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

2016 Annual Report

* For identification purpose only

Contents

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 "**Shareholder**" or "**Shareholders**"). We possess an experienced and reputable management team with diverse backgrounds and substantial expertise in the finance, banking, accounting and legal industries. At present, we are given 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 (the "**Listing**") on 23 December 2015 (the "**Listing Date**"), laying a solid foundation for the Group's future development.

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

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

STRATEGY COMMITTEE

Wu Liejin (吳列進) *(Chairman)*
Zhang Minming (張敏明)
Xie Yongdong (謝勇東)
Gu Lidan (顧李丹)
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

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
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank Corporation
Guangdong Branch
No. 509, Dongfeng Middle Road
Yuexiu 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

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AUDITORS

KPMG
Certified Public Accountants

COMPANY'S WEBSITE

www.join-share.com

STOCK CODE

1543

For the year ended 31 December 2016, the Group's operating results were as follows:

- Total income was approximately RMB295.0 million, representing a decrease of approximately 6.2% as compared to last year.
- Net profit for the year and net profit margin were approximately RMB143.9 million and 56.9%, respectively.
- Profit before taxation amounted to approximately RMB193.9 million, representing an increase of approximately 0.7% as compared to last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB114.3 million, representing an increase of approximately 2.0% as compared to last year.
- The payment of final dividends of RMB0.085 per share for the year ended 31 December 2016 is recommended by the Board.

	Consolidated P&L				
	2016	2015	2014	2013	2012
(RMB'000)					
Operating Results					
Revenue	**253,008**	285,634	307,343	261,845	236,475
– Net guarantee fee income	**128,860**	131,206	163,374	161,390	154,616
– Net interest income	**88,699**	121,076	102,155	74,402	56,741
– Service fee from consulting service	**35,449**	33,352	41,814	26,053	25,118
Other revenue	**41,465**	28,800	20,992	21,458	24,590
Share of profits of associates	**545**	–	–	–	–
Provisions for guarantee losses	**10,497**	(2,533)	(8,146)	(13,590)	(10,125)
Impairment losses	**(22,905)**	(27,358)	(29,361)	(20,424)	(36,562)
Operating expenses	**(88,718)**	(91,928)	(82,035)	(80,177)	(63,315)
Profit for the year	**143,901**	142,830	156,754	130,969	115,791
– Attributable to equity shareholders	**114,333**	112,104	145,258	129,767	115,633
Key Financial Ratios					
Return on net assets	**8.4%**	9.4%	12.6%	12.2%	13.0%
Return on assets	**6.7%**	7.1%	9.5%	9.6%	9.5%
Net profit margin	**56.9%**	50.0%	51.0%	50.0%	49.0%
Scale Indicators					
Total assets	**2,143,780**	2,171,054	1,852,328	1,431,294	1,294,371
Total liabilities	**431,578**	449,011	528,311	274,065	299,848
Net assets	**1,712,202**	1,722,043	1,324,017	1,157,229	994,523

Wu Liejin
Chairman

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 2016 to 31 December 2016.

In retrospect of 2016, the central government and governments at all levels attached paramount importance to the development of the real economy, especially the development of the non-public sectors of the economy. In this year, the central government devoted its efforts in the supply sectors and endeavored to reinforce the supply-side structural reform, aiming at enhancing the momentum of the sustainable growth of the economy; whereas the local governments took various measures to support the development of the real economy in response to the relevant directives of the central government. Thanks to the above efforts, the market confidence was bolstered up and the economy was reinvigorated to an adequate extent. Since the second half of the year, the economy of China has manifested a stable and upward trend.

In the financial sector, with a view to shoring up the vigorous development of the inclusive finance, the Chinese government promulgated the Planning on Promoting the Development of Inclusive Finance (from 2016 to 2020) (《推進普惠金融發展規劃(2016–2020年)》) (hereinafter, the "**Planning**"), which made comprehensive prescriptions on the construction of the institutional system, the business innovation, the construction of financial infrastructure, the system of laws and regulations, the institutional security system as well as other relevant aspects. Such promulgation brought forth favorable policy effects for the strategy of Guangdong Join-Share to expand its inclusive finance business.

Keeping abreast of the prevailing trend of the economic development and capitalizing on the opportunity arising from various government's initiatives, Guangdong Join-Share, on one hand, made adjustments to its business structure, kept strict control over risks, steadily carried out the financing guarantee business, vigorously developed the low-risk businesses including non-financial guarantee, pro-actively innovated its business mode, and planed for the industrial layout availing of the favorable policy; on the other hand, it optimized the internal organizational structure and management process, and reinforced the application of the Internet and the information technology so as to improve the management efficiency of the Company.

Leveraging on its clearly-defined strategic positioning, innovative business mode and highly efficient corporate governance, Guangdong Join-Share manifested its powerful growth capability while its brand reputation and influence continue to expand and elevate. It was publicized and promoted throughout the industry as a local model in financial innovation. The Company and its senior management were rewarded numerous valuable honors and prizes, which demonstrated that the Company and its management team have won full confidence of all circles of the society including the government, business partners, investors and the media.

Looking ahead into the forthcoming year, Guangdong Join-Share will hold fast to the policy opportunity in the wake of the deepening of the supply-side structural reform and the development of the inclusive finance in China and persistently strengthen strategic cooperation with local government and large financial institutions in allusion to various financing demands of SMEs. Meanwhile, it will also accelerate the expansion of its industrial layout and continue to enhance the internal risk management system and the external risk pooling mechanism. Moreover, it will fully capitalize on the advantages of the Internet and information technology to improve our management efficiency and business innovation capability and further boost our operating results.

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. In 2017, we will advance valiantly towards new goals and strive to achieve new strides forward.

Mr. Wu Liejin
Chairman
Foshan, the PRC
28 March 2017

OVERVIEW

In 2016, the Company carried out strategic transformation and upgrade. It intensified the promotion of non-financing guarantee business while scaling down the financing guarantee business so as to reduce the business risks of the Company, thus laying a solid foundation for the sustainable development of the Company.

In 2016, China's macro-economy stepped into a new normality, the economy growth slowed down and certain industries were under increasing downward pressure. Under the effects of the national regulatory and control policies as well as the reform measures in respect of stabilizing growth, adjusting structure and boosting reform, the economy was running smoothly on the whole. We are of the view that as our primary source of customers is SMEs in China, we are more susceptible to such adverse macro-economic conditions. In order to better manage and control our credit risk, the Company launched an updated business process system in 2016, thus further standardizing and systemizing the business operation and risk control process and further consolidating the stable and healthy development of the Company. Against the background of the slower economic growth and the downturn of industries, our total income decreased by 6.2% as compared to last year.

BUSINESS OVERVIEW

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.

The business of the Group primarily comprises two segments, namely:

(1) 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. The main products and services we provide are set out below:

Financing Guarantees	**Non-financing Guarantees**
Indirect financing guarantees	Attachment bonds
Direct financing guarantees	Construction contract bonds and other contract bonds

As of 31 December 2016, the net balance of our outstanding guarantee was RMB6,612.4 million. For the year ended 31 December 2016, our net guarantee fee income was RMB128.9 million.

(2) SME lendings: We provided 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 RMB35.0 million, and is not subject to geographical restriction. As of 31 December 2016, the balance of our entrusted loans was RMB360.3 million.

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. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province. As of 31 December 2016, the balance of our micro-lending was RMB303.8 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 2016, the gross interest income from our SME lending business was RMB89.7 million.

MAJOR BUSINESS ACTIVITIES UNDERTAKEN BY THE GROUP DURING THE YEAR

During the year ended 31 December 2016, we have continued to enhance our business opportunities, with an aim to maximize our returns and strengthen the Group's overall market position. The major business activities undertaken by the Group during the year are set out as follows:

(1) On 4 February 2016, the Company, 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**") have established a joint venture, 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**") for the purpose of providing financial and non-financial guarantee and financial consulting services for individuals and the SMEs in Yunfu, the People's Republic of China (the "**PRC**"). For details, please refer to the announcement of the Company dated 18 February 2016.

In 2016, Yunfu Yuecai recorded total revenue of approximately RMB6.4 million and net profit of RMB2.7 million.

(2) On 27 April 2016, a new wholly-owned subsidiary of the Company, Guangdong Join-Share Capital Management Limited* (廣東中盈盛達資本管理有限公司) ("**Guangdong Capital Management**") was established. Guangdong Capital Management provides capital management services for existing and new customers with the need for such services. Guangdong Capital Management has commenced operation in May 2016 and had a registered capital of RMB30.0 million, of which RMB3.0 million was funded by our internal resources and RMB27.0 million was funded by the reallocated actual net proceeds from the listing of the Company's H shares on the Stock Exchange on 23 December 2015 (the "**Listing**").

On 26 September 2016, the Board of the Company resolved to make capital increase to Guangdong Capital Management. The registered capital was changed from RMB30.0 million to RMB60.0 million, of which RMB3.0 million was funded by our internal resources and RMB27.0 million was funded by the reallocated actual net proceeds from the Listing. For details, please refer to the announcement of the Company dated 26 September 2016.

In 2016, Guangdong Capital Management invested in a total of 7 projects, with total investment amounting to RMB38.7 million. As of 31 December 2016, the investment balance of Guangdong Capital Management was RMB36.7 million.

FINANCIAL REVIEW

Net Guarantee Fee Income

Our net guarantee fee income decreased by approximately RMB2.3 million, or approximately 1.8%, to approximately RMB128.9 million in 2016 from approximately RMB131.2 million in 2015. Our total guarantee income decreased by approximately RMB6.8 million, or approximately 4.8%, to approximately RMB133.8 million in 2016 from approximately RMB140.6 million in 2015, mainly attributable to (i) our adjustment to the structure of the guarantee business and prudent operation of the financing guarantee business, which resulted in a decrease of RMB14.3 million, or approximately 10.6% in the financing guarantee income; (ii) our devotion of more efforts to carry out non-financing guarantee business, which resulted in an increase of RMB7.6 million or approximately 124.6% in our non-financing guarantee income which partly offset the decrease in the financing guarantee income. The annualized average guarantee fee ratio for the year ended 31 December 2016 was approximately 2.3%, as compared to approximately 3.0% for the year ended 31 December 2015. The decrease in the annualized average guarantee fee ratio in 2016 was mainly attributable to our adjustment to the structure of the guarantee business and great devotion in operation of the non-financing guarantee business. The guarantee fee ratio of non-financing guarantee business is lower as compared with that of financing guarantee business.

Net Interest Income

Our net interest income decreased by approximately RMB32.4 million, or approximately 26.8%, to approximately RMB88.7 million in 2016 from approximately RMB121.1 million in 2015, primarily due to the decrease by 29.7% and 18.1% of our interest income from the entrusted loans and micro-lending business, respectively.

The interest income from our entrusted loan business for the year ended 31 December 2016 decreased by approximately RMB21.1 million or approximately 29.7% to approximately RMB49.9 million in 2016 from approximately RMB71.0 million in 2015, which was attributable to (i) the decrease in the PBOC benchmark interest rate for the year ended 31 December 2016; and (ii) in 2016, the increase in the proportion of entrusted loans with larger amount and lower interest rate to our entrusted loans combination. Our annualized average interest rate of en-trusted loans decreased by 30.2%.

The interest income from our micro-lending business for the year ended 31 December 2016 decreased by approximately RMB8.8 million or approximately 18.1% to approximately RMB39.8 million in 2016 from approximately RMB48.6 million in 2015, primarily as a result of the decrease in the PBOC benchmark interest rate. Our annualized average interest rate of our micro-lending decreased by 21.0%.

Service Fee from Consulting Services

Our service fee from consulting services increased by approximately RMB2.0 million, or approximately 6.0%, to approximately RMB35.4 million in 2016 from approximately RMB33.4 million in 2015, primarily due to our active development of consulting business.

Other Revenue

Our other revenue increased by approximately RMB12.7 million, or approximately 44.1%, to approximately RMB41.5 million in 2016 from approximately RMB28.8 million in 2015, primarily due to (i) an increase by approximately RMB8.2 million or approximately 59.0% of investment income of available for sale financial asset from approximately RMB13.9 million in 2015 to approximately RMB22.1 million in 2016; and (ii) an increase by approximately RMB6.6 million or approximately 600.0% of gains from foreign exchange rate changes from approximately RMB1.1 million in 2015 to approximately RMB7.7 million in 2016, and such increases were partially offset by the decrease in investment income from investment receivables from approximately RMB6.1 million in 2015 to approximately RMB1.0 million in 2016.

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 reversal for guarantee losses of approximately RMB10.5 million in 2016 compared to provisions of approximately RMB2.5 million in 2015, primarily due to a decrease by RMB323.0 million or approximately 9.5% of the balance of outstanding financing guarantee from approximately RMB3,415.8 million as of 31 December 2015 to approximately RMB3,092.8 million as of 31 December 2016.

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; and (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. Our impairment losses decreased by approximately RMB4.5 million, or approximately 16.4%, to approximately RMB22.9 million in 2016 from approximately RMB27.4 million in 2015, primarily due to a decrease of impairment losses for loans and advances to customers by approximately RMB7.1 million, or approximately 77.2%, from approximately RMB9.2 million for 2015 to approximately RMB2.1 million for 2016, which was partially offset by an increase of the impairment losses for the receivables of guarantee payments by approximately RMB2.1 million, or approximately 58.3%, from approximately RMB3.6 million for 2015 to RMB5.7 million for 2016.

Operating expenses

Our operating expenses decreased by approximately RMB3.2 million, or approximately 3.5%, to approximately RMB88.7 million in 2016 from approximately RMB91.9 million in 2015, mainly attributable to a decrease of listing expense of IPO by 100% since listing expense of IPO of approximately RMB6.6 million was incurred in 2015 for the preparation of the Listing and no such expense was incurred in 2016 after the Listing, and such decrease was partially offset by an increase of staff costs of RMB6.9 million from approximately RMB41.8 million in 2015 to approximately RMB48.7 million in 2016.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by approximately RMB1.3 million, or approximately 0.7%, to approximately RMB193.9 million in 2016 from approximately RMB192.6 million in 2015. Our profit before taxation accounted for approximately 76.6% and 67.4% of our revenue in 2016 and 2015, respectively.

Income Tax

Our income tax increased by approximately RMB0.2 million, or approximately 0.4%, to approximately RMB50.0 million in 2016 from approximately RMB49.8 million in 2015, primarily due to the increase in our taxable profits.

Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately RMB1.1 million, or approximately 0.8%, to approximately RMB143.9 million in 2016 from approximately RMB142.8 million in 2015, and our net profit margin increased to approximately 56.9% in 2016 from approximately 50.0% in 2015.

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 2016, our capital expenditures amounted to approximately RMB9.4 million, which was primarily related to the purchase of office premises due to our business expansion.

Capital Commitments and Contingent Liabilities

As at 31 December 2016, our outstanding capital commitments relating to the total maximum guarantee issued to our customers in relation to our guarantee business and the leases of our office premises amounted to approximately RMB6,612.4 million and RMB3.6 million, respectively.

The Group did not have any contingent liabilities as at 31 December 2016.

Charge on assets

As at 31 December 2016, the Group did not pledge any of its assets to secure any banking facility or bank loan.

PROSPECTS AND FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

(I) Development trend of the industry: the State Council of the PRC 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》) in August 2015, which fully affirmed that financing guarantee was a primary means and a critical part to solve the difficulty and high costs of financing for SMEs and the "agriculture, rural areas and farmers", and also played an important role in stabilizing growth, adjusting structure and benefiting livelihood. We are of the view that the financing guarantee industry will maintain its sustainable and rapid development under the support of the national policy and driven by the strong financing demands of the SMEs in China.

(II) Development strategy of the Company: in 2016, the Company carried out the strategy of transformation and upgrade, promoted the divisional organization reform and achieved effective results in this regard. While consolidating its regular businesses, the Company devoted more efforts to expand into new business areas and developed the relevant construction guarantee and other financial service-related products. Giving full play to the brand effect and public praise of the Company and leveraging on the Internet, the Company aims to build itself into a systematic provider of investment and financing services with the highest systematic value for the SMEs and individuals in China.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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.

The Group has some bank deposits denominated in US dollars which exposes the Group to foreign exchange risks. The Group does not have a foreign currency hedging policy. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

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 of the Company, cash flows from operations and bank borrowings and bonds payable.

As of 31 December 2016, our cash and cash equivalent was approximately RMB770.2 million.

The gearing ratios of the Group as at 31 December 2016 and 31 December 2015 were 20.1% and 20.7%, respectively. Such gearing ratio was computed by dividing total liabilities by total assets.

Indebtedness

As of 31 December 2016, private placement bonds issued by Foshan Micro Credit amounted to RMB50.0 million.

In addition, we had other financial instrument – liability component of RMB78.5 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 2016, our outstanding guarantee totaled approximately RMB6,612.4 million. We have no other off-balance-sheet arrangements.

Significant investments

Save as disclosed under the section headed "Major business activities undertaken by the Group during the year" in this annual report, the Group had no significant investment for the year ended 31 December 2016.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2016.

Event After Reporting Period

The registered capital of Guangdong Capital Management was increased from RMB30.0 million to RMB60.0 million and the relevant change of industry and commercial registration has been completed on 10 February 2017. For details, please refer to the section headed "Major business activities undertaken by the Group during the year" in this announcement.

The registered capital of Anhui Join-Share Financing Guarantee Co., Ltd, a non wholly-owned subsidiary of the Company, was increased by RMB50.0 million from RMB 150.0 million to RMB200.0 million and the relevant change of industry and commercial registration has been completed on 2 March 2017.

HUMAN RESOURCES

The total number of staff within the Group at 31 December 2016 and 31 December 2015 was 256 and 242 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 2016, we paid approximately RMB48.7 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.

The Group is required to participate in pension schemes organized by the respective local 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 complied with the relevant requirements during the year ended 31 December 2016.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wu Liejin (吳列進), aged 56, 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, Foshan Join-Share Industrial Investment and Guangdong Capital Management. Apart from his duty in our Group, Mr. Wu holds or has 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
Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會)	Executive vice-chairman
Guangdong Credit Association (廣東省信用協會)	Executive vice-chairman
Guangdong Financing Guarantee Association (廣東省融資擔保業協會)	Chief supervisor
Guangdong Association for Promotion of Science & Technology and Finance (廣東省科技金融促進會)	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)	Vice-chairman
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)[1]	Master instructor (off campus)

1. 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 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. In December 2016 and January 2017, Mr. Wu was successively named 2016 Top 10 Outstanding Business Individuals of Guangdong (2016年度廣東十大經濟風雲人物) and Huishang Leader of the 4th Huishang Oscar (第四屆徽商奧斯卡徽商領袖).

Mr. Xie Yongdong (謝勇東), aged 45, 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.

NON-EXECUTIVE DIRECTORS

Mr. Zhang Minming (張敏明), aged 37, 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 40, 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 19 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 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 affaires 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 52, 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 34 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), an 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.

Organization	Position
Foshan Nanhai Executive Committee of People's Congress (佛山市南海區人大常委會)	Executive member
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 53, 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).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Xiangneng (吳向能), aged 42, was appointed as an independent non-executive Director of our Company on 7 August 2013.

Mr. Wu has about 19 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 charted 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–November 2015	Equity investment
Guangzhou Nengdi Asset Management Co., Ltd. (廣州能迪資產管理有限公司)		General Manager	December 2015 – present	Equity investment and acquisition planning

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 51, 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.

Mr. Liu Heng (劉恒), aged 53, 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.

SUPERVISORS

Mr. Li Qi (李琦), aged 40, 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), 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 an executive master of business administration degree from Renmin University in January 2017 and 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 42, 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.

Mr. Wang Wei (王維), aged 53, 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 assets protection division, the vice-general manager of risk management division and the director of the 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.

Mr. Liang Yi (梁毅), aged 52, 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 65, 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.

Mr. Zhong Jian (鍾堅), aged 55, 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 45, details about Mr. Xie's biography are set out in page 19 of this Annual Report.

Mr. Zhang Deben (張德本), aged 55, 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 16 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

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. (廣東銀達融資擔保投資集團有限公司)	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.

Mr. Ou Weiming (歐偉明), aged 50, is a vice president of our Group and managing director 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 22 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 May 2011, he 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 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).

Mr. Ou also concurrently serves as a member of China Micro-credit Companies Association (中國小額貸款公司行業協會), chief supervisor of the supervisory committee of Guangdong Association of Microcredit (廣東省小額貸款公司行業協會), vice president of Foshan Micro Credit Company Association (佛山市小額貸款公司行業協會).

Ms. Lu Haoming (陸皓明), aged 50, 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 27 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.

Ms. Huang Biwen (黃碧汶), aged 42, 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 13 years' working experience in our Group. She is responsible for risk management of our Group.

Ms. Huang has about 18 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 40, 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.

Mr. Zheng has about 18 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.

The Group is committed to maintaining and achieving high standard of corporate governance in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. 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**").

During the year ended 31 December 2016, the Company had complied with the code provisions set out in 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 the 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.

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 directors 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 year ended 31 December 2016, 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 year, representing one-third of the total number of Directors and was in compliance with the relevant requirement. In accordance with the Articles of Association, 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 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 the 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.

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 2016, the Board of Directors held 11 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	11	100%
Mr. Xie Yongdong	Executive Director and president	11	100%
Mr. Zhang Minming	Non-executive Director and vice chairman	11	100%
Ms. Gu Lidan	Non-executive Director	11	100%
Ms. Wu Yanfen	Non-executive Director	11	100%
Mr. Huang Guoshen	Non-executive Director	11	100%
Mr. Wu Xiangneng	Independent non-executive Director	11	100%
Mr. Leung Hon Man	Independent non-executive Director	11	100%
Mr. Liu Heng	Independent non-executive Director	11	100%

During the year ended 31 December 2016, the chairman of the Board held meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.

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.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Details of directors' and supervisors' service contracts are set out in page 76 of the Report of the Board of Directors.

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

Each newly appointed Director receives induction on the occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of his/her responsibilities under applicable laws, rules and regulations and the Group's various governance and internal control policies.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2016, the Company arranged an in-house training on risk management and internal control and on environmental, social and governance reporting for the Directors and senior management of the Group. According to the records provided by the Directors, the Directors received the following training during the year 2016:

Directors	Training on corporate governance, risk management and internal control, environmental, social and governance reporting, inside information and other relevant topics	
	Training attended	Attendance Rate
Executive Directors		
Mr. Wu Liejin	1	100%
Mr. Xie Yongdong	1	100%
Non-executive Directors		
Mr. Zhang Minming	1	100%
Ms. Gu Lidan	1	100%
Ms. Wu Yanfen	1	100%
Mr. Huang Guoshen	1	100%
Independent non-executive Directors		
Mr. Wu Xiangneng	1	100%
Mr. Leung Hon Man	1	100%
Mr. Liu Heng	1	100%

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.

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 the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by the 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 2016, the Audit Committee held 2 meetings. Details of the attendance of the members are as follows:

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

During the meetings, the Audit Committee reviewed the accounting principles, policies adopted by the Group and the internal control and risk management systems of the Group, and discussed the Group's financial reporting matters within the management. The Audit Committee has met with the auditors of the Company in the absence of management of the Company.

During the period after 31 December 2016 and up to the date of this annual report, the Audit Committee held 1 meeting. During the meeting, the Audit Committee 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 2016 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.

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 the 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 the 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 2016, the Remuneration and Appraisal Committee held 1 meeting. 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	100%
Mr. Liu Heng	Independent non-executive Director	1	100%
Mr. Wu Xiangneng	Independent non-executive Director	1	100%
Mr. Zhang Minming	Non-executive Director and vice-president	1	100%
Mr. Xie Yongdong	Executive Director and president	1	100%

During the year ended 31 December 2016 (the "**Reporting Period**"), the Remuneration and Appraisal Committee proactively discharged its duties in 2016 and completed the work within its terms of reference. During the Reporting Period, the Remuneration and Appraisal Committee, under the leadership of the Board of the Company, proactively carried out work in accordance with relevant provisions under the Articles of Association and the Rules of Procedures of the Remuneration and Appraisal Committee of the Board. It examined the performance assessment mechanism and remuneration distribution plan for Directors and senior management through study and examination of the Company's remuneration distribution system, and proposed advisory opinions on relevant circumstances and problems in the execution of remuneration management of the Company. The committee practically fulfilled its obligations of due diligence, ensured the Board' effective control and supervision over the Company's operation and management and safeguarded the interests of all shareholders and the Company as a whole.

Remuneration of the senior management for the year ended 31 December 2016 is as follows:

Remuneration range *(RMB)*	Number of people
500,000 to 800,000	3
Below 500,000	2

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 the Board on the appointment of members of the Board. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange. For internal policies, processes and criteria of nomination, please refer to the terms of reference of the Nomination Committee.

During the year ended 31 December 2016, the Nomination Committee held 1 meeting. Details of the attendance of the members are as follows:

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

During the year ended 31 December 2016, 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 are not limited to (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 our Company 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.

During the year ended 31 December 2016, 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-president	2	100%
Mr. Wu Liejin	Executive Director and Chairman	2	100%
Mr. Xie Yongdong	Executive Director and president	2	100%
Mr. Huang Guoshen	Non-executive Director	2	100%
Mr. Wu Xiangneng	Independent non-executive Director	2	100%

During the Reporting Period, the Risk Management Committee earnestly reviewed the Company's risk management work plan, urged the Company's internal audit department to strictly execute the audit plan, and proposed instructional opinions on the problems identified in internal audit. In 2016, the Risk Management Committee fulfilled its duties in compliance with the professional standards of independence, objectiveness and fairness, and completed relevant work in a better way.

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 are not limited to (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 the 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 2016, the Strategy Committee held 2 meetings. Details of the attendance of the members are as follows:

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

During the Reporting Period, the Strategy Committee proactively fulfilled its duties and conducted systematic study on and adjustment to strategic plan based on the industry environment and market situation in a prompt manner. In addition, given the actual conditions of the Company, the committee put forward reasonable suggestions on adjustments to the implementation of development strategy. Relevant strategic suggestions gave rise to satisfactory effects upon implementation by the management.

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 2016 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 have been 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 Directors and Supervisors. Having made specific enquiry with the Directors and Supervisors, they have confirmed their compliance with the relevant standards stipulated in the Model Code during the year ended 31 December 2016.

The Company has also established a written guideline no less exacting than the Model Code for Securities Transactions by relevant employees (including any employee of the Company or Director or employee of a subsidiary who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company). No incidence of non-compliance was noted by the Company.

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, as an external service provider, assists Mr. Zheng Zhengqiang, who is the primary corporate contact person of Mr. Wong at the Company, in performing his duties as company secretary of the Company. Each of Mr. Zheng Zhengqiang and Mr. Wong Yat Tung has confirmed that he received not less than 15 hours of relevant professional training during the year ended 31 December 2016.

RISK MANAGEMENT AND 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 objectives through established, appropriate and effective risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board shall have the decision on all operation matters and is committed to establishing and improving 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 at 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.

Following the internal control review mentioned above, the Company has, amongst others (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.

During the year ended 31 December 2016, the internal control procedures mentioned above were effectively implemented. We have also been endeavoring to strengthen the risk prevention and internal control capabilities. Further, the Audit Committee continues to review and evaluate the effectiveness of the internal control system of the Group and to report the findings to the Board. The Board continues to review and evaluate the internal control system at least once a year to ensure that no material internal control loophole exists.

For the year ended 31 December 2016, the Company engaged an internal controls consultant to review on the internal controls of the Company and some major operating subsidiaries selected and provided the recommendations on the internal control improvement opportunities identified of agreed key processes and controls of these companies. The key processes and controls include the management and the board, human resources and remuneration management, overall business objectives and risks, internal audit, connected transactions, anti-money laundering, and business functions of the Company. On the basis of the Management's review of the Internal Controls Consultant's report, no significant areas of concern that may affect the Group or the Company to achieve strategic goals were identified.

INFORMATION DISCLOSURE

The Company discloses information in compliance with the Listing Rules and other applicable laws, and publishes periodic reports and announcements to the public in accordance with relevant laws and regulations. The Company has formulated and implemented the Information Disclosure Rules which set out, among others, the reporting procedures for handling and dissemination of inside information. The secretary to the Board is in charge of matters in relation to information disclosure of the Company, urging the Company to formulate and exercise information disclosure rules and internal reporting rules for material information, and procuring the Company and relevant parties to discharge their duties of information disclosure in compliance with the laws. The Board office acts as the special organ in charge of information disclosure of the Company while the secretary to the Board and the personnel of the Board office are responsible for information disclosure of the Company. The Company confirms that relevant personnel have complied with the requirements of Information Disclosure Rules.

INTERNAL AUDIT

The Group has an internal audit function. The primary role of the internal audit function is to help the Board and the senior management of the Group to protect the assets, reputation and sustainability of the Group. The internal audit function provides independent and objective assurance as to whether the design and operational effectiveness of the Group's framework of risk management, control and governance processes, as designed and represented by the Company's management, is adequate. The internal audit function of the Group is independent of the risk management and internal control systems of the Group.

Results of audit work together with an assessment of the overall risk management and control framework are reported to the Audit Committee as appropriate. The internal audit function also reviews the Company's management's action plans in relation to audit findings and verifies the adequacy and effectiveness of the mitigating controls before formally closing the issue.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the total remuneration paid or payable to the Company's auditors, KPMG, for audit and audit related services amounted to a total of RMB2.3 million.

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

Services by the Auditors	**Amount** *(RMB)*
Annual auditing services:	
2016 interim reviewing service	600,000
2016 annual auditing service	1,700,000
Total	2,300,000

GENERAL MEETINGS

During the year ended 31 December 2016, the Company held 1 general meeting. The details of the attendance of the Directors are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	1	100%
Mr. Xie Yongdong	Executive Director and president	1	100%
Mr. Zhang Minming	Non-executive Director and vice chairman	1	100%
Ms. Gu Lidan	Non-executive Director	1	100%
Ms. Wu Yanfen	Non-executive Director	1	100%
Mr. Huang Guoshen	Non-executive Director	1	100%
Mr. Wu Xiangneng	Independent non-executive Director	1	100%
Mr. Leung Hon Man	Independent non-executive Director	1	100%
Mr. Liu Heng	Independent non-executive Director	1	100%

The 2015 annual general meeting of the Company was held at 15/F, Chuangye Building, No. 215 Fenjiang Middle Road, Foshan, Guangdong, the PRC on Monday, 6 June 2016 and all the resolutions set out below were duly passed by way of poll.

At the 2015 annual general meeting, the following resolutions were considered and passed by way of poll by Shareholders and their proxies. The poll results were set out as follows:

Ordinary Resolutions	Number of votes and percentage of the total voting shares at the AGM *(%)*	
	For	Against
1. To consider and approve the report of the Board for the year ended 31 December 2015.	785,688,015 (100%)	0 (0%)
2. To consider and approve the report of the board of supervisors of the Company for the year ended 31 December 2015.	785,688,015 (100%)	0 (0%)
3. To consider and approve the audited financial statements and the report of the auditors of the Company for the year ended 31 December 2015.	785,688,015 (100%)	0 (0%)
4. To consider and approve the profit distribution plan and the dividend distribution plan for the year ended 31 December 2015.	785,688,015 (100%)	0 (0%)
5. To consider and approve the reappointment of KPMG a s the Company's auditor and to authorise the Board to fix its remuneration for the year ending 31 December 2016.	785,688,015 (100%)	0 (0%)

The Annual General Meeting for 2016 is scheduled to be held on 6 June 2017.

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, 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.

For details of shares held by directors, supervisors and senior management and details of public float at the end of 2016, please refer to pages 78–79 and page 82 of "Report of the Board of Directors" respectively.

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.

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 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 Association took effect on 23 December 2015. During the year ended 31 December 2016, there were no significant changes in the Articles of Association. The Articles of Association are available on the websites of the Stock Exchange and the Company for information disclosure.

1. ABOUT THIS REPORT

1.1 Basis of Preparation

This Report contains the up-to-date information on the performance of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (hereinafter referred to as "**Join-Share**", the "**Company**", "**We**", "**Our**" or "**Us**") and its subsidiaries in environmental protection and social responsibilities in 2016. We prepared this Report in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). This is the first Environmental, Social and Governance Report (the "**Report**") published by the Company, which sets out guiding principles, policies, corresponding significance and targets regarding the environmental, social and governance management of the Company in different sections, and shall be read in conjunction with the Environmental, Social and Governance Reporting Guide. The Report aims to reinforce communications with stakeholders and promote the sustainable development of Join-Share and its subsidiaries.

1.2 Subject of the Report

The "co-creation, sharing and joint growth", being the quintessence of the Creed of Join-Share, incarnates the concept of "join-share". The Group advocates to bond itself with the shareholders and the staff as a community of interests and forge a strategic alliance with major business partners such as banks, the small and medium enterprises (the "**SMEs**") customers and other intermediary service agencies so as to pursue the ideal cause featuring common progress and joint growth as well as the green and sustainable development through the above stakeholders' concerted efforts, co-creation, joint ownership and share of abundant achievements.

1.3 Scope of the Report

The organizational scope of the Report (which is determined in accordance with the materiality principle) covers the Company and all of its subsidiaries (collectively referred to as the "**Group**") and aims to present a well-balanced report on the Group's policies and performance in respect of the environment and the society. The time frame of the Report ranges from 1 January 2016 to 31 December 2016.

1.4 Statement of the Report

The Report is prepared by CECEP Environmental Consulting Group (中國節能皓信環境顧問集團), an independent third party engaged by the Company. The Report highlights process management, underlines the materiality, substantiality, balance and legibility and comprehensively presents the philosophy, conducts and commitments to responsibilities of the Company for the year. We warrant the reliability, truthfulness and objectivity of the information contained in the Report and hope to enhance communications with the stakeholders, demonstrate the transparency of the Company, and consistently press ahead the sustainable development of the economy, the society and the environment by publishing the Report. The forward-looking statements included in the Report are based on certain assumptions and expectations made by the Company upon mature deliberation and involve known and unknown risks and uncertainties, which may cause our actual performance to be materially different from such assumptions, expectations and/or conclusions.

2. CHAIRMAN'S STATEMENT

Since this is the first Environmental, Social and Governance Report published by the Company, we'd like to take this opportunity to sort through the performance of the Company in respect of assuming various social responsibilities, share the Company's philosophy of social responsibilities with the public and illustrate the commitments and returns to the stakeholders including shareholders, the staff, customers, cooperative institutions, the industry, the government and the society, so as to enable the stakeholders to have a clear understanding of the role the Company in the sustainable development.

As important forces to promote the development of the economy and the society, the SMEs are constrained from developing primarily due to difficulties in financing. In 2003, Join-Share was incorporated in the wake of the favorable circumstances that Foshan Government implemented the strategic deployment of supporting the development of SMEs through introduction of guarantees. In 2016, in addition to consolidating cooperation with banks, Join-Share continued to explore non-bank channels such as insurance, trust, securities and Internet Finance and expand corporate financing channels through various financial innovations, aiming for reducing corporate financing cost and guaranteeing smooth financial supply.

Generous returns to shareholders, care for the staff and sincere services to customers have always been the business philosophy of the Group. Join-Share views "generous returns to shareholders" as our solemn commitment in respect of our responsibilities to shareholders and investors. We achieves growth in both capital and business through the double driving forces of standard governance and professional management, guarantees the value maintenance and appreciation of shareholders' investment and brings along a stream of stable and generous returns to the shareholders. As talents are deemed to be the most precious wealth of Join-Share, the Company has always been adhering to the talent concept of "cultivating career dedicators". Apart from the competitive salaries, the Company also lays emphasis on a variety of subsistence allowances. Join-Share unremittingly extends the industrial chain and innovates financial services based on diverse demands of our customers, i.e., the SMEs at different stages under various circumstances. We assume our responsibilities to customers leveraging on strict and standard operation, satisfy customers' demands through high-quality and professional services, and grow together with the SMEs in the service process.

Join-Share has always taken on the responsibility of supporting the disadvantaged. During the Reporting Period, we took active part in many activities for social benefits and organized senior management and employees to participate in anti-poverty activities on regular basis. We reached out to the less developed regions of our own accord to carry out "Aiding Students in Hardship" themed activities in local primary schools so as to enable more children from poverty stricken families to enjoy the right and delight of receiving education. We attached importance to environmental protection and energy conservation, encouraged our staff to save electricity and water and advocated paperless office. Besides, we also required our customers engaging in manufacturing to pay equal attention to environmental protection and included environmental protection governance in the inspection scope of our due diligence to customers. We take pride in rate-paying and insist on paying our taxes in full for each year. Ever since incorporation, the Company has paid taxes of more than RMB300 million in total to the local and state governments.

Looking ahead, the Company will be committed to "benefit the livelihood through finance and brighten the future by credit". We will continue to build bigger and stronger platform of the Company in accordance with the business philosophy of "diligence and devotion" and "standard governance". The Company will support the transformation and upgrade of real economy through innovative financial services and enable more social entities to enjoy the benefits of finance. Meanwhile, we will strive to push ahead the construction of the social credit systems through our own efforts. We endeavor to make contributions to the development of the society while creating values for our shareholders, customers and business partners.

3. JOINT PARTICIPATION

As directed by "co-creation, sharing and joint growth" concepts, the Group advocates that all stakeholders concerned including shareholders, the staff, banks, SMEs customers and other intermediary service agencies bond with each other as one strategic alliance and community of interests, establish a common development concept and pursue the ideal cause featuring common progress and joint growth through their concerted efforts, co-creation, joint ownership and share of abundant achievements.

In pursuit of the ideal cause of the Group, it is necessary for the Group to involve major stakeholders such as shareholders, the staff and business partners in the operation of the Company. A comprehension of the diverse expectations and appraisals of stakeholders after sufficient communication and exchange with them through different channels is conducive for us to objectively review our work on corporate social responsibilities and sustainable development in terms of planning, management, implementation and assessment.

Major stakeholders	Communication approach
Governmental authorities	• Visiting the office of the Group for inspection and survey
	• Attending forums and working conferences sponsored by the governmental authorities
Investors	• Holding press conference to release the annual and interim results on regular basis
	• Convening annual general meetings to inform the investors of the updates in the Group's operation
	• Updating the website of the Company periodically to guarantee investors' access to the latest news of the Company
	• Undertaking interactive visits regularly
The staff	• Staff training, and communication arrangements for new recruits with the management
	• Holding annual working symposium and New Year celebration involving the headquarters and the subsidiaries.
	• Periodic assessment on staff performance
	• Survey on the staff's satisfaction to the management of the Company
	• Organizing quality trainings and workshops at all levels
	• Routine meetings of each department
Customers	• Keeping contact with customers in the course of project
	• Conducting project survey together with customers
	• Attending annual symposia of the customers
	• Attending lectures and seminars sponsored by customers
	• Holding customer appreciation parties
Peers	• Actively participating in industry forums to promote exchanges and industry development
	• Visiting the peers for observation purposes

Certain stakeholder activities are set out as below:

On the morning of 22 March 2016, the work panel of "Warm Spring Actions for Enterprises" (企業暖春行動), under the leadership of Huang Zhihao (黃志豪), a member of the Municipal Standing Committee and the executive vice mayor of Foshan, visited Join-Share for inspection and investigation to emphatically learn about the financing status quo of the SMEs in Foshan and listen to recommendations on the construction of investment and financing mechanisms for SMEs.

The “Nyingchi Forum”, an annual grand ceremony in the inclusive finance sector, was inaugurated on 24 March 2016 in Nyingchi, Tibet. Industry experts from associations, companies and institutions in the industry across the country attended the forum, of which, Mr. Wu Liejin, Chairman of the Group and one of the leading figures in the industry, also attended the forum and served as the keynote speaker on invitation.

On the afternoon of 28 March 2016, the Guangdong Provincial Party Committee and Provincial Government hosted the Colloquium on Work regarding Private Economy (民營經濟工作座談會) in Guangzhou to listen to opinions and suggestions of private entrepreneurs with regard to the development of private economy. Mr. Wu Liejin, Chairman of Join-Share, attended such conference on invitation, being the only individual representative in the financial sector in Foshan.

On 6 June 2016, the Group successfully held the 2015 Annual General Meeting (the “**AGM**”) in Foshan. The AGM was convened by the Board of the Company and presided over by Wu Liejin, an executive Director and the Chairman. A total of 39 Shareholders attended AGM in person or by proxy, holding, in aggregate, 802,446,883 shares in the Company with voting right, representing approximately 75.23% of the entire issued share capital of the Company. Directors, supervisors and senior management of the Company attended the AGM.

The 2016 Guangdong Credit Forum, hosted by the government authorities of Guangdong Province, banks and Guangdong Credit Association, was inaugurated on 6 September 2016. As the ad hoc support unit, the Group was invited to attend the forum, at which, Wu Liejin, the Chairman, gave the keynote speech titled “Development of Inclusive Finance and Construction of Credit Systems under the Supply-side Reform”.

On 21 January 2017, the 2016 Annual Summary and Commendation Ceremony and the New Year Celebration of the Group ended as a success. Around 250 people from each of the functional departments, subsidiaries and branches of the Company attended the ceremony. The theme of the ceremony was "join-hearts, future dreams", signifying our wish that Join-Share could "solidify new forces, inspire new momentum and achieve new stride forward" in the forthcoming year. Commendations were given to employees and teams with excellent performance in the past year and units making innovations and special contributions to the business or management. In succession to the Commendation Ceremony, the New Year Celebration was unveiled by the Company for the whole crew of the Group to gather together and celebrate the New Year.

4. CONCERTED EFFORTS

As directed by "co-creation, sharing and joint growth", the Group always upholds the concept of "cultivating career dedicators" in human resources management, endeavors to create favorable working environment and platform for the employees to put their capabilities to use and rewards outstanding employees with generous treatment.

4.1 Generous Reward to Talents

The Group has formulated the Measures on Recruitment and Employment (《招聘錄用管理辦法》) and the Measures on Unusual Movements of Employees (《員工異動管理辦法》) with reference to Labor Law of the People's Republic of China(《中華人民共和國勞動法》), which prescribed fair and open recruiting policies to safeguard employment opportunities for all walks of life and show due respect to all the staff, regardless of their age, gender, race, nation, religion, and physical soundness or handicap. In case of material violations of disciplines of the Company or laws and rules by any employee, the Group will not indulge and will undertake serious punishment or even discharge such employee concerned in accordance with the Measures on Unusual Movements of Employees so as to safeguard the interests of the Company and our customers.

The Group treats different genders equally in employment. During the Reporting Period, the Group recruited a total of 62 employees, among which, 26 were female, accounting for 41.94%, which showed that no gender discrimination but competence was considered in the course of recruiting. As at the end of 2016, the Group had a total of 253 employees, among which 108 were female, accounting for 42.69% at a relatively balanced gender ratio.

In addition, the Group also provides rather attractive remuneration and welfares and guarantees adequate recognition and rewards for excellent employees through internal incentive mechanism and remuneration adjustment mechanism. Each of the compensation and benefits systems of the Group has been reviewed and publicly displayed under democratic process based on the principle of fairness, justice, openness and transparency in remuneration management, thus ensuring the legitimacy and compliance of the compensation and benefits systems. In determination of remuneration standards for each of the subsidiaries and branches, factors such as regional differences, average standard in the industry and market competition shall be taken into full account and periodic investigation and adjustment shall be made to the remuneration standards. The Group also alleviates the economic pressure in life of employees by means of increasing salaries in case of inflation and general increase in salaries. Besides, the Group encourages the capable ones by distributing diversified bonuses according to the performance and contributions of each individual and returns employees with just appraisals and fair rewards through scientific and sound performance appraisal mechanism. The Group has maintained the total amount of salaries and welfares at a level of more than 12% of the total revenue of the Company and ensures an annual increase of more than 10% in the total income of employees.

The Group strives to provide munificent employee benefits as far as possible such that employees could give less consideration to economic status in life and devote more efforts to the work. For example, employees are entitled to pension insurance, unemployment insurance, employment injury insurance, medical insurance and maternity insurance as well as housing provident fund, and are scheduled to take vacations and be off duty at the weekend in accordance with relevant laws and regulations in China. In addition to a variety of allowances for meals, telecommunications, traffic, festival consolations and staff solatia, the Group also allocates incentive share options to excellent employees to unite them with the Group for common interests, establish a joint growth concept and own and enjoy the fruitful achievements together.

4.2 Encouraging Staff Development

With the wish to grow together with the employees, the Group provides abundant training opportunities for each employee as well as an extensive promotion platform for employees in light of their respective capabilities, enabling each employee to harvest recognition, promotion and development by virtue of their own competence.

The Group has a sound training system and is capable of providing various internal and external training opportunities for the employees. The Group formulated the Measures on Staff Training (《員工培訓管理辦法》) in line with the human resources management systems to inspire the enthusiasm of the staff in improving their business skills and professionalism. During the Reporting Period, the Group organized trainings at all levels covering financing guarantee, litigation preservation, business of the investment department, risk management and project management, including one training for the middle and senior managers, 18 company-wide internal trainings, and 145 departmental and divisional internal trainings, as well as certain external training opportunities.

The Group has a sophisticated promotion mechanism and is capable of setting out corresponding measures to cater for the vocational development planning of the staff. The Group formulated the Measures on Unusual Movements of Employees (《員工異動管理辦法》) and Measures on Occupation Planning of the Staff (《員工職業生涯規劃管理辦法》), thus establishing a favorable vocational development platform for the staff. The Group appoints the capable and introduces competition for positions in talents selection and appointment, which was also conducive to enhance the competitive consciousness and aggressiveness of the staff. For example, during the Reporting Period, the Group carried out a position competition campaign in regard of certain positions in the Construction Guarantee Business Department. Meanwhile, the Group successfully undertook 3 internal position competition campaigns to provide vocational development opportunities for the staff and whereby promoted a total of 9 persons during the Reporting Period.

The position competition campaign for Construction Guarantee Business Department

4.3 Safeguarding Rights and Interests of the Staff

The Group respects and upholds the internationally accepted human rights and consciously resists any disregard and abuse of human rights. In strict compliance with Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China and other relevant national laws, the Group strictly prohibits the use of child labor and forced labor, enters into labor contracts with the staff in line with the equal rule and consensus principle and has formulated relevant management systems to protect staff privacy. The Group contributes various social insurances, provides reasonable salaries and welfares, makes vacation and paid leave arrangements and adopts the mechanism of the eight-hour shift for five days in row for the staff according to the state regulations. Moreover, the Group guarantees the entitlements of the staff to the rights to obtain work safety and health protection, receive vocational trainings, receive social insurance and welfares and apply for labor dispute settlement as well as other labor rights under laws. Such full protection under regulations and systems enables the staff to devote themselves to the work of the Group without misgivings.

4.4 Ensuring Staff Safety

It is obligatory for the Group to guarantee the health and safety of the staff. Only under healthy physical conditions and in safe working environment can the staff concentrate on the work at ease. Therefore, the Group arranges medical examination for the staff at the beginning of each year at the expense of the Group so as to guarantee the physical health of the staff.

The Group also provides relevant accident insurance for the staff to further guarantee staff safety in their routine work in line with the state laws and regulations including the Labor Law of the People's Republic of China and the Regulation on Work-Related Injury Insurances (《中華人民共和國工傷保險條例》). The Group will purchase life insurances such as casualty insurance, accident compensation insurance and medical insurance with coverage ranging from RMB100,000 to RMB300,000 for the staff according to their positions. Such life insurances relieve risks arising from unintentional injuries to an adequate extent that the staff are placed in safe and harmonious working and living surroundings.

Fire safety of the offices, being the major operation site of the Group, is indispensable. The Group organizes firefighting trainings on regular basis to ensure workplace safety in ordinary course. On 10 November 2016, the Group arranged a training on knowledge of fire safety and required full attendance of all employees recruited during the period from 11 November 2015 and 9 November 2016 so as to improve their fire safety consciousness and prevent and reduce fire hazards.

Photographs of the firefighting training

4.5 Caring for Livelihood of Staff

"Join hands to achieve more" is the concept of the Group for team management. The Group is committed to carry out workforce construction activities such as team building activities, recreational and sports events, welcome parties for new recruits and company trips to promote our corporate culture. The Group approves of active participation in group activities of the Company after busy work so that the staff could relax themselves after work on the one hand, and they could become better team players and cooperate with each more smoothly on the other hand.

On 28 January 2016, the Group grandly held the 2016 New Year's Gala and nearly 300 people including the entire staff and certain family representatives thereof were present. Employees performed lion dances, martial arts, comedy sketches, chorus and other programs at the gala. The brilliant gala fully manifested our corporate culture of "co-creation, sharing and joint growth" and enveloped the entire staff in the joyful and festive atmosphere of the New Year.

In the afternoon on 25 April 2016, the Group hosted a collective birthday party for employees whose birthdays were in the first quarter of the year at the headquarters of the Group in Foshan. Wu Liejin, our Chairman, presided over and addressed the party to deliver greetings and wishes to the birthday employees. Thereafter, Wu Liejin, our Chairman, on behalf of the Company, distributed consolation payments to the birthday employees one by one and cut the birthday cake together with them with best wishes. The first quarter birthday party ended a success in a cheerful and harmonious atmosphere.

On 14 May 2016, the "Finance Expo Cup" Badminton Game of Financial Sector in Guangdong Province ("金交會杯"廣東金融行業羽毛球大賽) was inaugurated which was led by Financial Office of People's Government of Guangdong and Guangzhou Financial Bureau and hosted by Office of the Organizing Committee under China (Guangzhou) International Finance EXPO. A total of 10 employees of the Group played the game against players from peers in the industry and finished fifth, being the best record of the Group for years. Albeit failure to reach the last four, the competitive confidence and strenuous struggle the employees presented in the game fully epitomized the spirituality of "Never give up and strive for the best" of members of the Join-Share.

4.6 Listening to Voice of Staff

With the wish to grow together with the staff, the Group is glad to listen to voices of the staff so as to achieve ongoing progress in internal governance of the Company. The competent management, being the backbone of the Group, plays the leading role in the overall business operation of the Company. With a view to making objective and fair judgments for the middle and senior managers of the Group, we carried out staff satisfaction survey for the year.

At the end of 2016, the Group launched a full-scale satisfaction survey with regard to department heads and higher-ups aiming for making reasonable and just evaluation for the middle and senior managers with due consideration of the staff's opinions. The evaluation was made by their respective superiors, peers and subordinates from the perspective of professional competence, in-process management and capabilities to cope with routine work of the evaluation objects. The integrated service department of the Group sorted out the results of satisfaction survey and reported such to the leadership of the Company for review. The results were filed up for use in the staff appraisal in 2016 and were also delivered to each of the evaluation objects for knowledge of their performance in the opinions of others and consciousness of their merits and shortcomings.

Details of the staff satisfaction evaluation are set out as below:

Item		Description
Professional competence	Professional ability	Possessing systematic expertise and abundant work experiences and capable of identifying problems and taking effective countermeasures in a timely and rapid manner.
	Strategic thinking	Capable of identifying latent problems and formulating and implementing strategic responsive plans with creativity and forward-looking thinking in light of the development trend.
	Team leadership	Capability of leading the team and accomplishing the goals of the team by means of effecting, inspiring and empowering.
	Continuing progressiveness	Unremittingly learning knowledge about modern management and professional technologies, consciously building himself/herself into an interdisciplinary talent and continuingly improving the leadership standard according to the market situation and the strategic goals of transformation and upgrade of the Company.
In-process management	Planning	Capable of implementing goals and tasks of the department as scheduled at his/her own pace.
	Decision-making	Identifying problems and opportunities, and then selecting action plans and taking corresponding measures by effective means.
	Execution	Capable of materializing ideas and questing for results therefrom thus fulfilling the task with good quality and at sufficient quantity.
	Organization and coordination	Capable of making proper authorizations and reasonable distribution of resources, and taking inspirational and coordinative measures in the process of group activities based on the tasks; capitalizing the resources available to achieve the best interests for the Company.
Capabilities to cope with routine work	Talents training	Assigning tasks to different subordinates according to their respective specialties; adept in taping potentials of the subordinates; consciously developing reserve cadres to provide talents for the sustainable development of the Group.
	Creativity	Capable of creating an atmosphere for embracing innovations and introducing the spirit of "newness" to arouse the creativity of the cadres and ordinary employees.

5. COMMON SAFEGUARD FOR THE ENVIRONMENT

In terms of environmental protection, the Group is committed to reducing impacts of its own operation on the environment. While advocating environmentally responsible business practices, the Group also urges the customers to protect the environment. The Group has integrated the environmental awareness into its day-to-day operation and services as well as environmental protection promotion activities.

5.1 Green Office

Since the Group mainly operates its business in the offices, our impacts on the environment mainly arise from the energy consumption, paper consumption and carbon emission due to the use of energy. For the sake of environmental protection and energy conservation, the Group has taken a series of environmental protection measures in its offices in accordance with relevant state laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Energy Conservation Law of People's Republic of China (《中華人民共和國節約能源法》).

The Group encourages the conservative use of resources and appeals to the staff to save water, energy and food at work and in life. Posters about resource saving are set up in the offices to remind the employees of environmental protection. In order to reduce electricity consumption, the Group has implemented various energy-saving measures in its offices and encourages all hands to respond through their practical actions to reduce electricity consumption to the utmost. Detailed energy-saving measures of the Group are set out as below:

Energy-saving measures in the offices
Turning off electronic devices in the office during non-working hours
Switching off certain lights on condition of providing comfortable lighting
Turning off computers and display screens during non-working hours
Selecting lighting fixtures with high energy efficiency
Purchasing office facilities with high energy efficiency
Using energy efficient air conditions system with smart control function
Maintaining the indoor temperature at not lower than 26

Poster about conservative use of resources

In addition, the Group promotes paperless office, encouraging its employees to make the best of computers to reduce paper usage, such as using e-mails or e-fax, or adopting electronic document management system for document archiving. Daily communication with customers is conducted via e-mails to the possible extent and electronic versions are provided for the Group's publications to reduce paper consumption. When it is necessary to print any document, employees are required to print double sided to save papers. For the used printed papers, confidential documents are destroyed with a shredder while general documents are put in waste paper recycling boxes at offices to be delivered to recycling companies.

Waste paper recycling box

As a financing guarantee institution, the Group provides services to SMEs across the country through its subsidiaries and branches located in different regions. Conferences and interviews with its subsidiaries and branches and cross-regional customers require long-distance travel, and such frequent use of vehicles would result in considerable carbon emission. Therefore, the Group usually holds internal conferences with its subsidiaries by way of videoconference or teleconference, and suggests having meetings and discussions with its cross-regional customers via videoconference or teleconference. Such measure not only significantly reduces carbon emissions from the Group's operations, but also is time-saving and more cost-effective.

The Group has in place the Rules for Managing Property and Materials (《財產物資管理細則》), which was formulated by reference to the Administrative Measures (《行政管理辦法》) in 2014 for the purpose of regulating the purchase, use and custody of the Company's property and materials and boosting the utilization rate and integrity of its assets to the best extent possible.

5.2 Concerted Contributions to Environmental Protection

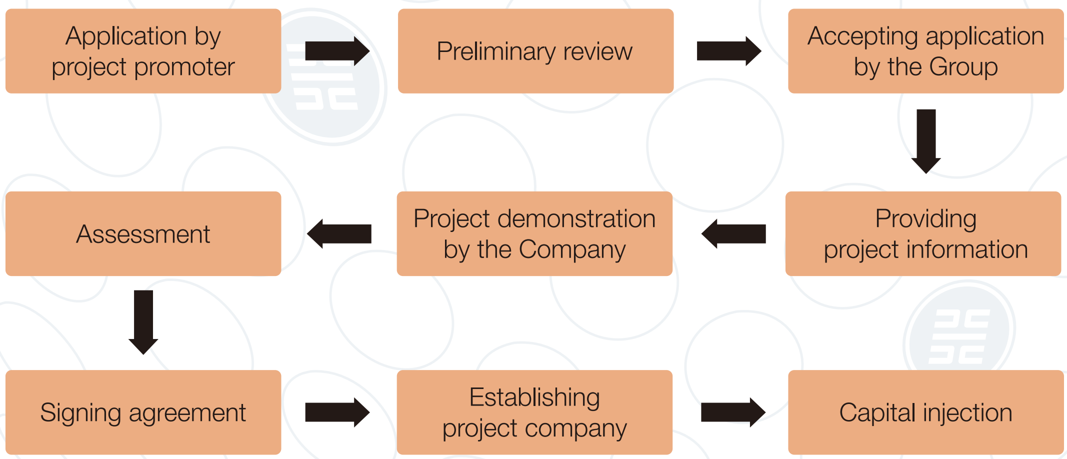
Despite of the fact that the Company does not involve any material impacts on the environment and natural resources, yet the Company energetically pushes forward environmental protection and promote the low-carbon lifestyle, and enhances the awareness of environmental protection of staff and partners to promote sustainable development of the society.

The Group is concerned about the environmental issues of the communities in which it operates and has organized a variety of environmental activities for its employees in hope of raising their environmental awareness. In particular, on 4 June 2016, the Group held a hiking event comprising foot orienteering, group games, sightseeing and fitness exercise. The event under the theme of "13-Year Companionship, 10,000- Step Walking" (同行十三載，健康萬步行) aimed to promote "happy fitness, happy sports & low-carbon travel", thereby encouraging its employees and their relatives and friends to care more about the environment and reduce the use of vehicles so as to reduce carbon footprint. The event also contributed to the building of corporate culture, enriching the spiritual and cultural life of employees, raising their awareness of health and fitness and enhancing corporate cohesion, thereby creating a happy and harmonious working atmosphere.

"13-Year Companionship, 10,000- Step Walking" Activity

The Group encourages green investment. For projects that are in line with national industrial policy, especially those with green and sustainable elements and promising economic benefits, the Group will cooperate with a project (as principal party in the cooperation) and provide funds for such project and participate in the whole process and phased operation of the project. The specific conditions for our project investment include: the project to be invested in is in line with national industrial policy, capable of independent operation and accounting treatment, has promising prospects, certain environmental, social and economic benefits, and has scientific and technological content as well as financing needs. The Group actively explores the opportunities to invest in environmentally-friendly projects that are conducive to improve people's livelihood, aiming for contributing to the harmonious and sustainable development of the environment, society and economy as much as possible.

The investment business process is as follows:



6. SHARING HIGH-QUALITY OPERATIONS

6.1 Supply Chain Management

The Group manages its supply chain mainly for upstream equipment suppliers, the Group will prepare a series of sustainable procurement policies designed to cooperate with responsible equipment suppliers complying with ethical standards and to select vendors that provide quality services or products. In order to better implement the Group's sustainable procurement policy, we will formulate relevant policies on supply chain management, specifying clear requirements for equipment suppliers to meet the criteria on environmental protection, corporate governance, working conditions and ethical aspects. These criteria will be applied to the selection of equipment suppliers. In assessing prospective equipment suppliers, we will consider their compliance with the criteria and engage only those who meet the criteria. We will also develop a strategy for communication with equipment suppliers and provide training to our procurement staff to make sure that our equipment suppliers understand our criteria and requirements. We believe that a win-win situation will be achieved through maintaining good communication.

6.2 Provision of High Quality Services

Treating SMEs and partners as strategic alliances and interests communities, the Group looks forward to the ideal achievement of common progress and growth, and it therefore pays special attention to the quality of its own services. As an organization engaging in provision of financing, guarantee and lending services, we provide high-quality services to the customers strictly in line with national and regional laws and regulations including Guarantee Law of the People's Republic of China (《中華人民共和國擔保法》), Real Right Law of the People's Republic of China (《中華人民共和國物權法》), Company Law of the People's Republic of China (《中華人民共和國公司法》), Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and Law on the Protection of the Rights and Interests of Consumers of the People's Republic of China (《中華人民共和國消費者權益保護法》). The products and services of the Company do not have any direct relation with matters with regard to health and security, advertising and tag. During the Reporting Period, the Group received no complaint or litigation due to violation of any national or regional laws and regulations in relation to the provision of commercial services.

Win-win cooperation with customers in a sincere, transparent and meticulous manner

The Group is accountable to customers with its strict and standard operation, gains customer satisfaction with high-quality professional services and maintains clear and transparent relationships with customers. The staff follow the operational structure of the Group in business operation and important business operations are subject to control by administrative and management personnel. The strict management structure allows the Group to effectively control customer service, and at the same time carefully listen to the voice of customers and effectively handle customer complaints, to provide satisfactory services to customers to the greatest extent. The Group also prohibits any acts prejudice to the interests of customers, and protects customers' privacy from leakage in any form. Meanwhile, we will evaluate customers' performance in the environmental, social and corporate governance, to reduce their risks, with a view to achieve a win-win situation with customers.

Provision of professional risk management

The Group insists on provision of convenient, efficient, sincere and considerate financing services to SMEs provided that the risks are controllable, so as to grow together with SMEs in the process serving them. Risk control is of top priority in the Group's operation and management. A sound risk management system has been established in actual business operations, making the Group the best partner for cooperating agencies. Over the years, the Group's excellent risk control has been highly recognized and appreciated by the partners, and the probability of risk is far lower than the industry average.

Proactive discharge of responsibilities

The Group adheres to the belief of "win trust with integrity, honour all commitments" in cooperation with all parties. In case of any risk in project, the Group will initiatively request the creditor to discharge the repayment obligation and proactively seek for assistance from the creditor in respect of claim against the guaranteed person. Thanks to the integrity maintained in the long term, the Group has been granted the maximum amount of credit lines by and are in full cooperation with banks.

Improve services through Innovative business

To meet customers' diverse financing needs and adapt to market changes, the Group, abiding by laws, engages in proactive development and innovation of business types and explore new financing channels for SMEs apart from traditional bank channels. The Group took the lead in cooperation with the Government of Shunde District in setting up a government guarantee fund to form a mechanism, under which government, banks, guarantee institutions and enterprises conduct cooperation and share risks to achieve a win-win situation, to provide powerful financial support for the transformation and upgrade of the numerous SMEs in Shunde District. Subsequently, the innovative guarantee fund model was quickly applied in all areas of Foshan City.

6.3 Resistance to Corruption and Jobbery

The Group resolutely resists commercial bribery, extortion, fraud, money laundry and other illegal operations and prohibits any acts that might harm the interests of customers and the Group. The Group abides by the relevant national and local regulations on anti-corruption such as Criminal Law of the People's Republic of China and Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and has prepared the Measures for Anti-fraud Management to normalize operations, prevent jobbery and reduce the risk of the Group to safeguard the legitimate interests of the Company. Set out below is the major work on anti-jobbery of the Company:

Subjects of Measures for Anti-fraud Management
Strict prohibition of unauthorized or unlawful purpresture and embezzlement of assets of the Company to scheme for illegal profits.
Strict prohibition of employment of false information, misleading statement or material omission in financial accounting reports and information disclosure to scheme for illegal profits.
Strict prohibition of accepting bribes and kickbacks from customers.
Strict prohibition of any irregularities in respect of the information system and in the technological field.
Strict prohibition of any engagement or appointment of personnel and cadres in disregard of the prescribed procedures.
Strict prohibition of any power abuse by any Directors, supervisors, senior and middle management as well as functionaries in key positions.

The Group has an internal audit department, and has prepared the Internal Audit Management System in accordance with the Audit Law of the People's Republic of China, the Provisions of the Audit Office on Internal Audit, Internal Auditing Standards of the PRC and the Articles of Association of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. and other laws, regulations and relevant industry provisions. In accordance with the system, the internal audit department carries out independent and objective supervision and evaluation, and reviews the appropriateness, legality and effectiveness of operations and internal control to promote steady operation of the Company.

7. JOINTLY BUILD A HARMONIOUS SOCIETY

The Group believes that, as it gets development opportunities from the society, it should shoulder the responsibility of repaying the society. The Group therefore pays attention to people's livelihood through actions, takes the initiative to fulfill its social responsibilities and proactively engages in social welfare undertakings. During the Reporting Period, the Group was enthusiastic in poverty alleviation to bring warmth to the vulnerable groups in the society.

Education Assistance at the Early Spring (愛心助學，暖迎初春) – the second Party branch of Join-Share provided education assistance to the straitened students

In the afternoon of 10 May 2016, under the guidance of Wu Liejin, the Party secretary of Foshan Guarantee Association (佛山市信用擔保行業協會), Ou Weiming, the secretary of the second Party branch of the Group, led the Party members of the Party branch to Li Xingqu Memorial School (campus in Hebei Village) in Taishan, Jiangmen to initiate the "Education Assistance at the Early Spring" activity for education assistance to the straitened students. At the class meeting held there, the representatives of Party members gifted snacks, books and stationery to students to provide support for the growth of students in need of help. This is the third visit of the Party branch to the school ever since March last year.

Infinite and True Love – Micro Credit participated in the donation activity themed "Guangdong Poverty Alleviation Day"

Foshan Chancheng Join-Share Micro Credit Co., Ltd. ("Micro Credit") (佛山禪城中盈盛達小額貸款有限公司)*, a subsidiary of the Group, made a donation of RMB30,000 at the donation activity themed "Guangdong Poverty Alleviation Day" held by Guangdong provincial government. On 30 June 2016, the representatives of the Micro Credit went to the Financial Office of Guangdong Province to attend the donation ceremony and the chief of the Financial Office granted a letter of thanks to the Micro Credit.

Ever since its establishment, the Micro Credit has earned the support from all sectors of society, and achieved admirable development. Therefore, to make devotion of love and repay the society is our obligatory duty. The Micro Credit will continue to exert the greatest efforts to support poverty alleviation and help poor people carry out production activities and improve life standards, enabling them to share solidarity, love and harmony as generated by social civilization.

8. JOINT ENJOYMENT OF THE GROUP'S GLORIES

The Group received a number of awards from governments and various organizations in different circles in 2016. We are honored to be recognized by such parties in the year, which is the society's acknowledgment of the endeavor of the Group.

The Awards received by the Group in 2016 are as follows:

Award	Awarding Authority
Top 10 Outstanding Business Individuals of Guangdong for the Year 2016 (Wu Liejin) (2016年度廣東十大經濟風雲人物（吳列進）)	Guangdong Radio and Television station (廣東廣播電視台) and Yangcheng Evening News Group (羊城晚報報業集團)
Top 10 Huishang Leaders of the 4th Huishang Oscars (第四屆徽商奧斯卡十大徽商領袖)	Anhui Business Media (徽商傳媒)
Listed Companies with Most Potential	China Financial Market magazine (《中國融資》雜誌社))
Most Innovative Listed Company Award (最佳創新上市公司獎)	China Financial Market magazine (《中國融資》雜誌社))
2016 Premium Brand in Chan Cheng District (2016年禪城區優質品牌企業)	Committee of Chan Cheng District and Government of Chan Cheng District (禪城區委、區政府)
Accolade of "Best Corporate Social Responsibility" in Guangdong Province (廣東省"最具社會責任獎"榮譽稱號)	Guangdong Association of Microcredit (廣東省小額貸款公司協會)
Accolade of "Top 100 Competitive Enterprises" ("競爭力百強"榮譽稱號)	China Micro and Small Companies Association (中國小微貸款公司協會)
Accolade of "Best Corporate Social Responsibility" ("最佳社會責任"榮譽稱號)	China Micro and Small Companies Association (中國小微貸款公司協會)
Outstanding Contributions Award in Profit and Taxes (利税突出貢獻獎)	Foshan Micro Credit Company Association (佛山市小額貸款行業協會)
Most Innovative Guarantee Institution awarded by China Guarantee (中國擔保最具創新力擔保機構)	China Guarantee magazine (《中國擔保》雜誌社)
Most Motivating Guarantee Institution awarded by China Guarantee (中國擔保最具推動力擔保機構)	China Guarantee magazine (《中國擔保》雜誌社)
Guarantee Institution with Strongest Leadership awarded by China Guarantee (中國擔保最具領袖力擔保機構)	China Guarantee magazine (《中國擔保》雜誌社)
Excellent Micro-credit Company in China (全國優秀小額貸款公司)	China Micro-credit Companies Association (中國小額貸款公司協會)
First Prize in Financial Statistics (金融統計工作一等獎)	Foshan Central Sub-branch of the People's Bank of China (中國人民銀行佛山市中心支行)

AWARDS


荣誉证书
风云人物


第四届徽商奥斯卡全球年度盛典
Wu liejin
Top 10 Huishang Leaders


2016禅城区优质品牌企业


2015中国小额贷款公司竞争力百强
佛山禅城中盈盛达小额贷款有限公司


GAM
佛山禅城中盈盛达小额贷款有限公司
2015年度首届小微金融产品评选
最具社会责任奖


2015中国小微金融最佳社会责任
佛山禅城中盈盛达小额贷款有限公司


FSMA
佛山禅城中盈盛达小额贷款有限公司
2015年利税突出贡献奖


广东中盈盛达融资担保投资股份有限公司
最具创新力担保机构


广东中盈盛达融资担保投资股份有限公司
最具推动力担保机构


中国小额贷款公司协会
全国优秀小额贷款公司
佛山禅城中盈盛达小额贷款有限公司


广东中盈盛达融资担保投资股份有限公司
最具领袖力担保机构


荣誉证书

9. CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas and Aspects	Page references
Aspect A1: Emissions	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Office, Concerted Contributions to Environmental Protection (p.60–63)
Aspect A2: Use of Resources	
Policies on the efficient use of resources, including energy, water and other raw materials.	Green Office (p.60–61)
Aspect A3: The Environment and Natural Resources	
Policies on minimising the issuer's significant impact on the environment and natural resources.	Concerted Contributions to Environmental Protection (p.62–63)
Aspect B1: Employment	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Generous Reward to Talents, Safeguarding Rights and Interests of the Staff，Caring for Livelihood of the Staff (p.54–58)
Aspect B2: Health and Safety	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Ensuring Safety of the Staff (p.56–57)
Aspect B3: Development and Training	
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Encouraging Staff Development (p.55–56)

Subject Areas and Aspects	Page references
Aspect B4: Labour Standards	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Safeguarding Rights and Interests of the Staff (p.56)
Aspect B5: Supply Chain Management	
Policies on managing environmental and social risks of the supply chain.	Supply Chain Management (p.63)
Aspect B6: Product Responsibility	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Provision of High-quality Services (p.64–65)
Aspect B7: Anti-corruption	
Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Resistance to Corruption and Jobbery (p.65)
Aspect B8: Community Investment	
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Jointly Build a Harmonious Society (p.66)

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2016.

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 2016 are set out on pages 90 to 196 of this annual report.

BUSINESS REVIEW

A review of the business of the Group as at 31 December 2016, 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 77. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 can be found in the paragraph headed "Event after Reporting Period" under the section headed "Management Discussion and Analysis" of this annual 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 annual report. Discussions on the environmental policies and performance, and the account of the key relationships of the Group with its stakeholders are contained in the "Environmental, Social and Governance Report" on pages 49 to 70 of this annual 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 81 and in the "Environmental, Social and Governance Report" on pages 49 to 70 of this annual report, respectively. The above discussions constitute part of this report of the Board of Directors. Discussion and analysis of the Group's performance and an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivery of the Company's objectives are set out on page 9 to page 17 of the section headed "Management Discussion and Analysis" in this annual report.

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 2016, amounting to, in aggregate, RMB90,666,666.7 (the "**2016 Final Dividend**").

According to the Articles of Association, 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 2016 Final Dividend will be subject to approval at the forthcoming 2016 annual general meeting ("**AGM**") and is expected to be paid on or about Friday, 28 July 2017.

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.

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 Sunday, 7 May 2017 to Tuesday, 6 June 2017, 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 Tuesday, 6 June 2017 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's registered office in the PRC at Unit 2202–2212, 22/F, Chuangye Building, No. 215 Fenjiang Middle Road, Foshan, Guangdong, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Friday, 5 May 2017.

In order to determine the shareholders' entitlement to the 2016 Final Dividend, the register of members of the Company will be closed from Sunday, 11 June 2017 to Friday, 16 June 2017, 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 Friday, 16 June 2017 are entitled to the 2016 Final Dividend. In order to qualify for receiving the 2016 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's registered office in the PRC at Unit 2202–2212, 22/F, Chuangye Building, No. 215 Fenjiang Middle Road, Foshan, Guangdong, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Friday, 9 June 2017.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five 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 actual net proceeds from the Listing (after deducting underwriting fees and commissions and listing related expenses, and excluding the amount remitted to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會) in accordance with the relevant PRC regulations regarding the reduction of state-owned shares) amounted to approximately HK$340.3 million.

Following the Listing, in response to changing business environment and the business development requirement of the Group, the Board resolved to revise and fine tune its proposed use of proceeds from the Listing. Please refer to the announcement of the Company dated 16 May 2016 and the announcement of the Company dated 26 September 2016 for details. As at 30 December 2016, the Group had used approximately HK$153.6 million of the actual net proceeds, of which (i) approximately HK$23.9 million has been utilised to establish a company, namely Yunfu Yuecai, with Guangdong Re-Guarantee, Yunfu Rongda and Guangdong Wenshi for the purpose of providing financing and non-financing guarantee and financial consulting services for individuals and SMEs in Yunfu; (ii) approximately HK$5.1 million has been utilised for supplementing operating capital and other business expenses; (iii) approximately HK$63.5 million has been used to contribute to the registered capital of Guangdong Capital Management; and (iv) approximately HK$28.8 million and HK$32.3 million has been used to contribute to the registered capital of Foshan Micro Credit and the acquisition of shares in Foshan Micro Credit from its existing shareholders respectively. Following the acquisition of shares in Foshan Micro Credit, our shareholding in Foshan Micro Credit increased from 30% to approximately 50.4%.

For the proposed application of the remaining actual net proceeds, please refer to the announcement of the Company dated 26 September 2016.

MAJOR BANKING PARTNERS

Cooperation with commercial banks are essential to the Group's financing guarantee business, as the Group depends on its relationships with commercial banks for acceptance of guarantees and for customer referrals. Most of these commercial banks are state-owned commercial banks or major joint-stock commercial banks. The relevant member of the Group generally enters into cooperative agreement with these banks which sets out the term of cooperation, the maximum amount of liability in respect of which the relevant member of the Group could guarantee, the requirement for the relevant member of the Group making security deposits with these banks, various operative covenants the relevant member of the Group may need to comply with and the default payment arrangements. In 2016, our five largest cooperative banks accounted for approximately 77.7% of the total net balance of our outstanding indirect financing guarantees, while the largest cooperative bank accounted for approximately 21.8% of the total net balance of our outstanding indirect financing guarantees. As of 31 December 2016, the Group guaranteed a total financing of approximately RMB1,327.9 million provided by the Group's top five cooperative banks. In addition to banks, various other stakeholders may be involved in the provision of different products and services by the Group, including re-guarantee institutions, other guarantee companies, trust companies, securities companies, finance lease companies and local governments. The relevant member of the Group has entered into re-guarantee arrangements with several re-guarantee institutions, which will pay the default amount for the relevant member of the Group to settle with the lenders in the event that such member of the Group is insolvent and cannot settle such default amount for the customers. The relevant member of the Group has entered into joint-guarantee arrangements with other guarantee institutions, which will pay a certain portion of the default amount to such member of the Group in the event that such member of the Group settles the full default amount for the customers. The relevant member of the Group has also entered into cooperative agreements with several local governments to better manage the Group's credit risks through allocating the risks between the local government and the Group.

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

MAJOR CUSTOMERS

Our customers primarily include SMEs and individual business proprietors. The Group charges mainly guarantee fee and interest fee in return for the guarantee and lending services provided by it, respectively, to its customers. For the year ended 31 December 2016, revenue derived from our five largest customers accounted for 7.6% of our total income.

To the best knowledge of the Directors, none of the Directors or any of their associates or any Shareholders owning 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 2016 are set out in note 18 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 2016 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 2016 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 2016 are set out in the consolidated statement of changes in equity on page 94 of this annual report.

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law in the PRC, amounted to approximately RMB140.5 million. Please refer to note 26 to the consolidated financial statements in this annual reports for calculation of reserves available.

OTHER BORROWINGS

Particulars of other borrowings of the Company and the Group as at 31 December 2016 are set out in note 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.

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 MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the material related party transactions entered into by the Company and the relevant related parties as set out in note 29 to the consolidated financial statements in this annual report, no material transactions, arrangements or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries was a party and in which the Directors or the Supervisors has any material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

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 2016.

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.

Please refer to page 17 of the section headed “Management Discussion and Analysis” for general emolument policy. Other than the general emolument policy, currently the Group does not have long-term incentive schemes. For remuneration of our members of senior management, please refer to page 40 of the section headed “Corporate Governance Report” for details.

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 2016, 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. Please refer to notes 1(p) and 4(b) for details of our retirement benefits scheme.

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 during the year ended 31 December 2016.

DIRECTORS’, CHIEF EXECUTIVES’ AND SUPERVISORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 December 2016, the interests or short positions of Directors, Supervisors, or the chief executive 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[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
Mr. Xie Yongdong[4]	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%	3.91%
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%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As at 31 December 2016, 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 2016, 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 2016, 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 (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.

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.

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

As at 31 December 2016, the persons, (not being the Directors, Supervisors or the 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 deem 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[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
粵財控股香港國際有限公司[4]	Beneficial owner	89,800,000 H shares (L)	30.61%	8.42%
廣東粵財投資控股有限公司[4]	Interest of controlled corporation	89,800,000 H shares (L)	30.61%	8.42%
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%
Ms. Zhang Yubing	Beneficial owner	41,760,000 Domestic shares (L)	5.40%	3.91%
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%
廣東家世界家居控股有限公司	Beneficial owner	39,028,880 Domestic shares (L)	5.05%	3.66%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As at 31 December 2016, 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 2016, 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 89,000,000 H shares of the Company and is deemed to be interested in 89,000,000 H shares held by 粵財控股香港國際有限公司.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, 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

For details of charitable donations in 2016 by the Group, please refer to page 66 of the "Environmental, Social and Governance Report".

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 2016. 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. Further details on the environmental policies adopted by the Group and the implementation related thereto are set out under the section headed "Environmental, Social and Governance Report" on page 49 to 70 of this annual report.

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.

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.

During the year ended 31 December 2016, the Company has complied with 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 2016 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
28 March 2017

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 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 2016 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
28 March 2017

KPMG

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)

Opinion

We have audited the consolidated financial statements of Guangdong Join-Share Financing Guarantee Investment Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 90 to 196, which comprise the consolidated statement of financial position as at 31 December 2016, 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 statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Impairment of receivables and provisions for guarantee losses

Refer to note 12 to the consolidated financial statements and the accounting policies on page 135.

The Key Audit Matter

Assessing impairment of trade and other receivables, loans and advances to customers and investment receivables (together "**receivables**") and provisions for guarantee losses is a subjective area due to the level of judgement exercised by management in determining the amount of impairment allowances and provisions required.

An overall increase in payments made by the Group to banks and other financial institutions under financial guarantees the Group had issued ("**default guarantee payments**") has resulted in an increase in the related receivables from customers, which are grouped and presented under "**trade and other receivables**" in the consolidated statement of financial position.

The amount of receivables for default guarantee payments made by the Group increased from RMB202,028,000 as at 31 December 2015 to RMB234,129,000 as at 31 December 2016 and total impairment allowances against this balance amounted to RMB55,898,000 as at 31 December 2016.

From the Group's perspective, the portfolios which gave rise to the greatest uncertainty were those where impairment allowances or provisions were derived from collective assessment models, where the receivables and financial guarantees issued were unsecured or where the receivables and financial guarantees issued were subject to potential collateral shortfalls.

How the matter was addressed in our audit

Our audit procedures to assess the impairment of receivables and provisions for guarantee losses included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of receivables and financial guarantees issued and the measurement of impairment allowances for individually assessed receivables and provisions for financial guarantees issued;

- evaluating the validity of the models used and assumptions adopted in the Group's calculation of collective impairment allowances and provisions for guarantee losses by critically assessing input parameters involving subjective judgement, seeking collaborative evidence from external sources and comparing the historical losses with the Group's other internal records and our prior year records. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, the consistency of judgement applied in the use of economic factors, the loss emergence period and the observation period for historical losses. We compared the economic factors used in the models to market information to assess whether they were aligned with market and economic development. We also assessed the emergence period by tracing the lifecycle of overdue accounts from the specific credit event to the occurrence of default guarantee payments or the identification of loans and advances to customers as non-performing. Having considered the above, we performed re-calculations to assess the amount of collective impairment allowances and provisions for guarantee losses;

Impairment of receivables and provisions for guarantee losses

Refer to note 12 to the consolidated financial statements and the accounting policies on page 135.

The Key Audit Matter

The determination of the collective impairment allowances for receivables and provisions for guarantee losses is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's collective impairment allowances and provisions for guarantee losses are derived from estimates including the Group's historical losses for receivables and financial guarantees issued, the loss emergence period (i.e. the time lapse between the occurrence of the event causing eventual default to the actual recording of a loss) and other adjustment factors.

Individual impairment allowances and provisions for guarantee losses are estimated by management once objective evidence of impairment becomes apparent. Management exercises judgement in determining the quantum of loss based on a range of factors. These include available remedies for recovery, the financial situation of the debtors, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors.

Whilst the Group appoints external valuers for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of impairment allowances and provisions for guarantee losses as at the reporting date.

We identified impairment of receivables and provisions for guarantee losses as a key audit matter because of the inherent uncertainty in management's exercise of judgement in determining the amount of impairment allowances and provisions and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- assessing the impairment allowances for individually impaired receivables and financial guarantees by selecting a risk-based sample for credit review. We analysed the portfolio of receivables and financial guarantees by industry sector and distribution channels to select samples for credit review in industries more vulnerable to the current economic slowdown;

- critically assessing the forecast cash flows for the sample of receivables and financial guarantees selected by inspecting historical payment patterns, written decisions from law courts about the disposal of collateral and other underlying information used in the forecast, challenging the viability of the Group's recovery plans, evaluating the timing and means of realisation of collateral and considering other sources of repayment asserted by management. We also assessed the consistency of management's application of key assumptions, evaluated any change in basis of the key assumptions and compared the data to our own data sources;

- evaluating the experience, competence and objectivity of the external valuers engaged by the Group to value certain collateral and assessing the valuation of collateral by comparison with available property market information; and

- assessing the completeness and accuracy of outstanding financial guarantees by inspecting contracts, on a sample basis, and obtaining confirmations from the beneficiaries of all financial guarantees issued.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Li Ka Lam.

KPMG
Certified Public Accountants

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

28 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in RMB'000)

	Note	2016 RMB'000	2015 RMB'000
Guarantee fee income		**133,795**	140,582
Re-guarantee expenses		**(4,935)**	(9,376)
Net guarantee fee income		**128,860**	131,206
Interest income		**99,731**	131,702
Interest expenses		**(11,032)**	(10,626)
Net interest income		**88,699**	121,076
Service fee from consulting services		**35,449**	33,352
Revenue	2	**253,008**	285,634
Other revenue	3	**41,465**	28,800
Share of profits of associates	17	**545**	–
Provision written back/(charge) for guarantee losses	21(a)	**10,497**	(2,533)
Impairment losses	4(a)	**(22,905)**	(27,358)
Operating expenses	4(b)/(c)	**(88,718)**	(91,928)
Profit before taxation		**193,892**	192,615
Income tax	5	**(49,991)**	(49,785)
Profit for the year		**143,901**	142,830
Attributable to:			
Equity shareholders of the Company		**114,333**	112,104
Non-controlling interests		**29,568**	30,726
Profit for the year		**143,901**	142,830
Earnings per share			
Basic and diluted *(RMB per share)*	9(a)	**0.11**	0.14

The notes on pages 96 to 196 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 2016
(Expressed in RMB'000)

	Note	2016 RMB'000	2015 RMB'000
Profit for the year		**143,901**	142,830
Other comprehensive income to be classified to profit or loss in subsequent year:			
Net (loss)/gain on available-for-sale financial assets		**(22,911)**	9,721
Income tax arises from available-for-sale financial assets		**5,728**	(2,431)
Other comprehensive income for the year	8	**(17,183)**	7,290
Total comprehensive income for the year		**126,718**	150,120
Attributable to:			
Equity shareholders of the Company		**97,150**	119,394
Non-controlling interests		**29,568**	30,726
Total comprehensive income for the year		**126,718**	150,120

The notes on pages 96 to 196 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in RMB'000)

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Assets			
Cash and cash equivalents	10	**770,195**	866,247
Pledged bank deposits	11	**185,837**	260,565
Trade and other receivables	12	**397,573**	303,455
Loans and advances to customers	13	**625,864**	637,974
Available-for-sale financial assets	14	**55,705**	28,576
Receivable investments	15	**8,225**	32,875
Interest in associates	17	**40,545**	–
Fixed assets	18	**10,232**	3,772
Investment property		**921**	–
Intangible assets	19	**1,353**	1,809
Goodwill	20	**419**	419
Deferred tax assets	25(b)	**46,911**	35,362
Total assets		**2,143,780**	2,171,054
Liabilities			
Liabilities from guarantees	21	**172,379**	163,269
Customer pledged deposits	22(a)	**11,795**	6,871
Accruals and other payables	22(b)	**86,540**	101,028
Current tax liabilities	25(a)	**36,513**	42,259
Other financial instrument-liability component	23	**78,487**	86,748
Financial institution bonds	24	**45,864**	48,836
Total liabilities		**431,578**	449,011
NET ASSETS		**1,712,202**	1,722,043

The notes on pages 96 to 196 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

(Expressed in RMB'000)

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
CAPITAL AND RESERVES	26		
Share capital		**1,066,667**	1,066,667
Reserves		**377,954**	370,965
Total equity attributable to equity shareholders of the Company		**1,444,621**	1,437,632
Non-controlling interests		**267,581**	284,411
TOTAL EQUITY		**1,712,202**	1,722,043

Approved and authorised for issue by the board of directors on 28 March 2017.

Wu Liejin	**Xie Yongdong**	**Company Stamp**
Executive Director and Chairman	*Executive Director*	

The notes on pages 96 to 196 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016
(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 26(c)	*Note 26(d)(i)*	*Note 26(d)(ii)*	*Note 26(d)(iii)*	*Note 26(d)(iv)*	*Note 26(d)(v)*	*Note 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
Changes in equity for 2015:											
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
Balance at 1 January 2016	**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**
Changes in equity for 2016:											
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**114,333**	**114,333**	**29,568**	**143,901**
Other comprehensive income	**-**	**-**	**-**	**(17,183)**	**-**	**-**	**-**	**-**	**(17,183)**	**-**	**(17,183)**
Total comprehensive income	**-**	**-**	**-**	**(17,183)**	**-**	**-**	**-**	**114,333**	**97,150**	**29,568**	**126,718**
Purchase of shares from subsidiaries	**-**	**-**	**506**	**-**	**-**	**-**	**-**	**-**	**506**	**(27,807)**	**(27,301)**
Appropriation to surplus reserve	**-**	**-**	**-**	**-**	**10,919**	**-**	**-**	**(10,919)**	**-**	**-**	**-**
Appropriation to general reserve	**-**	**-**	**-**	**-**	**-**	**13,449**	**-**	**(13,449)**	**-**	**-**	**-**
Dividends approved in respect of the previous year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(90,667)**	**(90,667)**	**(18,591)**	**(109,258)**
Balance at 31 December 2016	**1,066,667**	**43,107**	**(1,068)**	**(2,051)**	**78,005**	**85,244**	**2,370**	**172,347**	**1,444,621**	**267,581**	**1,712,202**

The notes on pages 96 to 196 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016
(Expressed in RMB'000)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Cash generated from/(used in) operations	10(b)	**283,576**	(171,527)
PRC income tax paid	25(a)	**(61,558)**	(48,166)
Net cash generated from/(used in) operating activities		**222,018**	(219,693)
Investing activities			
Proceeds from disposal of financial assets		**50,046**	91,625
Investment income		**24,011**	19,691
Dividends received from associates		**545**	–
Proceeds from sale of fixed assets and other non-current assets		**1,011**	80
Payments for the purchase of investment property		**(947)**	–
Payments for the purchase of fixed assets and other non-current assets		**(9,877)**	(1,963)
Payments on acquisition of investments		**(239,640)**	(85,119)
Payments on acquisition of associates		**(40,545)**	–
Net cash (used in)/generated from investing activities		**(215,396)**	24,314
Financing activities			
Net proceeds from IPO		**–**	314,437
Proceeds from new borrowings		**50,000**	48,836
Repayment of borrowings		**(50,000)**	(75,000)
Purchase of equity interests of subsidiaries from non-controlling interests		**(27,301)**	–
Interest paid		**(14,625)**	(5,005)
Dividends paid		**(109,258)**	(98,627)
Payment of listing expense		**(3,629)**	(16,105)
Net cash (used in)/generates from financing activities		**(154,813)**	168,536
Net decrease in cash and cash equivalents		**(148,191)**	(26,843)
Cash and cash equivalents at 1 January		**543,004**	568,789
Effect of foreign exchange rate changes		**7,695**	1,058
Cash and cash equivalents at December 31	10(a)	**402,508**	543,004

The notes on pages 96 to 196 form part of these financial statements.

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 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 2016 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in associates.

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(k)) that are stated at their fair value and liabilities from guarantees (see Note 1(s)).

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.

1 Significant accounting policies *(Continued)*

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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 unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised 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 of the Company.

1 Significant accounting policies *(Continued)*

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

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.

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(k)) 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(o)(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 Group or 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 statements 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 notes 1(f) and (o)). 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.

1 Significant accounting policies *(Continued)*

(e) Associates *(Continued)*

Unrealised 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 unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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(k)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see Note 1(o)(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 at 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(o)(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.

1 Significant accounting policies *(Continued)*

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(u)(iv).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see Note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in Note 1(j).

(h) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see Note 1(o)(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:

	Estimated useful lives
Motor vehicles	5 years
Office and other equipment	5 years
Leasehold improvements	1–5 years
Buildings held for own use	20 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.

1 Significant accounting policies *(Continued)*

(i) Intangible assets (other than goodwill)

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

Amortisation 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:

	Estimated useful lives
Software	2–10 years

Both the period and method of amortisation are reviewed annually.

(j) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

1 Significant accounting policies *(Continued)*

(k) 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.

(vi) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. 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.

1 Significant accounting policies *(Continued)*

(k) Financial instruments *(Continued)*

(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.

(l) 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.

(m) Trade and 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.

1 Significant accounting policies *(Continued)*

(n) 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 three months of maturity at acquisition.

(o) 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(k)(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(o)(ii).

(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.

1 Significant accounting policies *(Continued)*

(o) Impairment of non-financial assets *(Continued)*

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

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).

– *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.

1 Significant accounting policies *(Continued)*

(p) 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.

(q) 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 the 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.

1 Significant accounting policies *(Continued)*

(q) Income tax *(Continued)*

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.

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.

1 Significant accounting policies *(Continued)*

(q) Income tax *(Continued)*

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 or 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 or 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.

(r) 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.

1 Significant accounting policies *(Continued)*

(r) Guarantees issued *(Continued)*

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(s)(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 amortisation.

(s) 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.

1 Significant accounting policies *(Continued)*

(s) Provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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.

(t) 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 Notes 1(u)(v) 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(o)).

1 Significant accounting policies *(Continued)*

(t) Other investments in debt and equity securities *(Continued)*

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(o)). 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(u)(v) and (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(o)), 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.

(u) 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.

1 Significant accounting policies *(Continued)*

(u) Revenue recognition *(Continued)*

(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.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) 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.

(v) 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.

1 Significant accounting policies *(Continued)*

(w) 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.

(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.

(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;

1 Significant accounting policies *(Continued)*

(y) Related parties *(Continued)*

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

(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); or

(8) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

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:

	2016 *RMB'000*	2015 RMB'000
Guarantee fee income		
Financing guarantee fee income	**120,109**	134,446
Performance guarantee fee income	**13,461**	5,900
Litigation guarantee fee income	**225**	236
Subtotal	**133,795**	140,582
Less: Re-guarantee expenses	**(4,935)**	(9,376)
Net guarantee fee income	**128,860**	131,206
Interest income		
– Loans and advances to customers	**89,730**	119,644
– Cash at banks and pledged bank deposits	**10,001**	12,058
Subtotal	**99,731**	131,702
Interest expenses		
– Interest expenses from financial institution bonds	**(5,632)**	(1,413)
– Interest expenses from other financial instruments liability component	**(5,400)**	(5,765)
– Borrowings from banks	**–**	(3,448)
Subtotal	**(11,032)**	(10,626)
Net interest income	**88,699**	121,076
Service fee from consulting services	**35,449**	33,352
Revenue	**253,008**	285,634

2 Revenue and segment reporting *(Continued)*

(a) Revenue *(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 2016 and 2015. 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.

2 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

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

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 amortisation of assets attributable to those segments.

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 2016 and 2015 are set out below:

	2016		
	Guarantee business *RMB'000*	SME lending and others *RMB'000*	Total *RMB'000*
Guarantee fee income	133,795	–	133,795
Re-guarantee expenses	(4,935)	–	(4,935)
Interest income	9,340	90,391	99,731
Interest expenses	(5,400)	(5,632)	(11,032)
Service fee from consulting services	32,831	2,618	35,449
Reportable segment revenue	165,631	87,377	253,008
Other revenue	40,679	786	41,465
Share of profits of associates	545	–	545
Provisions written back for guarantee losses	10,497	–	10,497
Impairment losses	(20,854)	(2,051)	(22,905)
Operating expenses	(58,240)	(30,478)	(88,718)
Reportable segment profit before taxation	138,258	55,634	193,892
Segment assets	1,369,084	727,785	2,096,869
Segment liabilities	372,850	58,728	431,578

2 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

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

	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	161,104	124,530	285,634
Other revenue	28,536	264	28,800
Provisions charged for guarantee losses	(2,533)	–	(2,533)
Impairment losses	(18,187)	(9,171)	(27,358)
Operating expenses	(52,853)	(39,075)	(91,928)
Reportable segment profit before taxation	116,067	76,548	192,615
Segment assets	1,454,086	681,606	2,135,692
Segment liabilities	389,171	59,840	449,011

2 Revenue and segment reporting *(Continued)*

(b) Segment reporting *(Continued)*

(ii) Reconciliation of reportable segment assets

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Assets			
Reportable segment assets		2,096,869	2,135,692
Deferred tax assets	25(b)	46,911	35,362
Consolidated total assets		2,143,780	2,171,054

3 Other revenue

	Note	2016 RMB'000	2015 RMB'000
Available-for-sale financial assets (listed security) reclassified from equity on disposal	8(b)	20,583	9,312
Government grant		8,212	7,470
Foreign exchange gains	10(b)	7,695	1,058
Investment income of receivable investments		1,015	6,129
Investment income from available-for-sale financial assets		895	4,570
Dividend income from investments		878	–
Dispose gain of available-for-sale financial assets (unlisted security)		640	–
Others		1,547	261
		41,465	28,800

4 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Impairment and provision-charged

	Note	2016 RMB'000	2015 RMB'000
Receivables for default guarantee payments	12(b)(i)	**15,171**	14,551
Receivables from guarantee customers	12(b)(ii)	**5,684**	3,634
Loans and advances to customers	13(f)	**2,050**	9,173
		22,905	27,358

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Salaries, wages, bonuses and other benefits	**45,183**	38,758
Contributions to retirement schemes	**3,507**	3,023
	48,690	41,781

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.

4 Profit before taxation *(Continued)*

(c) Other items

	Note	2016 RMB'000	2015 RMB'000
Depreciation and amortisation	18&19&10(b)	**2,855**	2,985
Operating lease charges: minimum lease payments		**5,115**	5,691
Auditors' remuneration			
– annual audit		**1,700**	613
– others		**600**	–
– IPO audit		**–**	2,347
Listing expense upon IPO		**–**	4,256

5 Income tax in the consolidated statement of profit or loss

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

	Note	2016 RMB'000	2015 RMB'000
Current tax			
Provision for PRC income tax for the year	25(a)	**55,812**	55,111
Deferred tax			
Origination and reversal of temporary differences	25(b)	**(5,821)**	(5,326)
Income tax expense		**49,991**	49,785

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	**193,892**	192,615
Notional tax on profit before taxation, calculated at 25%	**48,473**	48,159
Effect of non-deductible expenses	**1,518**	1,626
Actual income tax expense	**49,991**	49,785

6 Directors' emoluments

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:

	2016				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Wu Liejin	75	468	1,160	25	1,728
Executive directors					
Xie Yongdong	60	297	1,056	25	1,438
Non-executive directors					
Huang Guoshen	30	–	–	–	30
Wu Yanfen	30	–	–	–	30
Gu Lidan	–	–	–	–	–
Zhang Minming	30	–	–	–	30
Independent non-executive directors					
Wu Xiangneng	80	–	–	–	80
Leung Hon Man	80	–	–	–	80
Liu Heng	80	–	–	–	80
Supervisor					
Wang Wei	23	166	249	27	465
Li Qi	23	–	–	–	23
Feng Qunying	23	–	–	–	23
Liang Yi	23	153	188	25	389
Liao Zhenliang	30	–	–	–	30
Zhong Jian	30	–	–	–	30
	617	1,084	2,653	102	4,456

6 Directors' emoluments *(Continued)*

	2015				
	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement Scheme contributions *RMB'000*	Total *RMB'000*
Chairman					
Wu Liejin	75	481	850	23	1,429
Executive directors					
Liang Daming (resigned on 25 March 2015)	8	144	–	–	152
Xie Yongdong	60	309	523	23	915
Non-executive directors					
Huang Guoshen	30	–	–	–	30
Wu Yanfen	30	–	–	–	30
Gu Lidan	–	–	–	–	–
Zhang Minming (appointed on 25 March 2015)	23	–	–	–	23
Independent non-executive directors					
Wu Xiangneng	80	–	–	–	80
Leung Hon Man	80	–	–	–	80
Liu Heng	80	–	–	–	80
Supervisor					
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
	568	1,215	1,758	81	3,622

6 Directors' emoluments *(Continued)*

There were no amounts paid during the years ended 31 December 2016 and 2015 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 (representatives of the Company's state-owned shareholders), there was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2016 and 2015.

* 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.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2015: two) are directors of the Company whose emoluments are disclosed in Note 6.

The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Salaries, allowance and benefits in kind	726	719
Discretionary bonuses	1,386	1,085
Retirement scheme contributions	65	68
Total	2,177	1,872

7 Individuals with highest emoluments *(Continued)*

The emoluments of the three (2015: three) individuals with the highest emoluments are all within the following band:

	2016	2015
	Number of Individuals	*Number of Individuals*
HKD		
Nil – 1,000,000	**3**	3

8 Other comprehensive income

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

	2016			2015		
	Before-tax amount	**Tax expense**	**Net-of-tax amount**	Before-tax amount	Tax expense	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets:						
net movement in fair value reserve	**(22,911)**	**5,728**	**(17,183)**	9,721	(2,431)	7,290

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

	2016	2015
	RMB'000	*RMB'000*
Available-for-sale financial assets:		
Changes in fair value recognised during the year	**(2,328)**	19,033
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal *(note 3)*	**(20,583)**	(9,312)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(22,911)**	9,721

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:

	2016	2015
Profit attributable to the equity shareholders of the Company *(RMB'000)*	**114,333**	112,104
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share *('000)*	**1,066,667**	806,575
Basic earnings per share *(RMB per share)*	**0.11**	0.14

(b) Weighted average number of ordinary shares

	Note	**2016**	2015
Issued ordinary shares at 1 January *('000)*		**1,066,667**	800,000
Effect of shares upon IPO *('000)*	(i)	**–**	6,575
Weighted average number of ordinary shares at 31 December *('000)*		**1,066,667**	806,575

(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 2016 and 2015, and therefore, diluted earnings per share are the same as the basic earnings per share.

10 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash in hand	11	13
Cash at banks	402,497	542,991
Cash and cash equivalents in the consolidated cash flow statement	402,508	543,004
Term deposits with banks	365,173	320,744
Restricted bank deposits	2,514	2,499
	770,195	866,247

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.

10 Cash and cash equivalents *(Continued)*

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

	Note	2016 RMB'000	2015 RMB'000
Profit before tax		**193,892**	192,615
Adjustments for:			
Impairment losses		**22,905**	27,358
Interest expenses		**11,032**	10,626
Depreciation and amortisation	4(c)	**2,855**	2,985
Losses on disposal of fixed assets		**34**	13
Investment income	3	**(24,011)**	(20,011)
Provisions (written back)/charged for guarantee losses		**(10,497)**	2,533
Foreign exchange gains	3	**(7,695)**	(1,058)
Share of profits of associates	17	**(545)**	–
IPO cost		**–**	6,603
Change in working capitals:			
Decrease from term deposits with banks and restricted banks deposits		**194,488**	26,812
Decrease/(increase) in loans and advances to customers		**10,060**	(289,780)
Increase in trade and other receivables		**(91,738)**	(125,377)
Increase/(decrease) in customer pledged deposits		**4,924**	(7,634)
(Decrease)/increase in accruals and other payables		**(22,128)**	2,788
Cash generated/(used in) from operations		**283,576**	(171,527)

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.

12 Trade and other receivables

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Receivables for default guarantee payments	(i)/12(a)(i)	234,129	202,028
Less: Allowance for doubtful debts	12(b)(i)	(55,898)	(56,978)
		178,231	145,050
Receivables from guarantee customers	(ii)/12(a)(ii)	131,748	69,055
Less: Allowance for doubtful debts	12(b)(ii)	(13,160)	(7,476)
		118,588	61,579
Interest receivables	12(d)	21,871	14,150
Receivables from disposal of default guarantee payments		49,983	18,414
Other receivables		13,859	20,576
		85,713	53,140
Deposits and prepayments		4,956	35,343
Repossessed assets		10,085	8,343
		15,041	43,686
		397,573	303,455

As at 31 December 2016, 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 RMB35.06 million (2015: RMB22.57 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 2016, the Group disposed of receivables for default guarantee payments amounted to RMB130,290,000 (2015: RMB109,021,000) (with allowances for doubtful debts of RMB15,768,000 (2015: RMB11,189,000)), without recourse to other parties at considerations amounted to RMB114,523,000 (2015: RMB97,832,000).

12 Trade and other receivables *(Continued)*

(ii) During the year ended 31 December 2016, the Group disposed of receivables from guarantee customers amounted to RMB9,514,000 (2015: RMB67,689,000) without recourse to other parties at considerations amounted to RMB8,563,000 (2015: RMB67,249,000).

(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 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 1 year	67,744	70,892
Over 1 year but less than 2 years	48,183	47,635
Over 2 years but less than 3 years	45,823	54,861
Over 3 years	72,379	28,640
Less: allowance for doubtful debts	(55,898)	(56,978)
	178,231	145,050

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 1 year	86,030	69,055
Over 1 year but less than 2 years	45,718	–
Less: allowance for doubtful debts	(13,160)	(7,476)
	118,588	61,579

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).

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(k)(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 2016 and 2015, are as follows:

(i) Receivables for default guarantee payments

		2016	2015
	Note	***RMB'000***	*RMB'000*
As at 1 January		**56,978**	56,753
Impairment losses recognised in the consolidated statement of profit or loss	4(a)	**15,171**	14,551
Amounts written off		**(17,813)**	(14,497)
Amounts recovered		**1,562**	171
As at 31 December		**55,898**	56,978

As at 31 December 2016, the Group's receivables for default guarantee payments of RMB234.13 million (2015: RMB202.03 million), were all individually assessed for the impairment. As at 31 December 2016, the Group's receivables for default guarantee payments of RMB122.25 million (2015: RMB126.61 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 RMB55.90 million were made as at 31 December 2016 (2015: RMB56.98 million).

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	2016 RMB'000	2015 RMB'000
As at 1 January		7,476	4,282
Impairment losses recognised in the consolidated statement of profit or loss	4(a)	5,684	3,634
Amount written off		–	(440)
As at 31 December		13,160	7,476

As at 31 December 2016, the Group's receivables from guarantee customers of RMB84.48 million (2015: RMB12.90 million) were individually assessed for the impairment and RMB20.79 million (2015: RMB2.50 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. For the remaining balance amounted to RMB47.27 million (2015: RMB56.16 million), the management adopted a collective assessment. Consequently, individually assessed allowances for doubtful debts of RMB7.21 million (2015: RMB0.78 million) and collectively assessed allowances for receivables from guarantee customers of RMB5.95 million (2015: RMB6.70 million) were made at 31 December 2016.

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Overdue within 3 months (inclusive)	17,577	11,179
Overdue more than 3 months to 6 months (inclusive)	7,417	15,013
Overdue more than 6 months to one year (inclusive)	13,117	26,226
Overdue more than one year	73,767	23,001
	111,878	75,419

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Neither past due nor impaired	47,274	56,155
Overdue within 3 months (inclusive)	460	10,400
Overdue more than 3 months to 6 months (inclusive)	27,911	–
Overdue more than 6 months to one year (inclusive)	33,518	–
Overdue more than one year	1,800	–
	110,963	66,555

12 Trade and other receivables *(Continued)*

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

(ii) Receivables from guarantee customers (Continued)

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

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) Interest receivables

As at 31 December 2016, the interest receivables include interest receivables from loans and advances amounted to RMB14,752,000 (2015: RMB6,068,000).

13 Loans and advances to customers

(a) Analysed by nature

	31 December 2016 RMB'000	31 December 2015 RMB'000
Entrusted loans	360,305	402,742
Micro-lending	303,782	272,627
Gross loans and advances to customers	664,087	675,369
Less: Allowances for impairment losses		
– Individually assessed	(20,200)	(16,438)
– Collectively assessed	(18,023)	(20,957)
Total allowances for impairment losses	(38,223)	(37,395)
Net loans and advances to customers	625,864	637,974

13 Loans and advances to customers *(Continued)*

(b) Analysed by industry sector

	31 December 2016		31 December 2015	
	RMB'000	%	*RMB'000*	%
Wholesale and retail	244,864	36%	254,299	38%
Service sector	189,754	29%	198,273	29%
Loans to individual business proprietors	128,064	19%	135,028	19%
Manufacturing	76,047	11%	71,363	10%
Transportation warehousing and postal service	10,958	2%	11,006	2%
Construction industry	12,000	2%	3,000	1%
Real estate and construction	2,400	1%	2,400	1%
Gross loans and advances to customers	664,087	100%	675,369	100%
Less: Allowances for impairment losses				
– Individually assessed	(20,200)		(16,438)	
– Collectively assessed	(18,023)		(20,957)	
Total allowances for impairment losses	(38,223)		(37,395)	
Net loans and advances to customers	625,864		637,974	

13 Loans and advances to customers *(Continued)*

(c) Analysed by type of collateral

	31 December 2016 RMB'000	31 December 2015 RMB'000
Secured loans	**195,473**	156,701
Unsecured loans	**84,136**	123,608
Others	**384,478**	395,060
Gross loans and advances to customers	**664,087**	675,369
Less: Allowances for impairment losses		
– Individually assessed	**(20,200)**	(16,438)
– Collectively assessed	**(18,023)**	(20,957)
Total allowances for impairment losses	**(38,223)**	(37,395)
Net loans and advances to customers	**625,864**	637,974

– 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.

13 Loans and advances to customers *(Continued)*

(d) Overdue loans analysed by overdue period

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Overdue within 3 months (inclusive)	**57,100**	3,045
Overdue more than 3 months to 6 months (inclusive)	**7,851**	3,054
Overdue more than 6 months to one year (inclusive)	**52,257**	31,720
Overdue more than one year	**58,469**	25,439
	175,677	63,258

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

13 Loans and advances to customers *(Continued)*

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

	31 December 2016		
	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	**187,000**	**173,305**	**360,305**
Micro-lending	**301,410**	**2,372**	**303,782**
Gross loans and advances to customers	**488,410**	**175,677**	**664,087**
Less: Allowances for impairment losses	**(18,023)**	**(20,200)**	**(38,223)**
Net loans and advances to customers	**470,387**	**155,477**	**625,864**

	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	593,904	44,070	637,974

13 Loans and advances to customers *(Continued)*

(f) Movements of allowances for impairment losses

		2016		
	Note	Allowances for loans and advances which are collectively assessed RMB'000	Allowances for impaired loans and advances which are individually assessed RMB'000	Total RMB'000
As at 1 January		20,957	16,438	37,395
(Release)/charge for the year	4(a)	(2,934)	4,984	2,050
Write-offs		–	(1,222)	(1,222)
As at 31 December		18,023	20,200	38,223

		2015		
	Note	Allowances for loans and advances which are collectively assessed RMB'000	Allowances for impaired loans and advances which are individually assessed RMB'000	Total 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		20,957	16,438	37,395

13 Loans and advances to customers *(Continued)*

(g) Analysed by credit quality

	31 December 2016 RMB'000	31 December 2015 RMB'000
Gross balance of loans and advances to customers		
Neither past due nor impaired	**488,410**	611,861
Impaired	**158,877**	60,508
Overdue but not impaired	**16,800**	3,000
	664,087	675,369
Less: Allowances for impairment losses		
Neither past due nor impaired	**(18,023)**	(20,957)
Impaired	**(20,200)**	(16,438)
	(38,223)	(37,395)
Net balance		
Neither past due nor impaired	**470,387**	590,904
Impaired	**138,677**	44,070
Overdue but not impaired	**16,800**	3,000
	625,864	637,974

14 Available-for-sale financial assets

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Listed securities	**43,815**	21,146
Wealth management products	**9,240**	2,530
Unlisted bonds	**2,650**	4,900
	55,705	28,576

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 2016, no impairment has been recognised (2015: 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 2016 *RMB'000*	31 December 2015 *RMB'000*
Trust rights	**8,225**	32,875

(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:

				Proportion of ownership interest As at 31 December 2016				
Name of company	Date and place of incorporation/ establishment	Date of consolidation	Paid-in/ registered capital	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. ("**Foshan Consultancy**") (佛山中盈盛達投融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. ("**Foshan Industrial Investment**") (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. ("**Anhui Join-Share**") (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. ("**Hefei Consultancy**") (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. ("**Foshan Micro Credit**") (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 230,000,000	50.44%	50.44%	–	Microcredit	Foshan
Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. ("**Zhongshan Join-Share**") (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%	42%	–	Guarantee	Zhongshan
Guangdong Join-Share Capital Investment Co., Ltd. ("**Guangdong Capital Investment**") (廣東中盈盛達資本管理有限公司)	27 April 2016 the PRC	27 April 2016	RMB 30,000,000	100%	100%	–	Investment and Consulting	Guangzhou
Guangdong Join-Share Jinmao Investment Management Co., Ltd. ("**Guangdong Jinmao**") (廣東中盈金茂投資管理有限公司)	29 April 2016 the PRC	29 April 2016	RMB 10,000,000	60%	–	60%	Investment and Consulting	Foshan

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.

16 Investments in subsidiaries *(Continued)*

(a) Acquisition of subsidiaries

During year ended 31 December 2016, the Company acquired non-controlling interests (NCI) at a consideration of RMB27,300,000 and contributed additional share capital of RMB30,000,000 to Foshan Micro Credit, subsequent to which the Company held 50.44% equity interests in Foshan Micro Credit.

On 27 April 2016, the Company established Guangdong Capital Management with 100% equity interests held at a consideration of RMB30,000,000.

On 29 April 2016, Foshan Consultancy together with one other party established Guangdong Jinmao, in which Foshan Consultancy subscribed to contribute RMB6,000,000 and enjoys 60% equity interests.

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

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Anhui Join-Share	**76,500**	76,500
Zhongshan Join-Share	**84,000**	70,000
Foshan Micro Credit	**123,002**	65,702
Foshan Consultancy	**3,000**	3,000
Foshan Join-Share Industrial Investment	**5,284**	5,284
Guangdong Capital Management	**60,000**	–
	351,786	220,486

16 Investments in subsidiaries *(Continued)*

(c) 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 interests. The summarised financial statements presented below represents the amounts before any inter-company elimination.

(i) Anhui Join-Share

	31 December 2016 RMB'000	31 December 2015 RMB'000
NCI percentage	49%	49%
Gross amounts of the subsidiary:		
– Non-current assets	17,111	7,093
– Current assets	231,704	172,674
– Current liabilities	(68,957)	(18,561)
Net assets	179,858	161,206
Carrying amount of NCI	88,130	78,991

	2016 RMB'000	2015 RMB'000
Gross amounts of the subsidiary:		
– Revenue	15,522	16,723
– Profit	22,448	11,982
– Total comprehensive income	22,448	11,982
Profit allocated to NCI	11,000	5,871
Cash flow from operating activities	39,208	(1,207)
Cash flow from investment activities	(2,546)	(6,273)
Cash flow from financing activities	(1,498)	(8,250)
Net increase/(decrease) in cash and cash equivalents	35,164	(15,730)

16 Investments in subsidiaries *(Continued)*

(c) Material non-controlling interests *(Continued)*

(ii) Foshan Micro Credit

	31 December 2016 RMB'000	31 December 2015 RMB'000
NCI percentage	50%	70%
Gross amounts of the subsidiary:		
– Non-current assets	6,145	4,930
– Current assets	309,348	286,700
– Non-current liabilities	(45,864)	(48,836)
– Current liabilities	(11,817)	(11,060)
Net assets	257,812	231,734
Carrying amount of NCI	127,797	162,214

	2016 RMB'000	2015 RMB'000
Gross amounts of the subsidiary:		
– Revenue	40,272	49,492
– Profit	18,078	28,234
– Total comprehensive income	18,078	28,234
Profit allocated to NCI	8,961	19,764
Cash flow from operating activities	(11,415)	(49,907)
Cash flow from investment activities	(127)	7,956
Cash flow from financing activities	5,206	27,240
Net decrease in cash and cash equivalents	(6,336)	(14,711)

16 Investments in subsidiaries *(Continued)*

(c) Material non-controlling interests *(Continued)*

(iii) Zhongshan Join-Share

	31 December 2016 RMB'000	31 December 2015 RMB'000
NCI percentage	21%	21%
Gross amounts of the subsidiary:		
– Non-current assets	21,779	2,649
– Current assets	211,138	220,954
– Non-current liabilities	(17,730)	(22,006)
– Current liabilities	(24,572)	(19,320)
Net assets	190,615	182,277
Carrying amount of NCI	41,935	40,101

	2016 RMB'000	2015 RMB'000
Gross amounts of the subsidiary:		
– Revenue	17,065	16,368
– Profit	14,550	8,089
– Total comprehensive income	13,613	8,089
Profit allocated to NCI	2,995	1,780
Cash flow from operating activities	22,537	(46,714)
Cash flow from investment activities	(18,979)	28,474
Cash flow from financing activities	(10,913)	(6,000)
Net decrease in cash and cash equivalents	(7,355)	(24,240)

17 Interest in associates

The Group's interests in associates are as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Yunfu Guarantee	30,545	–
Zhongshan Wujieping	10,000	–
	40,545	–

The following list contains the particulars of the associates, which are unlisted corporate entity whose quoted market price are not available. The class of shares held is ordinary unless otherwise stated:

Name of company	Date and place of incorporation/ establishment	Paid-in/ registered capital	Proportion of ownership interest As at 31 December 2016: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity	Place of incorporation
Yunfu Yuecai Puhui Financing Guarantee Co., Ltd. (“**Yunfu Guarantee**”) (雲浮市粵財普惠融資擔保股份有限公司) *(i)*	4 February 2016 the PRC	RMB 150,000,000	20%	20%	–	Guarantee	Yunfu
Zhongshan Wujieping Health Industry Investment Partnership (Limited Partnership) (“**Zhongshan Wujieping**”) (中山吳階平健康產業投資合夥企業（有限合夥）) *(ii)*	18 April 2016 the PRC	RMB 100,000,000	10%	–	10%	Health Industry Investment	Zhongshan

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

(i) Interest in Yunfu Guarantee was acquired on 2 February 2016. The Company has significant influence in Yunfu Guarantee by appointing 1 out of 5 representatives on the board of directors.

(ii) Interest in Zhongshan Wujieping was acquired on 18 April 2016. Zhongshan Join-Share has significant influence in Zhongshan Wujieping by appointing 1 out of 7 representatives in the policy making committee.

17 Interest in associates *(Continued)*

The associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of Yunfu Guarantee and Zhongshan Wujieping as individually immaterial associates:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**40,545**	–

	2016 *RMB'000*	2015 *RMB'000*
Aggregate amounts of the Group's share of profit of these associates:		
Profit from operation and total comprehensive income	**545**	–

18 Fixed assets

(a) Reconciliation of carrying amount

	Motor Vehicles	Buildings held for own use	Office and other equipments	Deferred expenses	Total fixed assets
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2015	2,529	–	3,670	3,607	9,806
Additions	–	–	339	701	1,040
Disposals	–	–	(243)	(5)	(248)
At 31 December 2015 and 1 January 2016	**2,529**	**–**	**3,766**	**4,303**	**10,598**
Additions	**–**	**5,960**	**237**	**3,157**	**9,354**
Disposals	**(172)**	**–**	**(11)**	**–**	**(183)**
Converted to investment property	**–**	**(947)**	**–**	**–**	**(947)**
At 31 December 2016	**2,357**	**5,013**	**3,992**	**7,460**	**18,822**
Accumulated depreciation:					
At 1 January 2015	(1,494)	–	(1,869)	(1,583)	(4,946)
Charge for the year	(429)	–	(531)	(1,075)	(2,035)
Written back on disposals	–	–	150	5	155
At 31 December 2015 and 1 January 2016	**(1,923)**	**–**	**(2,250)**	**(2,653)**	**(6,826)**
Charge for the year	**(286)**	**(155)**	**(517)**	**(918)**	**(1,876)**
Written back on disposals	**76**	**–**	**10**	**–**	**86**
Converted to investment property	**–**	**26**	**–**	**–**	**26**
At 31 December 2016	**(2,133)**	**(129)**	**(2,757)**	**(3,571)**	**(8,590)**
Net book value:					
At 31 December 2015	606	–	1,516	1,650	3,772
At 31 December 2016	**224**	**4,884**	**1,235**	**3,889**	**10,232**

18 Fixed assets *(Continued)*

(b) Impairment losses

During the year ended 31 December 2016, no impairment loss of equipment was recognised (2015: nil).

19 Intangible Assets

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cost:		
At the beginning of the year	**2,830**	304
Additions	**523**	2,527
Disposals	**–**	(1)
At the end of the year	**3,353**	2,830
Accumulated amortisation:		
At the beginning of the year	**(1,021)**	(72)
Charge for the year	**(979)**	(950)
Write-offs	**–**	1
At the end of the year	**(2,000)**	(1,021)
Net book value:		
At the end of the year	**1,353**	1,809
At the beginning of the year	**1,809**	232

20 Goodwill

	Note	*RMB'000*
Cost:		
At 1 January 2015		419
Accumulated impairment losses:		
At 31 December 2015 and 2016	20(a)	–
Carrying amount:		
At 31 December 2015 and 2016		419

(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:

	2016	2015
	RMB'000	*RMB'000*
Foshan Micro Credit *(i)*	**419**	419

(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% (2015: 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% (2015: 10.56%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

21 Liabilities from guarantees

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Deferred income		**103,895**	84,288
Provisions for guarantee losses	21(a)	**68,484**	78,981
		172,379	163,269

(a) Provisions (written back)/charged for guarantee losses

	2016 RMB'000	2015 RMB'000
As at 1 January	**78,981**	76,448
Charged for the year	**–**	2,533
Written back for the year	**(10,497)**	–
As at 31 December	**68,484**	78,981

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.

22 Customer pledged deposits and accruals and other payables *(Continued)*

(b) Accruals and other payables

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Accrued staff cost		**39,209**	36,664
Principle and fixed return payable for other financial instrument–liability component	23(i)	**19,640**	12,000
Receipts in advance		**6,493**	6,052
Withholding income tax		**155**	130
Share capital and share premium payable to NSSF	(i)	**–**	30,227
Other payables		**21,043**	15,955
Total		**86,540**	101,028

(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.

23 Other financial instrument–liability component

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Other financial instrument–liability component	(i)	**78,487**	86,748

23 Other financial instrument-liability component *(Continued)*

(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 fixed 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 fixed 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 fixed return.

Considering the above factors, the management considered Zhongshan Health's contribution as a compound financial instrument issued by Zhongshan Join-Share. The principal 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 2016, the Group accrued RMB14,000,000 (2015: RMB6,000,000) as the fixed return and RMB5,640,000 (2015: RMB6,000,000) as a replacement of Zhongshan Health's original contribution, which are obligations according to the agreements.

24 Financial institution bonds

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Financial institution bonds	**45,864**	48,836

Foshan Micro Credit issued financial institution bonds with par value of RMB25 million and RMB25 million on 26 September 2016 and 18 October 2016 respectively at the exchange center of Guangzhou Equity Exchange Co., Ltd. (廣州股權交易中心). The duration of the financial institution bonds are two years and the annual interest rate are 4%. 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	**2016** *RMB'000*	2015 *RMB'000*
Balance of income tax payable at the beginning of the year		**42,259**	35,314
Provision for income tax on the estimated taxable profit for the year	5(a)	**55,812**	55,111
Income tax paid during the year		**(61,558)**	(48,166)
Balance of income tax payable at the end of the year		**36,513**	42,259

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 2016 and 2015 are as follows:

		Deferred tax assets				Deferred tax liabilities					
	Note	Deferred Income	Impairment loss	Salaries Payable	Total	Re-guarantee fee	Provision for guarantee losses	Government grant	Financial Instrument	Total	Net
		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		21,072	25,491	9,257	55,820	(999)	(14,502)	(504)	(4,453)	(20,458)	35,362

		Deferred tax assets				**Deferred tax liabilities**					
	Note	**Deferred Income**	**Impairment loss**	**Salaries Payable**	**Total**	**Re-guarantee fee**	**Provision for guarantee losses**	**Government grant**	**Financial Instrument**	**Total**	**Net**
		RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
At 1 January 2016		**21,072**	**25,491**	**9,257**	**55,820**	**(999)**	**(14,502)**	**(504)**	**(4,453)**	**(20,458)**	**35,362**
Charged/(credited) to the consolidated statement of profit or loss	5(a)	**4,902**	**1,080**	**811**	**6,793**	**263**	**(3,127)**	**1,892**	**–**	**(972)**	**5,821**
Charged to reserves		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,728**	**5,728**	**5,728**
At 31 December 2016		**25,974**	**26,571**	**10,068**	**62,613**	**(736)**	**(17,629)**	**1,388**	**1,275**	**(15,702)**	**46,911**

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	Share premium	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 26(c)	*Note 26(d)(i)*	*Note 26(d)(iv)*	*Note 26(d)(v)*		
Balance at 1 January 2015	800,000	43,107	57,605	57,605	67,949	1,026,266
Changes in equity for 2015:						
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	1,066,667	43,107	67,086	67,220	144,868	1,388,948

26 Capital, reserves and dividends *(Continued)*

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

	Share capital RMB'000 Note 26(c)	Share premium RMB'000 Note 26(d)(i)	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 2016	1,066,667	43,107	67,086	67,220	144,868	1,388,948
Changes in equity for 2016:						
Profit for the year	–	–	–	–	107,898	107,898
Total comprehensive income	–	–	–	–	107,898	107,898
Appropriation to surplus reserve	–	–	10,791	–	(10,791)	–
Appropriation to general reserve	–	–	–	10,791	(10,791)	–
Dividends approved in respect of the previous year	–	–	–	–	(90,664)	(90,664)
Balance at 31 December 2016	1,066,667	43,107	77,877	78,011	140,520	1,406,182

(b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 28 March 2017, the proposed dividends appropriations for the year ended 31 December 2016 are as follows:

– Declare cash dividends to all shareholders of RMB90,666,667 (2015: RMB90,666,667) representing RMB0.085 (2015: RMB0.085) per share before tax.

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

26 Capital, reserves and dividends *(Continued)*

(c) Share capital

The share capital of the Company as at 31 December 2016 and 2015 are as below:

	2016		2015	
	No. of shares ('000)	***RMB'000***	*No. of shares ('000)*	*RMB'000*
Ordinary shares, issued and fully paid:				
As at 1 January	**1,066,667**	**1,066,667**	800,000	800,000
New shares upon IPO *(i)*	**–**	**–**	266,667	266,667
As at 31 December	**1,066,667**	**1,066,667**	1,066,667	1,066,667

(i) 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 2016, 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 purchase of shares from subsidiaries.

26 Capital, reserves and dividends *(Continued)*

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

(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(k)(i).

(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.

26 Capital, reserves and dividends *(Continued)*

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

(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.

(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 2016 and 2015.

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.

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.

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

(a) Credit risk *(Continued)*

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:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Financing guarantee	3,092,771	3,415,799
Performance guarantee	3,152,802	1,219,399
Litigation guarantee	366,847	259,987
Subtotal	6,612,420	4,895,185
Less: Customer pledged deposits	(11,795)	(6,871)
Total	6,600,625	4,888,314

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

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

(a) Credit risk *(Continued)*

The maximum exposure to credit risk in respect of financial guarantees issued by industry at 31 December 2016 and 2015 is as follows:

	31 December 2016		31 December 2015	
	RMB'000	%	*RMB'000*	%
Construction	**3,100,972**	**46%**	1,472,588	30%
Manufacturing	**1,190,416**	**17%**	1,357,906	27%
Wholesale and retail	**986,330**	**15%**	1,018,758	21%
Commercial services	**105,700**	**2%**	109,563	2%
Service industry	**39,555**	**1%**	34,313	1%
Transportation warehousing and postal service	**23,355**	**1%**	29,600	1%
Agriculture	**43,010**	**1%**	31,948	1%
Others	**1,123,082**	**17%**	840,509	17%
Total of financial guarantees issued	**6,612,420**	**100%**	4,895,185	100%

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.

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.

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 and loans and advances to customers.

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Fixed interest rate		
Financial assets		
– Cash and cash equivalents	**365,173**	320,744
– Pledged bank deposits	**46,896**	74,353
– Loans and advances to customers	**625,864**	637,974
– Trade and other receivables	**118,588**	61,579
– Receivable investments	**8,225**	32,875
– Available-for-sale financial assets	**2,650**	4,900
	1,167,396	1,132,425
Financial liabilities		
– Other financial instrument-liability component	**(78,487)**	(86,748)
– Financial institution bonds	**(45,864)**	(48,836)
	(124,351)	(135,584)
Net	**1,043,045**	996,841

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

(b) Interest rate risk *(Continued)*

(i) ***Interest rate profile*** *(Continued)*

	31 December 2016 RMB'000	31 December 2015 RMB'000
Variable interest rate		
Financial assets		
– Cash and cash equivalents	**405,022**	545,503
– Pledged bank deposits	**138,941**	186,212
– Available-for-sale financial assets	**53,055**	2,530
	597,018	734,245
Net	**597,018**	734,245
Total net financial assets	**1,640,063**	1,731,086
Net fixed rate financial assets as a percentage of total net financial assets	**64%**	58%

(ii) ***Sensitivity analysis***

At 31 December 2016, 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 RMB2,039,000 (2015: RMB2,743,000). Other components of consolidated equity would have increased by approximately RMB199,000 (2015: RMB10,000).

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.

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 2016						
	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*	Total *RMB'000*
Liabilities							
Customer pledged deposits	–	4,943	510	3,180	3,162	–	11,795
Liabilities from guarantees	–	116	13,260	61,739	97,264	–	172,379
Other financial instrument–liability component	–	–	–	13,333	52,867	12,287	78,487
Financial institution bonds	–	–	–	–	45,864	–	45,864
Other liabilities	–	12,953	50,323	47,423	12,354	–	123,053
Total	–	18,012	64,093	125,675	211,511	12,287	431,578

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

(c) Liquidity risk *(Continued)*

(i) ***Maturity analysis*** *(Continued)*

	31 December 2015						
	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*
Liabilities							
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
Total	–	15,404	120,554	146,209	143,104	23,740	449,011

(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.

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

(c) Liquidity risk *(Continued)*

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

	31 December 2016							
	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*
Liabilities								
Customer pledged deposits	11,795	11,795	–	4,943	510	3,180	3,162	–
Other financial instrument–liability component	78,487	97,000	–	–	–	14,160	65,280	17,560
Financial institution bonds	45,864	47,699	–	–	–	–	47,699	–
Other financial liabilities	21,198	21,198	–	6,460	6,923	6,508	1,307	–
Total	157,344	177,692	–	11,403	7,433	23,848	117,448	17,560
Guarantee issued								
Maximum amount guaranteed*		6,612,420	366,846	–	746,819	2,828,220	2,670,535	–

	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*
Liabilities								
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	–
Total	199,613	224,662	–	13,523	44,360	67,182	64,577	35,020
Guarantee issued								
Maximum amount guaranteed*		4,895,185	259,987	72,405	517,184	2,144,415	1,901,194	–

* 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.

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

(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.

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Level 1		
Available-for-sale financial assets	**43,815**	21,146
Level 2		
Available-for-sale financial assets	**–**	–
Level 3		
Available-for-sale financial assets	**11,890**	7,430
Liabilities		
Other financial instrument-liability component	**78,487**	86,748

During the year ended 31 December 2016, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. 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.

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:

	2016	2015
	RMB'000	*RMB'000*
Available-for-sale financial assets		
At the beginning of the year	**7,430**	5,000
Payment for purchases	**6,710**	7,430
Proceeds from sales	**(2,250)**	(5,000)
At the end of the year	**11,890**	7,430

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

	2016	2015
	RMB'000	*RMB'000*
Other financial instrument-liability component		
At the beginning of the year	**86,748**	92,983
– change in fair value	**(8,261)**	(6,235)
At the end of the year	**78,487**	86,748

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 2016 and 2015.

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 1 year (inclusive)	**1,445**	4,148
After 1 year but within 3 years (inclusive)	**2,099**	3,951
Over 3 years	**25**	917
Total	**3,569**	9,016

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 2016, the Group had no outstanding litigation or disputes in which the Group was a defendant (2015: nil).

29 Material related party transactions

(a) Name and relationship with related parties

Name of related party	Relationship
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.
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.
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.
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
吳列進 (Wu Liejin)	Director and Chairman of the Company
謝勇東 (Xie Yongdong)	Director of the Company and president
吳艷芬 (Wu Yanfen)	Director of the Company
顧李丹 (Gu Lidan)	Director of the Company
梁漢文 (Leung Hon Man)	Director of the Company
吳向能 (Wu Xiangneng)	Director of the Company
劉恒 (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
鄭正强 (Zheng Zhengqiang)	Secretary to the Board of the Company
張敏明 (Zhang Minming)	Director of the Company and vice chairman
王維 (Wang Wei)	Supervisor of the Company
李琦 (Li Qi)	Supervisor of the Company
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
鐘堅 (Zhong Jian)	Supervisor of the Company
黃國深 (Huang Guoshen)	Non-executive directors
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

(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
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
佛山市南海臻恒建材有限公司 (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
雲浮市粵財普惠融資擔保股份有限公司 (Yunfu Yuecai Puhui Financing Guarantee Co., Ltd.)	Associate of the Group from February 2016
中山吳階平健康產業投資合夥企業 (有限合夥) (Zhongshan Wujieping Health Industry Investment Partnership)	Associate of the Group from April 2016

29 Material related party transactions *(Continued)*

(b) Key management personnel remuneration

	Note	2016 RMB'000	2015 RMB'000
Key management personnel remuneration	(i), (ii)	7,677	6,449

(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

	2016 RMB'000	2015 RMB'000
Guarantee fee income		
– Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd. *(i)*	104	675
Other income		
– Yunfu Yuecai Puhui Financing Guarantee Co., Ltd. *(ii)*	1,000	–

(i) 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.

(ii) The Company acquired management fee of RMB1,000,000 from Yunfu Guarantee annually.

(d) Balances with related parties

	31 December 2016 RMB'000	31 December 2015 RMB'000
Loans to related persons		
– Wang Wei	100	–

29 Material related party transactions *(Continued)*

(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 2016 *RMB'000*	31 December 2015 *RMB'000*
Guarantee amount		
– Foshan Nanhai Xiqiao Heng Jian Co., Ltd.	**–**	10,000

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

	2016 *RMB'000*	2015 *RMB'000*
Guarantee amount	**9,000**	27,500

Since the Company does not 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 China Development Bank Corporation and China Construction Bank Corporation. 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.

30 Company-level statement of financial position

	Note	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Assets			
Cash and cash equivalents		**468,987**	621,804
Pledged bank deposits		**93,957**	166,276
Trade and other receivables		**356,290**	257,519
Loans and advances to customers		**299,655**	310,944
Receivable investments		**6,225**	32,875
Interests in associates	17	**30,545**	–
Investment in subsidiaries	16(b)	**351,786**	220,486
Fixed assets		**3,197**	2,098
Intangible assets		**995**	1,287
Deferred tax assets		**32,813**	24,425
Total assets		**1,644,450**	1,637,714
Liabilities			
Liabilities from guarantees		**150,789**	142,522
Customer pledged deposits		**11,795**	6,871
Accruals and other payables		**52,521**	68,342
Current tax liabilities		**23,163**	31,031
Total liabilities		**238,268**	248,766
NET ASSETS		**1,406,182**	1,388,948

Approved and authorised for issue by the board of directors on 28 March 2017.

Wu Liejin	**Xie Yongdong**	**Company Stamp**
Executive Director and Chairman	*Executive Director*	

31 Loans to officers

Name of borrower	鄭正強 (Zheng Zhengqiang)	歐偉明 (Ou Weiming)	梁毅 (Liang Yi)	王維 (Wang Wei)
Position	Secretary to the Board of the Company	Vice president	Supervisor	Supervisor
Terms of the loan				
– Duration and repayment terms	Three years	Three years	Three years	One year
– Loan amount *(RMB'000)*	80	100	80	100
– Interest rate	–	–	–	–
– Security	Car	Car	Car	–
Balance of the loan *(RMB'000)*				
– At 31 December 2016	–	–	–	100
– At 31 December 2015	–	–	–	–
Maximum balance outstanding *(RMB'000)*				
– During 2016	–	–	–	100
– During 2015	73	100	80	–

(i) Wang Wei repaid the loan to the Group on 28 February 2017. As at March 2017, the balance of the loan is nil.

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.

32 Accounting judgements and estimates *(Continued)*

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

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

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.

(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(o). 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.

32 Accounting judgements and estimates *(Continued)*

(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 of loss in future years.

(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 means that the Group has the power over 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.

(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 2016

Up to the date of issue of the financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 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
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on a preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

HKFRS 9, *Financial instruments* *(Continued)*

(a) Classification and measurement (Continued)

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognised fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's policies set out in notes 1(t) and 1(o). This changes in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables, loans and advances to customers, liabilities from guarantees and receivable investments. However, a more detailed analysis is required to determine the extent of the impact.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

HKFRS 9, *Financial instruments* (Continued)

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

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.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(u). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

HKFRS 15, Revenue from contracts with customers *(Continued)*

(a) Timing of revenue recognition *(Continued)*

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

HKFRS 15, Revenue from contracts with customers *(Continued)*

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

The Group is in the process of assessing whether this component in the Group's advance payment schemes would be significant to the contract and therefore whether, once HKFRS 15 is adopted, the transaction price would need to be adjusted for the purposes of recognising revenue.

HKFRS 16, Leases

As disclosed in Note 1(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2016 *(Continued)*

HKFRS 16, Leases *(Continued)*

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 28, at 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB3,569,000 for properties, the majority of which is payable either between 1 and 3 years after the reporting date or in more than 3 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

34 Non-adjusting events after the reporting period

(a) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 26(b).

(b) Guangdong Capital Investment and Anhui Join-share increased their paid-in capital to RMB60,000,000 and RMB200,000,000. Relevant filing was completed on 10 February 2017 and 2 March 2017 respectively.

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