1 year but within 3 years (inclusive)	3,951	4,852
Over 3 years	917	–
Total	<u>9,016</u>	<u>8,965</u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1–5 years, at the end of which period all terms are renegotiated. None of the leases include contingent rentals.

### (b) Litigations and disputes

As at 31 December 2015, the Group had no outstanding litigation or disputes in which the Group was a defendant (2014: nil).





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 29 Material related party transactions

### (a) Name and relationship with related parties

Name of related party	Relationship
張玉冰 (Zhang Yubing)	One of the owners who owns over 5% share (Up to 22 December 2015)
黃國深 (Huang Guoshen)	One of the owners who owns over 5% shares (Up to 22 December 2015) and Non-executive directors
佛山市富思德基礎設施投資有限公司 (Foshan Fuside Infrastructure Investment Co., Ltd.)	One of the owners who owns over 5% shares (Up to 22 December 2015)
廣東中盈盛達控股股份有限公司 (Guangdong Join-Share Co., Ltd.)	Controlled by the same shareholders (Up to 22 December 2015)
廣東中盈盛達基金管理有限公司 (Guangdong Join-Share Fund Management Co., Ltd.)	Subsidiary of Guangdong Join-Share Co., Ltd. from June 2014
深圳市領航成長創業投資有限公司 (Shenzhen Linghang Growth Venture Capital Co., Ltd.)	Subsidiary of Guangdong Join-Share Co., Ltd. from June 2014
深圳市合創成長軟件技術有限公司 (Shenzhen Hechuang Growth Software Technology Co., Ltd.)	Subsidiary of Guangdong Join-Share Co., Ltd. from June 2014
佛山天使中小企業融資服務中心有限公司 (Foshan Angel Small and Medium-sized Enterprises Financing Service Center Co. Ltd.)	Subsidiary of Guangdong Join-Share Co., Ltd from June 2014
吳列進 (Wu Liejin)	Director and chairman of the Company
吳豔芬 (Wu Yanfen)	Director of the Company
顧李丹 (Gu Lidan)	Director of the Company
謝勇東 (Xie Yongdong)	Director of the Company and president
梁達明 (Liang Daming)	Director of the Company (up to 25 March 2015)
梁漢文 (Leung Hon Man)	Director of the Company
吳向能 (Wu Xiangneng)	Director of the Company
劉恆 (Liu Heng)	Director of the Company
張德本 (Zhang Deben)	Executive vice president
歐偉明 (Ou Weiming)	Vice president
陸皓明 (Lu Haoming)	Chief financial officer
黃碧汶 (Huang Biwen)	Chief risk officer



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 29 Material related party transactions (Continued)

### (a) Name and relationship with related parties (Continued)

Name of related party	Relationship
鄭正強 (Zheng Zhengqiang)	Secretary to the Board of the Company
王維 (Wang Wei)	Supervisor of the Company
李琦 (Li Qi)	Supervisor of the Company
孫偉群 (Sui Weiqun)	Supervisor of the Company (up to 25 March 2015)
張敏明 (Zhang Minming)	Director of the Company and vice chairman
馮群英 (Feng Qunying)	Supervisor of the Company
梁毅 (Liang Yi)	Supervisor of the Company
廖振亮 (Liao Zhenliang)	Supervisor of the Company
鍾堅 (Zhong Jian)	Supervisor of the Company
佛山市富豐房地產開發有限公司 (Foshan Fufeng Real Estate Development Co., Ltd.)	A company of which 26.86% interest held by related person of Zhang Yu Bing (up to 22 December 2015)
佛山市聯益建築材料有限公司 (Foshan LianYi Building Materials Co., Ltd.)	A company of which 100% interest held by related person of Zhang Yu Bing (up to 22 December 2015)
肇慶市科明達混凝土攪拌有限公司 (Zhaoqing Ke Ming Da Concrete Co., Ltd.)	A company of which 100% interest held by the related person of Zhang Yu Bing (up to 22 December 2015)
佛山市南海聯發貿易發展有限公司 (Foshan Nanhai Lian Fa Trading Development Co., Ltd.)	A company of which 100% interest held by Zhang Yu Bing and her related person (up to 22 December 2015)
佛山市南海科明達混凝土有限公司 (Foshan Nanhai Ke Ming Da Concrete Co., Ltd.)	A company of which 95% interest held by the related person of Zhang Yu Bing (up to 22 December 2015)
佛山市南海區西樵恆建混凝土有限公司 (Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.)	A company of which 100% interest held by the related person of Zhang Yu Bing (up to 22 December 2015)
廣東科明達集團有限公司 (Guangdong Ke Ming Da Group Co., Ltd.)	A company of which 100% interest held by the related person of Zhang Yu Bing (up to 22 December 2015)
佛山市科明達數碼科技有限公司 (Foshan Kemingda Digital Technology Development Co., Ltd.)	A company of which 80% interest held by related person of Zhang Yu Bing (up to 22 December 2015)



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 29 Material related party transactions (Continued)

### (a) Name and relationship with related parties (Continued)

Name of related party	Relationship
佛山市南海聯盈建築工程勞務有限公司 (Foshan Nanhai LianYing Architecture Engineering Services Co., Ltd.)	A company of which 90% interest held by related person of Zhang Yu Bing (up to 22 December 2015)
四會市志高華美投資有限公司 (Sihui Zhi Gao Hua Mei Investment Co., Ltd.)	A company of which 24% interest held by Huang Guo Shen
陽江市志高麗島房地產開發有限公司 (Yangjiang Zhi Gao Li Real Estate Development Co., Ltd.)	A company of which 95% interest held by Huang Guo Shen
佛山市美傳科技有限公司 (Foshan Mei Chuan Technology Co., Ltd.)	A company of which 80% interest held by Wu Yan Fen
廣東美思內衣有限公司 (Guangdong MeiSi Co., Ltd.)	A company of which 90% interest held by Wu Yan Fen
佛山市威能管理諮詢有限公司 (Foshan Wei Neng Management Consulting Co., Ltd.)	A company of which 100% interest held by related person of Lu Hao Ming
美漢有限公司 (Master Ocean Co., Ltd.)	A company of which 100% interest held by Leung Hon Man
佛山市南海宗永建材貿易有限公司 (Foshan Nanhai Zong Yong Building Material Co., Ltd.)	A company of which 60% interest held by Zhang Minming
陽江同心房地產開發有限公司 (Yangjiang Tong Xin Real Estate Development Co., Ltd.)	A company of which 70% interest held by Zhang Minming
佛山市南海臻恆建材有限公司 (Foshan Nanhai Zhen Heng Building Material Co., Ltd.)	A company of which 55% interest held by Zhang Minming
佛山市高明明建混凝土配送有限公司 (Foshan Gaoming Mingjian Concrete Distribution Co., Ltd.)	A company of which 50% interest held by Zhang Minming
佛山市譽基房地產開發有限公司 (Foshan Yu Ji Real Estate Development Co., Ltd.)	A company of which 50% interest held by Zhang Minming
佛山創業成長投資中心(有限合夥) (Foshan Venture Growth Investment Center L.P.)	A company of which can solely be exercised control by Xie Yongdong



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 29 Material related party transactions (Continued)

### (b) Key management personnel remuneration

	Note	2015 RMB'000	2014 RMB'000
Key management personnel remuneration	(i), (ii)	<u>6,449</u>	<u>7,580</u>

(i) Remuneration for key management personnel of the Group includes amounts paid to the Company's directors as disclosed in Note 6 and the highest paid employees as disclosed in Note 7.

(ii) All the balances with key management personnel are disclosed in relevant notes.

### (c) Related parties transactions

	Note	2015 RMB'000	2014 RMB'000
Guarantee fee income			
– Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.		675	829
– Guangdong MeiSi Co., Ltd.		–	418
– Foshan Nanhai Ke Ming Da Concrete Co., Ltd.		–	85
Interest income			
– Foshan Join-Share Pawn Co., Ltd.		–	378
Disposal of investment in subsidiaries	(i)	–	32,215
Acquisition of equity interest in investment in a subsidiary	(ii)	–	13,200

(i) The Group disposed of its entire equity interests in Guangdong Join-Share Fund Management Co., Ltd., Shenzhen Linghang Growth Venture Capital Co., Ltd. and Foshan Angel Small and Medium-sized Enterprises Financing Service Center Co. Ltd. on 26 June 2014 and disposed of its entire equity interest in Foshan Zhongsheng Property Co., Ltd. on 2 December 2013 to Join-Share Co., Ltd., majority of which the shareholders are the same as the Group up to 22 December 2015 at considerations of RMB5,100,000, RMB26,914,524, RMB200,000 and RMB10,569,500 respectively.

(ii) The Company acquired 6% equity interest of Foshan Micro Credit from Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd. at a consideration of RMB13,200,000 on 23 June 2014.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 29 Material related party transactions (Continued)

### (d) Balances with related parties

	31 December 2015 RMB'000	31 December 2014 RMB'000
Guarantee fee received in advance		
– Guangdong MeiSi Co., Ltd.	–	18
– Loans to related persons		
– Zheng Zhengqiang	–	73
– Ou Weiming	–	100
Other payable		
– Xie Yongdong	–	40

### (e) Guarantees provided to related parties

The guarantees provided to related parties by the Group at the end of each reporting period were as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Guarantee amount		
– Foshan Nanhai Xiqiao Heng Jian Co., Ltd.	<u>10,000</u>	<u>30,000</u>

The guarantees provided by related parties to the Group at the end of each reporting period were as follows:

	2015 RMB'000	2014 RMB'000
Guarantee amount	<u>27,500</u>	<u>2,547,982</u>

Since the Company doesn't have a majority shareholder or an actual controller, the counterparties request the directors Mr. Wu Liejin and Mr. Xie Yongdong to take joint liability guarantee in the cooperation with Guangdong Financing Re-Guarantee Co., Ltd. ("**Guangdong Re-guarantee**"), China Development Bank Corporation and China Construction Bank Corporation. Mr. Wu Liejin (from 2011 to 2014) and Mr. Xie Yongdong (from 2013 to 2014) signed the agreement with Guangdong Re-guarantee to provide guarantee for the financial guarantees issued by the Group; Mr. Wu Liejin (from 2012 to 2014) entered into an agreement with China Development Bank Corporation to provide guarantee for the financial guarantees issued by the Group, with the maximum guarantee amount up to RMB500 million; According to the loan contract with China Construction Bank Corporation, Mr. Wu Liejin and Mr. Xie Yongdong should provide guarantee for the financial guarantees issued by the Group. In the second quarter of 2015, Mr. Wu Liejin and Mr. Xie Yongdong's joint liability guarantees to Guangdong Re-guarantee were terminated with consent of the counterparty.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 30 Company-level statement of financial position

	31 December 2015	31 December 2014
	Note	
	RMB'000	RMB'000
<b>Assets</b>		
Cash and cash equivalents	621,804	583,778
Pledged bank deposits	166,276	183,942
Trade and other receivables	257,519	156,381
Loans and advances to customers	310,944	84,326
Receivable investments	32,875	95,500
Investment in subsidiaries	16(c) 220,486	220,486
Fixed assets	2,098	2,670
Intangible assets	1,287	120
Deferred tax assets	24,425	18,891
	<hr/>	<hr/>
<b>Total assets</b>	<b>1,637,714</b>	<b>1,346,094</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
Liabilities from guarantees	142,522	162,652
Customer pledged deposits	6,871	14,505
Accruals and other payables	68,342	114,841
Current tax liabilities	31,031	27,830
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>248,766</b>	<b>319,828</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>NET ASSETS</b>	<b>1,388,948</b>	<b>1,026,266</b>
	<hr/> <hr/>	<hr/> <hr/>



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 30 Company-level statement of financial position (Continued)

	31 December 2015 RMB'000	31 December 2014 RMB'000
<b>CAPITAL AND RESERVES</b>		
Share capital	1,066,667	800,000
Reserves	322,281	226,266
<b>Total equity attributable to equity shareholders of the Company</b>	<b>1,388,948</b>	1,026,266
<b>Non-controlling interests</b>	<b>–</b>	<b>–</b>
<b>TOTAL EQUITY</b>	<b>1,388,948</b>	1,026,266

## 31 Loans to officers

Name of borrower	鄭正強 (Zheng Zhengqiang)	歐偉明 (Ou Weiming)	梁毅 (Liang Yi)
<b>Position</b>	Secretary to the Board of the Company	Vice president	Supervisor
<b>Terms of the loan</b>			
– duration and repayment terms	Three years	Three years	Three years
– loan amount (RMB'000)	80	100	80
– interest rate	–	–	–
– security	Car	Car	Car
<b>Balance of the loan (RMB'000)</b>			
– at 31 December 2015	–	–	–
– at 31 December 2014	73	100	80
<b>Maximum balance outstanding (RMB'000)</b>			
– during 2015	73	100	80
– during 2014	80	100	80

(i) Mr. Liang Yi was appointed as the supervisor of the Company at the shareholders meeting held on 25 March 2015.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 32 Accounting judgements and estimates

### (a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

Note 16 – Consolidation: whether the Group has de facto control over an investee.

### (b) Sources of estimation uncertainty

Note 27 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

#### (i) *Impairment of receivables, loans and advances to customers and available-for-sale financial assets*

The Group reviews portfolios of receivables, loans and advances and available-for-sale financial assets periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. Objective evidence for impairment includes observable data indicating that there is a measurable decrease in the estimated future cash flows for receivables, loans and advances and available-for-sale financial assets. It also includes observable data indicating adverse changes in the repayment status of the debtors, or change in national or local economic conditions that causes the default in payment.

The impairment loss for receivables and loans and advances to customers that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for available-for-sale financial assets includes significant or continual decline in fair value of investments. When deciding whether there is significant or continual decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.





# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 32 Accounting judgements and estimates (Continued)

### (b) Sources of estimation uncertainty (Continued)

Note 27 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows: (Continued)

#### (ii) Impairment of non-financial assets

If circumstances indicate that the carrying amount of a non-financial asset may not be recoverable, the asset may be considered “impaired”, and an impairment loss may be recognised in accordance with accounting policy for impairment of non-financial assets as described in Note 1(n). The carrying amounts of non-financial assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

### (c) Depreciation and amortisation

Fixed assets and intangible assets are depreciated and amortised using the straight-line method over their useful lives after taking into account estimated residual value. The useful lives and residual value are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experience of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation, the rate of depreciation is revised.

### (d) Provisions for guarantee losses

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as of the balance sheet date and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 32 Accounting judgements and estimates (Continued)

### (e) Deferred tax assets

Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

### (f) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including 3 fair values and reports directly to financial officer (Note 27 (e)).

### (g) Judgement on the degree of control of investment

Control is define the Group has the power of an entity, and enjoys the variable returns by participating in relative activities of the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

## 33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015

Up to the date of issue of the financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in the financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
<i>Annual improvements to HKFRSs 2012–2014 cycle</i>	1 January 2016
<i>Amendments to HKAS 1, Disclosure Initiative</i>	1 January 2016
<i>Amendments to HKFRS 11, Accounting for acquisitions of interests in join operations</i>	1 January 2016
<i>Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortization</i>	1 January 2016
<i>Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture</i>	1 January 2016
<i>HKFRS 15, Revenue from contracts with customers</i>	1 January 2017
<i>HKFRS 9, Financial instruments</i>	1 January 2018



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements except for the adoption of the HKFRS 9, which is expected to have an impact on the Group's financial statement as disclosed below:

### **HKFRS 9, *Financial Instruments***

HKFRS 9 was issued in November 2009 and establishes new principles for the classification and measurement of financial instruments. In September 2014, the HKICPA issued the complete standard of HKFRS 9 (HKFRS 9 (2014)). The main changes to the requirements of HKAS 39 are summarised below.

#### ***Classification and measurement of financial assets and financial liabilities***

HKFRS 9 includes three principal classification categories for financial assets: measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). A financial asset is classified as being subsequently measured at amortised cost if the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (the "SPPI criterion"). A financial asset is classified as being subsequently measured at FVOCI if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. All other financial assets are classified as being subsequently measured at FVTPL. In addition, an entity may, at initial recognition, irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. At initial recognition of an equity investment that is not held for trading, an entity may irrevocably elect to present in other comprehensive income (OCI) subsequent changes in its fair value.

For the classification and measurement, HKFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity's own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss ("own credit risk requirements").



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2015 (Continued)

### HKFRS 9, *Financial Instruments* (Continued)

#### *Hedge accounting*

The new standard aligns hedge accounting more closely with risk management. It does not fundamentally change the types of hedging or the requirement to measure and recognise ineffectiveness; however, more hedging strategies that are used for risk management will qualify for hedge accounting.

#### *Impairment*

The new impairment requirements in HKFRS 9 replace the “incurred loss” model in HKAS 39 with an “expected credit loss” model. The new model applies to financial assets that are debt instruments not measured at FVTPL (including loans, lease and trade receivables, debt securities), financial guarantees within the scope of HKFRS 9, and loan commitments issued that are not accounted for at FVTPL; contract assets arising under HKFRS 15 are also subject to the impairment requirements in HKFRS 9. The impairment requirements do not apply to investments in equity instruments. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. In other words, under HKFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

Since the Group is in the process of making an assessment on overall impact of HKFRS 9, and given the nature of the Group’s operations, the Standard is expected to have an impact on the Group’s financial statements, including the classification categories and the measurement of financial assets, the measurement of liabilities for financial guarantees, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk, including trade and other receivables, loan and advances to customers, receivable investments, and financial guarantees. HKFRS 9 will also change the way the group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Until a detailed review of the impact of adopting HKFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on its financial statements nor can it yet conclude whether that impact will be significant or not. It is expected that adopting HKFRS 9 will require changes to systems and processes to collect necessary data.



# Notes to the Financial Statements (Continued)

(Expressed in RMB'000 unless otherwise indicated)

## 34 Non-adjusting events after the reporting period

- (a) On 4 February 2016, the Company, together with other parties, established Yunfu Yuecai Guarantee with paid-in-capital of RMB150,000,000, in which the Company holds 20% equity interest. Upon its establishment, Yunfu Yuecai Guarantee became an associate of the Group.
- (b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 26(b).





**Join-Share 中盈盛达**

共创 共享 共成长

Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\*  
廣東中盈盛達融資擔保投資股份有限公司