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

# 2017 Annual Report

* For identification purpose only

# Contents

# Corporate Profile

Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the "**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-sized enterprises (the "**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, or 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) (the "**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(s)**"). We possess an experienced and reputable management team with diverse backgrounds and substantial expertise in the finance, banking, accounting and legal industries. At present, having stable outlook, we are given an "AA+" corporate rating from Shenzhen Lianhe Credit Information Service Co., Ltd (深圳聯合信用管理有限公司).

The H shares of the Company (the "**H Shares**") 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.

# Corporate Information

## EXECUTIVE DIRECTORS

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

## NON-EXECUTIVE DIRECTORS

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

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## SUPERVISORS

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

## AUDIT COMMITTEE

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

## REMUNERATION AND APPRAISAL COMMITTEE

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

## NOMINATION COMMITTEE

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

## RISK MANAGEMENT COMMITTEE

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

## STRATEGY COMMITTEE

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

## JOINT COMPANY SECRETARIES

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

## AUTHORISED REPRESENTATIVES

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

## REGISTERED OFFICE

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

## 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

## 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

King & Wood Mallesons

## AUDITORS

KPMG
*Certified Public Accountants*

## COMPANY'S WEBSITE

www.join-share.com

## STOCK CODE

1543

# Financial Highlights

For the year ended 31 December 2017, the Group's operating results were as follows:

- Total revenue was approximately RMB264.2 million, representing an increase of approximately 4.4% as compared to last year.
- Net profit for the year and net profit margin were approximately RMB123.2 million and approximately 46.6%, respectively.
- Profit before taxation amounted to approximately RMB168.0 million, representing a decrease of approximately 13.4% as compared to last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB106.1 million, representing a decrease of approximately 7.2% as compared to last year.
- The payment of final dividends of RMB0.076 per share for the year ended 31 December 2017 is recommended by the Board (as defined below).

| | Consolidated P&L | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| *(RMB'000)* | | | | | |
| **Operating Results** | | | | | |
| Revenue | **264,238** | 253,008 | 285,634 | 307,343 | 261,845 |
| – Net guarantee fee income | **137,912** | 128,860 | 131,206 | 163,374 | 161,390 |
| – Net interest income | **86,403** | 88,699 | 121,076 | 102,155 | 74,402 |
| – Service fee from consulting services | **39,923** | 35,449 | 33,352 | 41,814 | 26,053 |
| Other revenue | **10,574** | 41,465 | 28,800 | 20,992 | 21,458 |
| Share of (losses)/profits of associates | **(528)** | 545 | – | – | – |
| Provisions written back for guarantee losses | **19,944** | 10,497 | (2,533) | (8,146) | (13,590) |
| Impairment losses | **(20,538)** | (22,905) | (27,358) | (29,361) | (20,424) |
| Operating expenses | **(105,702)** | (88,718) | (91,928) | (82,035) | (80,177) |
| Profit for the year | **123,204** | 143,901 | 142,830 | 156,754 | 130,969 |
| – Attributable to equity Shareholders of the Company | **106,069** | 114,333 | 112,104 | 145,258 | 129,767 |
| **Key Financial Ratios** | | | | | |
| Return on net assets | **7.1%** | 8.4% | 9.4% | 12.6% | 12.2% |
| Return on assets | **5.6%** | 6.7% | 7.1% | 9.5% | 9.6% |
| Net profit margin | **46.6%** | 56.9% | 50.0% | 51.0% | 50.0% |
| **Scale Indicators** | | | | | |
| Total assets | **2,238,959** | 2,143,780 | 2,171,054 | 1,852,328 | 1,431,294 |
| Total liabilities | **503,204** | 431,578 | 449,011 | 528,311 | 274,065 |
| Net assets | **1,735,755** | 1,712,202 | 1,722,043 | 1,324,017 | 1,157,229 |

# Chairman's Statement

**Dear Shareholders:**

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of the Company, I am pleased to present the annual report of Guangdong Join-Share from 1 January 2017 to 31 December 2017.

In retrospect of 2017, social and economic development of the People's Republic of China (the "**PRC**") entered into a new stage. At present, the PRC's economy has been developing with high quality instead of mere growth at a rapid pace. Thanks to further advancement of the supply-side structural reform by the central government of the PRC, "Made in China" was steering towards "Created in China", "Rapid China" was replaced by "Quality China" and "Big Manufacturer" was growing into "Strong Manufacturer". The local governments of the PRC took initiative to carry out relevant works and adopted various measures to support the development of the real economy, thus creating a favourable atmosphere for the transformation and upgrading of traditional industries and the innovation-based development of emerging industries.

The National Financial Work Conference (全國金融工作會議) convened on 14 and 15 July 2017 specified the development path of the financial industry in the PRC and put forward new requirements. The conference pointed out that the financial industry should prioritize its primary function of serving the real economy and emphasized its intention of intensifying financial regulation and warding off financial risks, which fully underpinned that the consistent strategic positioning of Guangdong Join-Share, namely, serving as a systematic investment and financing service provider for SMEs, and the philosophy of compliance operation were in line with the call of the times.

**Mr. Wu Liejin**
Chairman

In 2017, Guangdong Join-Share, on the one hand, steadily carried out the financing guarantee business and vigorously developed non-financial guarantee business in virtue of the opportunities through adjustments to its business structure and optimization of its risk management mode; on the other hand, it kept abreast of the prevailing trend of the economic development and capitalized on the opportunity arising from the transformation and upgrade of local industries to proactively carry forward the innovative integration of its financial business into local industries. In this regard, it established subsidiaries engaged in supply chain services, factoring and other businesses in succession and made innovative and tentative efforts on such sectors as supply chain finance, consumer finance and technology finance.

Thanks to its clearly-defined strategic positioning, innovative business mode and highly efficient corporate governance, Guangdong Join-Share manifested its powerful growth capability and its brand reputation in the industry where it operated and its influence in the industry where it operated continued to improve in 2017. In 2017, Guangdong Join-Share was honoured with the Vice President of China Financing Guarantee Association (中國融資擔保協會副會長單位), the Chairman of Guangdong Province Credit Association (廣東省信用協會會長單位) and Vice President of Foshan Finance Association for Science and Technology (佛山市科技金融協會副會長單位) successively, and grew into the driving force for the development of national guarantee industry and the construction of local social credit systems. Meanwhile, the Company and its senior management were rewarded with numerous valuable honours 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.

The construction of an inclusive finance system was first proposed at the National Financial Work Conference and the establishment of national financing guarantee fund initiated in the 2018 Report on the Work of the Government (2018年政府工作報告) brought forth favourable policy effects for the development of the guarantee business and businesses concerning inclusive finance of Guangdong Join-Share. Looking ahead into the forthcoming year, while exerting strict control over risks, we will continue to strengthen strategic cooperation with local governments of the PRC and large financial institutions in allusion to satisfy various financing demands of SMEs. Meanwhile, we will accelerate the industrial layout expansion and further advance the integration of finance with industries and technologies so as to boost our operating results.

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to governments of the PRC at all levels, the Shareholders, business partners and corporate customers for their continuous care for and support to the Company's development and show our high respect to all the staff of the Company for their hard work in the past year. In 2018, the management team and I will strive for new goals without any waste of the glorious time.

**Mr. Wu Liejin**
*Chairman*
Foshan, the PRC
28 March 2018

# Management Discussion and Analysis

## OVERVIEW

In 2017, the Group further deepened strategic transformation and upgrade and took a number of management measures including strategic transformation, focusing on principal businesses, structural adjustment, cost reduction, efficiency enhancement and personnel system reform, which laid a solid foundation for the Company's sustainable development. Under the guidance of the Board, the Company has prepared and published a new strategic plan with an aim of becoming a systematic financing service provider with maximum synergy value for SMEs and individuals. The Company, upholding the core values of "co-creation, sharing and joint growth", will continue to thoroughly promote the transformation and upgrade of business strategies and strive to achieve the strategic objective of "overall enhancement of the Company's position in the industry where it operates".

In 2017, the Chinese economy changed from high-speed growth to high-quality development and was in a critical period for transformation of the way of development, optimization of economic structure and change of growth impetus. In spite of slowed economic growth and increasing downward pressure in certain industries, our total revenue increased by approximately 4.4% over the last year.

During the reporting period, the Company was awarded as the Vice Chairman of China Financial Guarantee Association, the Chairman of Guangdong Credit Association, Vice President of Foshan Finance Association for Science and Technology (佛山市科技金融協會副會長單位), the 2016 Listed Company with Most Potential (2016年度最具潛力上市公司) and Best Innovation Listed Company (最佳創新上市公司). Mr. Wu Liejin, the chairman of the Board, was awarded titles of "2016 Guangdong Economic Influential Individuals (2016年度廣東經濟風雲人物)" and "Huishang Leader of the 4th Huishang Oscar (第四屆徽商奧斯卡徽商領袖)" and was selected as one of the 2016 Senior Financial Management Talents of Foshan (2016年度佛山市金融高級管理人才).

## 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 2017, the net balance of our outstanding guarantee was approximately RMB10,015.3 million. For the year ended 31 December 2017, our net guarantee fee income was approximately RMB137.9 million.

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 approximately RMB1.0 million to approximately RMB40.0 million, and is not subject to geographical restriction. As of 31 December 2017, the balance of our entrusted loans was approximately RMB331.1 million.

(2) We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Micro Credit, which was consolidated into our Group in June 2014. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province, the PRC. 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 2017, the balance of our micro-lending was approximately RMB371.2 million.

As of 31 December 2017, the net interest income from our SME lending business was approximately RMB86.4 million.

## MAJOR BUSINESS ACTIVITIES UNDERTAKEN BY THE GROUP DURING THE YEAR

During the year ended 31 December 2017, with an aim to strengthen the Group's overall market position, the major business activities undertaken by the Group during the year ended 31 December 2017 are set out as follows:

(1) On 14 April 2017, Foshan Join-Share Supply Chain Services Co., Ltd. ("**Foshan Supply Chain**"), a newly established entity of the Company, provided relevant services to the existing and new customers with the need for supply chain management services. Foshan Supply Chain was put into operation in June 2017. Its registered capital amounted to RMB1.0 million.

(2) On 28 July 2017, Join-Share (Hong Kong) Supply Chain Service Co., Ltd. (中盈盛達(香港)供應鏈服務有限公司) ("**Hong Kong Supply Chain**"), a newly established wholly-owned subsidiary of the Company, provided relevant services to the existing and new customers with the need for supply chain management services. Hong Kong Supply Chain was put into operation in June 2017. Its registered capital amounted to RMB0.3 million.

(3) On 17 November 2017, Shenzhen Join-Share Commercial Factoring Co., Ltd. (深圳中盈盛達商業保理有限公司) ("**Shenzhen Factoring**"), a newly established wholly-owned subsidiary of the Company, provided relevant services to the existing and new customers with the need for commercial factoring services. Shenzhen Factoring was put into operation in February 2018. Its registered capital amounted to RMB50 million.

## FINANCIAL REVIEW

### Net Guarantee Fee Income

Our net guarantee fee income increased by approximately RMB9.1 million, or approximately 7.0%, to approximately RMB137.9 million in 2017 from approximately RMB128.9 million in 2016. Our total guarantee fee income increased by approximately RMB7.8 million, or approximately 5.8%, to approximately RMB141.6 million in 2017 from approximately RMB133.8 million in 2016. Such increase was 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 approximately RMB12.4 million, or approximately 10.3% in the financing guarantee fee income; and (ii) our devotion of more efforts to carry out non-financing guarantee business, which resulted in an increase of RMB20.2 million or approximately 147.4% in our non-financing guarantee fee income, which partly offset the decrease in the financing guarantee fee income. The annualized average guarantee fee ratio for the year ended 31 December 2017 was approximately 1.6%, as compared to approximately 2.3% for the year ended 31 December 2016. The decrease in the annualized average guarantee fee ratio in 2017 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 our non-financing guarantee business is lower as compared with that of our financing guarantee business.

### Net Interest Income

Our net interest income decreased by approximately RMB2.3 million, or approximately 2.6%, to approximately RMB86.4 million in 2017 from approximately RMB88.7 million in 2016, primarily due to a decrease of approximately 1.3% in the interest income and an increase of approximately 8.8% in the interest expense, respectively.

The interest income from our entrusted loan business for the year ended 31 December 2017 decreased by approximately RMB7.4 million or approximately 14.7% to approximately RMB42.6 million in 2017 from approximately RMB49.9 million in 2016, which was attributable to the increase in the proportion of entrusted loans with larger amount and lower interest rate to our entrusted loans combination for the year ended 31 December 2017. Our annualized average interest rate of entrusted loans decreased by approximately 15.4% for the same period.

The interest income from our micro-lending business for the year ended 31 December 2017 increased by approximately RMB10.7 million or approximately 26.9% to approximately RMB50.5 million in 2017 from approximately RMB39.8 million in 2016. Our average annual balance of the loans of our micro-lending increased by approximately 26.6% for the same period.

### Service Fee from Consulting Services

Our service fee from consulting services increased by approximately RMB4.5 million, or approximately 12.7%, to approximately RMB39.9 million in 2017 from approximately RMB35.4 million in 2016, primarily due to our active development of consulting business.

## Other Revenue

Our other revenue decreased by approximately RMB30.9 million, or approximately 74.5%, to approximately RMB10.6 million in 2017 from approximately RMB41.5 million in 2016, primarily due to (i) a decrease of approximately RMB20.6 million or approximately 100.0% of reclassification from other comprehensive income on disposal of available for sale financial assets from approximately RMB20.6 million in 2016 to nil in 2017; and (ii) a decrease of approximately RMB7.7 million or approximately 100.0% of gains from foreign exchange rate from approximately RMB7.7 million in 2016 to nil in 2017, and such decreases were partially offset by the increase in investment income from receivable investment from approximately RMB1.0 million in 2016 to approximately RMB4.9 million in 2017.

## Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect our management's estimate on the level of provisions that is adequate for our guarantee business. We made provision written back for guarantee losses of approximately RMB19.9 million in 2017 compared to approximately RMB10.5 million in 2016, primarily due to a decrease of RMB351.4 million or approximately 11.4% of the balance of outstanding financing guarantee from approximately RMB3,092.8 million as of 31 December 2016 to approximately RMB2,741.4 million as of 31 December 2017.

## Impairment Losses

Impairment losses mainly include impairment allowances the Group makes in relation to (i) receivables from guarantee customers which reflect the net amount of the capital portfolio of financing solutions we provided to customers not being able to be recovered by the Group; and (ii) loans and advances to customers primarily in the Group's entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to the customers not being able to be collected by the Group. Our impairment losses decreased by approximately RMB2.4 million, or approximately 10.5%, to approximately RMB20.5 million in 2017 from approximately RMB22.9 million in 2016, primarily due to (i) an increase of losses for the receivables from guarantee customers by approximately RMB12.2 million, or approximately 214.0%, from approximately RMB5.7 million in 2016 to approximately RMB17.9 million in 2017; and (ii) an increase of impairment losses for loans and advances to customers by approximately RMB4.0 million, or approximately 190.5%, from approximately RMB2.1 million in 2016 to approximately RMB6.1 million in 2017, which was partially offset by a decrease of the impairment losses for the receivables of default guarantee payments by approximately RMB19.0 million, or approximately 125.0%, from approximately RMB15.2 million in 2016 to a reversal of RMB3.8 million in 2017.

## Operating Expenses

Our operating expenses increased by approximately RMB17.0 million, or approximately 19.2%, to approximately RMB105.7 million in 2017 from approximately RMB88.7 million in 2016, mainly attributable to (i) an increase of staff costs by approximately RMB8.0 million, or approximately 16.4%, to approximately RMB56.7 million in 2017 from RMB48.7 million in 2016; (ii) an increase of foreign exchange losses from nil in 2016 to approximately RMB5.6 million in 2017; and (iii) an increase of professional and consultancy fees by approximately RMB3.5 million, or approximately 49.3% to approximately RMB10.6 million in 2017 from approximately RMB7.1 million in 2016.

## Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB25.9 million, or approximately 13.4%, to approximately RMB168.0 million in 2017 from approximately RMB193.9 million in 2016. Our profit before taxation accounted for approximately 63.6% and 76.6% of our revenue in 2017 and 2016, respectively.

## Income Tax

Our income tax decreased by approximately RMB5.2 million, or approximately 10.4%, to approximately RMB44.8 million in 2017 from approximately RMB50.0 million in 2016, primarily due to the decrease of our taxable profits.

## Profit for the Year

As a result of the foregoing, our profit for the year decreased by approximately RMB20.7 million, or approximately 14.4%, to approximately RMB123.2 million in 2017 from approximately RMB143.9 million in 2016, and our net profit margin decreased to approximately 46.6% in 2017 from approximately 56.9% in 2016.

## Capital Expenditure

Our capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipments and office decorations. For the year ended 31 December 2017, our capital expenditures amounted to approximately RMB7.7 million, primarily due to the purchase of office premises in relation to our business expansion.

## Capital Commitments and Contingent Liabilities

As at 31 December 2017, 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 RMB10,015.3 million and RMB9.2 million, respectively.

The Group did not have any contingent liabilities as at 31 December 2017.

## Charge on Assets

As at 31 December 2017, the Group did not pledge any of its assets to secure any banking facility or bank loan.

## PROSPECTS AND FUTURE DEVELOPMENTS OF THE BUSINESS OF THE GROUP

### (I) Development Trend of the Industry:

1. On 4 January 2016, the People's Government of Guangdong Province published the notice on the Implementation Plan for Promoting the Development of Financing Guarantee Industry of Guangdong Province (《關於促進廣東省融資擔保行業加快發展實施方案》), which requires to increase support for private guarantee institutions, vigorously develop, optimise and reinforce financing guarantee institutions and support the sustainable development of financing guarantee institutions.

2. On 2 August 2017, the State Council published the Measures for the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》), which clarifies the development direction of financing guarantee institutions in the form of administrative regulation and requires to increase support for the financing guarantee industry.

   We are of the view that the financing guarantee industry will maintain its sustainable, stable and healthy development under the support of the national policies and as driven by the strong financing demands of the SMEs in the PRC.

### (II) Development Strategy of the Company:

Looking into 2018, the economy in the PRC has shifted from high-speed growth to medium-and-high speed and high-quality development. In the shift period for economic growth and stage for deepening reform at the supply side, SMEs are likely to be confronted with large operation pressure, increase in default risk and other problems. In respect of policy, the publication and implementation of the measures in the financing guarantee industry indicate a clear idea on the business development of different types of financing guarantee institutions. We will further deepen strategic transformation and upgrade of our Group, exert more efforts to promote the reform of divisional system and fully utilize internet means and the Group's brand effects, striving to build the Group into "a systematic financing service provider with maximum synergy value for SMEs and individuals".

## 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 its operation as a going concern, so that it can continue to provide returns for 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 in order to maintain a balance between the higher equity holders/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, cash flows from operations and bank borrowings and bonds payable.

As of 31 December 2017, our cash and cash equivalents were approximately RMB611.5 million.

The gearing ratios of the Group as at 31 December 2017 and 31 December 2016 were 22.5% and 20.1%, respectively. Such gearing ratio was computed by dividing total liabilities by total assets.

### Indebtedness

As of 31 December 2017, private placement bonds issued by Foshan Micro Credit amounted to RMB50.0 million, and the interest-bearing borrowings amounted to approximately RMB74.8 million.

In addition, we had other financial instrument – liability component of approximately RMB69.2 million.

### Off-Balance-Sheet Arrangements

We enter into 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 2017, our outstanding guarantee totaled approximately RMB10,015.3 million. Save as disclosed above, we have no other off-balance-sheet arrangements.

### Significant Investments

Save as disclosed under the paragraph headed "Major business activities undertaken by the Group during the year" in this section, the Group had no significant investment for the year ended 31 December 2017.

### Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2017.

### Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2017.

## EVENT AFTER REPORTING PERIOD

### Issue of H Shares under the Proposed Investor Subscription and the Proposed Placing

Reference is made to the announcements of Guangdong Join-Share dated 28 September 2017, 29 December 2017, 27 March 2018, 28 March 2018 and 29 March 2018 ("**March 29 Announcement**"), respectively, and the circular of the Company dated 30 September 2017 (the "**Circular**"), in relation to, among other things, (i) the proposed Investor Subscription; (ii) the proposed Management Subscriptions; and (iii) the proposed Placing. Unless otherwise defined, terms used in this annual report shall have the same meanings as those defined in the Circular and the March 29 Announcement.

On 26 March 2018, the China Securities Regulatory Commission approved the issue of H Shares under the proposed Investor Subscription and the proposed Placing and the Company obtained such approval on 27 March 2018, fulfilling one of the conditions precedent of the Investor Subscription and the Placing respectively.

On 29 March 2018, the Company entered into a placing agreement with ICBCI, which acts as a joint placing agent together with GF Securities for the proposed Placing. In anticipation of the time required for the Company to obtain the relevant approval from the Stock Exchange, on the same day, the Company entered into the Second Supplemental Investor Subscription Agreement with the Subscriber, and the Third Supplemental Placing Agreement with GF Securities, in order to further extend the long stop date under the respective agreements from 31 March 2018 to 30 April 2018 (or such later date as may be agreed between the parties).

As at 13 April 2018, being the latest practicable date prior to the printing of this annual report (the "**Latest Practicable Date**"), the Investor Subscription and the Placing had not been completed.

### The Relevant Industrial and Commercial Changes of Material Associate

Yunfu Yuecai Puhui Financing Guarantee Co., Ltd. (雲浮市粵財普惠融資擔保股份有限公司) (the "**Yunfu Yuecai**") was renamed a Yunfu Puhui Financing Guarantee Co., Ltd. (雲浮市普惠融資擔保股份有限公司) with its registered capital changed from RMB150.0 million into RMB110.0 million. Guangdong Financing Re-Guarantee Company Limited* (廣東省融資再擔保有限公司) is no longer a shareholder of Yunfu Yuecai. The Company's contribution to Yunfu Yuecai was changed from RMB30.0 million into RMB50.0 million with the shareholding in Yunfu Yuecai changed from 20% into 45.45%. The relevant industrial and commercial registration of change was completed on 27 February 2018.

## HUMAN RESOURCES

The total number of staff within the Group as at 31 December 2017 and 31 December 2016 was 265 and 256, 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 2017, we paid approximately RMB56.7 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 the 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 2017.

# Directors, Supervisors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Wu Liejin (吳列進)**, aged 57, 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 Financing Guarantee Co., Ltd. (安徽中盈盛達融資擔保有限公司) (the "**Anhui Join-Share**"), Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. (中山中盈盛達科技融資擔保投資有限公司) (the "**Zhongshan Join-Share**") as well as a director of Foshan Join-Share Investment and Financing Consultancy Co., Ltd. (佛山中盈盛達投融資諮詢服務有限公司) (the "**Foshan Consultancy**"), Foshan Join-Share Industrial Investment Co., Ltd. (佛山中盈興業投資有限公司) (the "**Foshan Join-Share Industrial Investment**"), Guangdong Join-Share Capital Management Limited (廣東中盈盛達資本管理有限公司) (the "**Guangdong Capital Management**"), Foshan Supply Chain and Shenzhen Factoring. 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** |
|---|---|
| 13th National People's Congress (十三屆全國人民代表大會) | Representative |
| 11th and 12th Guangdong Provincial People's Congress (廣東省第11屆、12屆人民代表大會) | Representative |
| China Financing Guarantee Association (中國融資擔保業協會) | Chairman |
| Guangdong Credit Association (廣東省信用協會) | Chairman |
| Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會) | 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 |
| Guangdong Financial Think Tank Association (廣東省金融智庫聯合會) | Vice-chairman |
| Foshan Guarantee Association (佛山市信用擔保行業協會) | Honorary chairman |
| Executive Committee of Foshan Industry & Commerce Federation (佛山市工商業聯合會執行委員會) | Vice-chairman |
| 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 the PRC 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 21 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 the 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 awarded 2016 Guangdong Economic Influential Individuals (2016年度廣東經濟風雲人物) and Huishang Leader of the 4th Huishang Oscar (第四屆徽商奧斯卡徽商領袖). In September 2017, Mr. Wu was selected as one of the 2016 Senior Financial Management Talents of Foshan (2016年度佛山市金融高級管理人才).

**Mr. Xie Yongdong (謝勇東)**, aged 46, 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 21 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 SMEs, 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 38, 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 11 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. (廣東科明達集團有限公司) 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 vice-chairman of Guangdong Credit Association (廣東省信用協會) and Foshan Industry & Commerce Federation (General Chamber of Commerce) (佛山市工商聯(總商會)), member of Foshan Political Consultative Committee.

**Ms. Gu Lidan (顧李丹)**, aged 41, 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 20 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. From May 2013 to August 2017, Ms. Gu had 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. Since June 2017, Ms. GU has served as the Party Committee Secretary and Chairwoman (Legal Representative) of Foshan Torch Innovation Entrepreneur Park Co., Ltd. (佛山火炬創新創業園有限公司), she was mainly in charge of overall management and operation.

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. She obtained a master's degree from South China University of Technology (華南理工大學) in June 2017, majoring in management science and engineering.

**Ms. Wu Yanfen (吳艷芬)**, aged 53, 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 36 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. (廣東美思內衣有限公司), 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 (廣東省工商聯女企業家商會) | Executive director |
| Guangdong Provincial Female Entrepreneur Association (廣東省女企業家商會) | Vice-chairlady |
| 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-chairlady |
| Foshan Female Entrepreneur Commercial Association (佛山市民營女企業家商會) | Permanent 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 |
| Fourth Executive Committee of Nanhai Yanbu Underwear Industry Association (南海區鹽步內衣行業協會第四屆) | Vice-chairlady |

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 54, 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 23 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 43, was appointed as an independent non-executive Director of our Company on 7 August 2013.

Mr. Wu has about 20 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 |

| Entities | Principal business | Position | Duration | Responsibilities |
|---|---|---|---|---|
| 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 (全國會計領軍人才) 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 52, was appointed as an independent non-executive Director on 23 June 2014.

Mr. Leung has over 21 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 54, 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 Sun 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 a director/independent non-executive director in the following listed and non-listed companies.

| Company name | Listed stock exchange | Stock code | Principal business | Duration |
|---|---|---|---|---|
| Gangjianggang Co., Ltd. (港江港股份有限公司) | N/A | N/A | Port and related businesses | September 2001–August 2006 |
| 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 |

| Company name | Listed stock exchange | Stock code | Principal business | Duration |
|---|---|---|---|---|
| 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 |
| 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 |
| Guangzhou Pharmaceutical Group Co., Ltd. (廣州醫藥集團有限公司) | N/A | N/A | Pharmaceutics | April 2007 to the present |
| Dongguan Securities Co., Ltd. (東莞證券股份有限公司) | N/A | N/A | Securities | August 2010–August 2016 |
| Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司) | Hong Kong Stock Exchange | 1551 | Finance | May 2014 to the present |
| BY-HEALTH Co., Ltd. (湯臣倍健股份有限公司) | Shenzhen Stock Exchange | 300146 | Dietary supplements and related businesses | September 2014 to the present |
| Hunan Xiangtea Co., Ltd. (湖南湘茶股份有限公司) | N/A | N/A | Tea and related businesses | November 2017 to the present |

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 41, was appointed as the chairman of the board (the "**Board of Supervisors**") of supervisors (the "**Supervisor(s)**") of the Company on 21 April 2015. Mr. Li joined our Group on 11 May 2012.

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

Mr. Li received his college diploma from Hebei University of Economics and Business (河北經貿大學) in the PRC in June 1995 through self-study higher education examination (高等教育自學考試), majoring in business economy management. In December 2004, he obtained a certificate for the forty-eighth business administration training course (第48期工商管理培訓班) granted by School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in the PRC. Mr. Li 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 43, 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 54, was appointed as an employee representative Supervisor on 9 February 2010. Mr. Wang joined our Group in 30 October 2008. He currently serves as the general manager of the legal affairs division. He is responsible for the affairs of our legal affairs division.

Mr. Wang has held positions in the following 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 |

| Entities | Principal business | Position | Duration | Responsibilities |
|---|---|---|---|---|
| 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 53, 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 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 66, 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 (廣東銀行學校)) 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 56, 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 46, details about Mr. Xie's biography are set out in pages 18 and 19 of this Annual Report.

**Mr. Zhang Deben (張德本)**, aged 56, 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 17 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 |
| 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 (安徽財貿學院) 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 51, 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 23 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 advanced 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 51, is the chief financial officer and general manager of finance management department (財務管理部) of our Company and a director of Foshan Micro Credit. Ms. Lu joined our Group on 8 July 2003. She is responsible for the overall financial management of our Group.

Ms. Lu has about 28 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 43, is the chief risk officer of our Group. Ms. Huang joined our Group on 5 June 2003 and has 14 years' working experience in our Group. She is responsible for risk management of our Group.

Ms. Huang has about 19 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 41, is the secretary to the Board and head of office of the Board of our Company and a director of Foshan Micro Credit. 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 19 years of experience in finance, guarantee and corporate management. Prior to joining our Group, he worked as an employee at Guangzhou Municipal Postal Office (廣州市郵政局) from July 1998 to June 2002, where he was primarily responsible for economy operation analysis and business management. From August 2002 to March 2005, Mr. Zheng served as the general manager at Guangzhou Baofu Auto Beauty Co., Ltd. (廣州市保夫汽車美容有限公司), a company primarily engaged in automobile beautifying and maintenance service, where he was primarily responsible for overall operational management.

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

# Corporate Governance Report

The Group is committed to maintaining 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 (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange.

During the year ended 31 December 2017, 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 Latest Practicable Date, the Board comprised 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 headed “Directors, Supervisors and Senior Management” in this annual report.

During the year ended 31 December 2017, the Board has complied with the requirement of Rules 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 Latest Practicable Date, the Company was 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 Listed Companies Held by Directors

Other than those disclosed in the section headed “Directors, Supervisors and Senior Management” 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 14 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 2017, the Board of Directors held 9 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 | 9 | 100% |
| Mr. Xie Yongdong | Executive Director and president | 9 | 100% |
| Mr. Zhang Minming | Non-executive Director and vice chairman | 9 | 100% |
| Ms. Gu Lidan | Non-executive Director | 9 | 100% |
| Ms. Wu Yanfen | Non-executive Director | 9 | 100% |
| Mr. Huang Guoshen | Non-executive Director | 9 | 100% |
| Mr. Wu Xiangneng | Independent non-executive Director | 9 | 100% |
| Mr. Leung Hon Man | Independent non-executive Director | 9 | 100% |
| Mr. Liu Heng | Independent non-executive Director | 9 | 100% |

During the year ended 31 December 2017, 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 AND SUPERVISORS

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.

As disclosed in the Company's announcement dated 23 March 2018, the terms of the third session of the Board and the Board of Supervisors expired on 24 March 2018. As the election process of the Board and the Board of Supervisors has been still in preparation, in order to ensure the continuity of the relevant work of the Company, the election of the Board and the Board of Supervisors has been postponed, and the terms of the third session of the Board and the Board of Supervisors has been extended till the election at a Shareholders' meeting of the Company. The terms of each special committee and senior management have been correspondingly extended. The Company will determine the relevant matters as soon as possible, actively promote the process of election of the Board and the Board of Supervisors, and fulfil its corresponding information disclosure obligations in a timely manner.

Before the completion of the election and appointment work, all the members of the third session of the Board and the Board of Supervisors will continue to perform their obligations and duties as Directors and Supervisors in accordance with relevant laws, regulations and the Articles of Association.

## DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Details of directors' and supervisors' service contracts are set out in the paragraph headed "Directors' and Supervisors' Service Contracts" in the section headed "Report of the Board of Directors" in this annual report.

## BOARD DIVERSITY POLICY

The Board 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. 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 2017, 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 2017:

| 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% |

| 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 |
|---|---|---|
| **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 including the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Risk Management Committee and the 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 have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2017, 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 with 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 2017 and up to the Latest Practicable Date, the Audit Committee held 2 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 2017 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 are not limited to (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 have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2017, the Remuneration and Appraisal Committee held 2 meetings. Details of the attendance of the members are as follows:

| Name | Position | Meetings attended | Attendance rate |
|---|---|---|---|
| Mr. Leung Hon Man | Independent non-executive Director | 2 | 100% |
| Mr. Liu Heng | Independent non-executive Director | 2 | 100% |
| Mr. Wu Xiangneng | Independent non-executive Director | 2 | 100% |
| Mr. Zhang Minming | Non-executive Director and vice chairman | 2 | 100% |
| Mr. Xie Yongdong | Executive Director and president | 2 | 100% |

During the year ended 31 December 2017, the Remuneration and Appraisal Committee proactively discharged its duties in 2017 and completed the work within its terms of reference. During the year ended 31 December 2017, 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. 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 2017 is as follows:

| **Remuneration range** *(RMB)* | **Number of people** |
|---|---|
| Above 800,000 | 1 |
| 500,000 to 800,000 | 3 |
| Below 500,000 | 1 |

## 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 have been published 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 2017, the Nomination Committee held 2 meeting. 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. Leung Hon Man | Independent non-executive Director | 2 | 100% |
| Mr. Liu Heng | Independent non-executive Director | 2 | 100% |
| Mr. Wu Xiangneng | Independent non-executive Director | 2 | 100% |
| Ms. Wu Yanfen | Non-executive Director | 2 | 100% |

During the year ended 31 December 2017, the Nomination Committee examined the structure, number of members and composition of the Board.

## 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 risks 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 have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2017, the Risk Management Committee held 2 meetings. The details of the attendance of the members are as follows:

| Name | Position | Meetings attended | Attendance rate |
|---|---|---|---|
| Mr. Zhang Minming | Non-executive Director and vice chairman | 2 | 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 year ended 31 December 2017, 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 2017, 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 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. The terms of reference of the Strategy Committee have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2017, 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 chairman | 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 year ended 31 December 2017, 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 2017, 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 2017.

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 2017.

## 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 strengthened (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 2017, 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.

## 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 2017, the total remuneration paid or payable to the Company's auditors, KPMG, for audit and audit related services amounted to a total of RMB2.73 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: | |
| 2017 interim reviewing service | 600,000 |
| 2017 annual auditing service | 2,130,000 |
| Total | 2,730,000 |

## GENERAL MEETINGS

During the year ended 31 December 2017, the Company held 2 general meetings. The details of the attendance of the Directors are as follows:

| Name | Position | Meetings attended | Attendance rate |
|---|---|---|---|
| Mr. Wu Liejin | Executive Director and Chairman | 2 | 100% |
| Mr. Xie Yongdong | Executive Director and president | 2 | 100% |
| Mr. Zhang Minming | Non-executive Director and vice chairman | 2 | 100% |
| Ms. Gu Lidan | Non-executive Director | 2 | 100% |
| Ms. Wu Yanfen | Non-executive Director | 2 | 100% |
| Mr. Huang Guoshen | Non-executive Director | 2 | 100% |
| Mr. Wu Xiangneng | Independent non-executive Director | 2 | 100% |
| Mr. Leung Hon Man | Independent non-executive Director | 2 | 100% |
| Mr. Liu Heng | Independent non-executive Director | 2 | 100% |

The 2016 annual general meeting of the Company was held at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong, the PRC on Tuesday, 6 June 2017 at 3 p.m. and all the resolutions set out below were duly passed by way of poll.

At the 2016 annual general meeting, the following resolutions were considered and passed by way of poll by Shareholders and their proxies. The poll results are set out as follows:

| Ordinary Resolutions | Number of votes and percentage of the total voting shares at the AGM *(%)* | | |
|---|---|---|---|
| | For | Against | Abstain |
| 1. To consider and approve the report of the Board for the year ended 31 December 2016. | 746,476,515 (97.804240%) | 16,758,818 (2.195760%) | 0 (0%) |
| 2. To consider and approve the report of the board of supervisors of the Company for the year ended 31 December 2016. | 746,476,515 (97.804240%) | 16,758,818 (2.195760%) | 0 (0%) |

| Ordinary Resolutions | Number of votes and percentage of the total voting shares at the AGM *(%)* For | Against | Abstain |
|---|---|---|---|
| 3. To consider and approve the audited financial statements and the report of the auditors of the Company for the year ended 31 December 2016. | 763,235,333 (100.000000%) | 0 (0.000000%) | 0 (0%) |
| 4. To consider and approve the profit distribution plan and the dividend distribution plan for the year ended 31 December 2016. | 763,235,333 (100.000000%) | 0 (0.000000%) | 0 (0%) |
| 5. To consider and approve the reappointment of KPMG as the Company's auditor and to authorise the Board to fix its remuneration for the year ending 31 December 2017. | 763,235,333 (100.000000%) | 0 (0.000000%) | 0 (0%) |

The annual general meeting of the Company for the year ended 31 December 2017 is scheduled to be held on 6 June 2018.

## EXTRAORDINARY GENERAL MEETING, DOMESTIC SHAREHOLDERS CLASS MEETING AND H SHAREHOLDERS CLASS MEETING

An extraordinary general Meeting ("**EGM**"), the domestic Shareholders class meeting and the H Shareholders class meeting were held on 17 November 2017.

The poll results in respect of the special resolutions of EGM are set out as follows:

| Special Resolutions | Number of votes and percentage of total voting shares at the EGM *(%)* For | Against | Abstain |
|---|---|---|---|
| 1. Resolution in relation to the Investor Subscription Agreement (1) | 776,373,241 (100%) | 0 (0%) | 150,673,804 (–%) |
| 2.1 Resolution in relation to the Management Subscription Agreements (2) | 844,734,388 (100%) | 0 (0%) | 150,673,804 (–%) |
| 2.2 Resolution in relation to the Management Subscription Agreements (3) | 876,014,736 (100%) | 0 (0%) | 150,673,807 (–%) |
| 3. Resolution in relation to the Placing Agreement (4) | 776,373,238 (100%) | 0 (0%) | 150,673,807 (–%) |
| 4. Resolution in relation to the amendments to the Articles of Association (5) | 915,934,739 (100%) | 0 (0%) | 150,673,804 (–%) |

The poll results in respect of the special resolutions of the domestic Shareholders class meeting are set out as follows:

| Special Resolutions | Number of votes and percentage of total voting shares at the domestic Shareholders class meeting *(%)* | | |
|---|---|---|---|
| | For | Against | Abstain |
| 1. Resolution in relation to the Investor Subscription Agreement (1) | 723,571,835 (100%) | 0 (0%) | 0 (–%) |
| 2.1 Resolution in relation to the Management Subscription Agreements (2) | 702,132,982 (100%) | 0 (0%) | 0 (–%) |
| 2.2 Resolution in relation to the Management Subscription Agreements (3) | 733,413,333 (100%) | 0 (0%) | 0 (–%) |
| 3. Resolution in relation to the Placing Agreement(4) | 723,571,835 (100%) | 0 (0%) | 0 (–%) |
| 4. Resolution in relation to the amendments to the Articles of Association (5) | 773,333,333 (100%) | 0 (0%) | 0 (–%) |

The poll results in respect of the special resolutions of the H Shareholders class meeting are set out as follows:

| Special Resolutions | Number of votes and percentage of total voting shares at the H Shareholders class meeting *(%)* | | |
|---|---|---|---|
| | For | Against | Abstain |
| 1. Resolution in relation to the Investor Subscription Agreement (1) | 10,931,610 (100%) | 0 (0%) | 192,543,600 (–%) |
| 2.1 Resolution in relation to the Management Subscription Agreements (2) | 100,731,610 (100%) | 0 (0%) | 192,543,600 (–%) |
| 2.2 Resolution in relation to the Management Subscription Agreements (3) | 100,731,610 (100%) | 0 (0%) | 192,543,600 (–%) |
| 3. Resolution in relation to the Placing Agreement (4) | 10,931,610 (100%) | 0 (0%) | 192,543,600 (–%) |
| 4. Resolution in relation to the amendments to the Articles of Association (5) | 100,731,610 (100%) | 0 (0%) | 192,543,600 (–%) |

1. The Investor Subscription Agreement entered into between the Company and the Subscriber in relation to the subscription of (i) 223,096,020 Domestic Shares at RMB1.264 per Domestic Share; and (ii) 74,364,000 H Shares at HK$1.42 per H Share, and the transactions contemplated thereunder were approved, confirmed and ratified, and that the Board was granted a specific mandate to issue (i) 223,096,020 Domestic Shares and (ii) 74,364,000 H Shares upon completion of the Investor Subscription Agreement to the Subscriber.

2. The Management Subscription Agreements entered into between the Company and each of the Connected Subscribers in relation to the subscription of such number of the Domestic Shares pursuant to the respective Management Subscription Agreement at RMB1.264 per Domestic Share and all the transactions contemplated thereunder in relation to the Connected Subscribers were approved, confirmed and ratified, and that the Board was granted a specific mandate to issue such number of the Domestic Shares to the relevant Connected Subscribers (up to, in aggregate, 2,794,000 Domestic Shares) pursuant to their respective Management Subscription Agreements.

3. The Management Subscription Agreements entered into between the Company and each of the Management Subscribers (who are not the Connected Subscribers) in relation to the subscription of such number of the Domestic Shares pursuant to the respective Management Subscription Agreement at RMB1.264 per Domestic Share and all the transactions contemplated thereunder in relation to the Management Subscribers (who are not the Connected Subscribers) were approved, confirmed and ratified, and that the Board was granted a specific mandate to issue such number of the Domestic Shares to the relevant Management Subscribers (up to, in aggregate, 7,206,000 Domestic Shares) pursuant to their respective Management Subscription Agreements.

4. The Placing Agreement (as amended and supplemented by the Supplemental Placing Agreement) entered into between the Company and the Placing Agent in relation to the Placing, on a best effort basis, of up to 186,666,000 new H Shares in two tranches at HK$1.42 per H Share, to not less than six Placees in each tranche of the Placing and all the transactions contemplated thereunder were approved, confirmed and ratified, and that the Board was granted a specific mandate to issue up to 186,666,000 H Shares pursuant to the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreement).

5. The proposed amendments to the Articles as set out in Appendix I to the Circular were approved.

## 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 Chief executive and details of public float at the end of 2017, please refer to pages 83–84 and page 88 of the section headed "Report of the Board of Directors" in this annual report 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 2017, 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.

# Environmental, Social and Governance Report

## 1. ABOUT THIS ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is a published Environmental, Social and Governance Report (the "**ESG Report**") of Guangdong Join-Share and its subsidiaries, outlining the Company's strategic approach, policy and objectives on environmental, social and governance (the "**ESG**") aspects and setting out its specific actions and principles for practicing the philosophy of sustainable development and corporate social responsibility.

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules (the "**Guide**"), with its contents conforming to the disclosure principles required under the Guide including the key performance indicators (the "**KPIs**") of the headquarters of the Company in Foshan in environmental and social aspects.

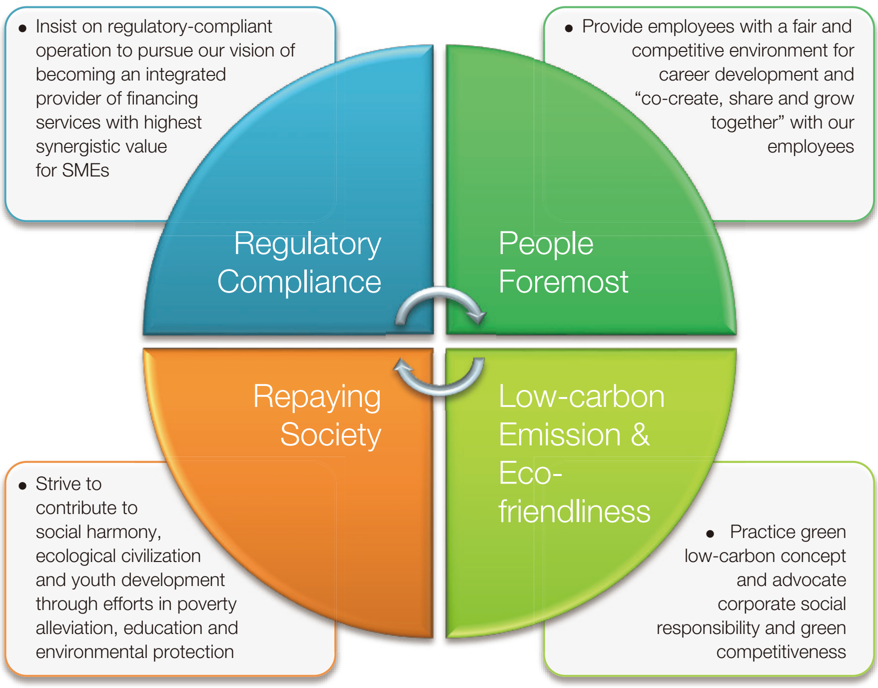
This ESG Report mainly focuses on the overall performance of the Company's core business in respect of practicing sustainable development and fulfilling social responsibility from 1 January 2017 to 31 December 2017 (the "**Year**"). Unless otherwise specified, this Report covers the operations directly controlled by Guangdong Join-Share.

In preparing this ESG Report, we have received support from all stakeholders of the Company and gained a better understanding of the Company's current development level at environmental and social aspects. This Report summarizes our efforts on environmental and social aspects and helps the Company in developing future strategies for short- and long-term sustainability.

For further details about the Company's corporate governance, please refer to the Corporate Governance Report in this annual report and the official website of Guangdong Join-Share at www.join-share.com. Your comments on this Report are welcome and appreciated. If you have any enquiries or suggestions, please send them to us at zysd@join-share.com.

## 2. SUSTAINABLE DEVELOPMENT STRATEGY

Guangdong Join-Share always adheres to the philosophy of "Facilitating Profitability and Sharing Prosperity (居中促盈，共盛同達)" in promoting business growth, committed to becoming an integrated financing service provider with the highest synergistic value for SMEs in China. Furthermore, we regard sustainability as a priority for our entire business operations, and strive to minimize impact on environment and society. Upholding our principle of "mutual trust, mutual respect, mutual assistance and mutual benefit", we communicated and exchanged with our stakeholders via various channels to formulate our sustainable development strategy which comprises four subject areas: "Regulatory Compliance", "People Foremost", "Low-carbon Emission & Eco-friendliness" and "Repaying Society."




We identified our stakeholders in different sectors, including shareholders, customers, employees, investors, government and regulatory authorities, suppliers and the general public, and adopted an open and proactive approach to listen to them and understand their areas of concern, thereby determining the areas to be covered in this Report. In preparing this Report, we have conducted six interviews with internal stakeholders to understand their opinions and expectations about the Company and establish long-term mutual trust. Set out below are the major means of communication between Guangdong Join-Share and other stakeholders:

| Major stakeholders | Main participation channels |
|---|---|
| Shareholders | • Shareholders' generating meetings<br>• Annual reports and announcements of the Company<br>• Visits by Shareholders<br>• Investor conferences |

| Major stakeholders | Main participation channels |
|---|---|
| Customers | • Customer satisfaction survey and feedback forms<br>• Customer service center<br>• Visits by customer relationship managers<br>• Daily operation/communication<br>• Customer hotlines<br>• Company's website and email address |
| Employees | • Employee opinion channels<br>• Performance appraisal<br>• Group discussions<br>• Business Briefings<br>• Volunteer activities<br>• Seminars/workshops/lectures<br>• Special advisory committee<br>• Staff intranet<br>• Staff communication conferences |
| Investors | • Results announcement<br>• Senior management meetings<br>• Meetings and interviews |
| Business partners | • Meetings<br>• Visits<br>• Seminars |
| Regulatory authorities | • Meetings<br>• Written responses to public inquiries<br>• Compliance reports |
| Media | • Press conferences<br>• Press releases<br>• Interviews with senior management<br>• Results announcement<br>• Media gatherings |

| Major stakeholders | Main participation channels |
|---|---|
| Communities/non-governmental organizations | • Volunteer activities<br>• Donation and investment plans<br>• Seminars/lectures/workshops<br>• Meetings |
| Suppliers | • Supplier management programs<br>• Supplier evaluation systems<br>• Site inspections |

## 2.1 Environmental, Social and Governance Committee

As a responsible corporate citizen, Guangdong Join-Share formulated the "Environmental Ideas and Policy of the Group (集團環保理念及政策)" in the Year, setting out its objective and strategic approach on ESG aspects with an aim to improve its environmental management system and promote the integration of its sustainable development strategy with its operations. We hope to demonstrate the corporate spirit of "synergy and excellence" through the establishment of a high-efficient business model to drive more efficient use of resources and reduce consumption of energy and other resources in our business operations, and networking with the communities where we operate in.

In order to ensure the implementation of the policy, the Company established an ESG committee (the "**ESG Committee**") this Year responsible for assessing the environmental impact of the Company's business operations and setting goal for each task to continuously improve our ESG performance.

In order to bring together staff at all levels, the Board takes an overall responsibility for the Company's ESG strategy and reporting, heads the ESG Committee (comprised of the secretary to the Board of Directors and representatives of key departments), assesses and determines the Company's risk management and internal control systems on ESG aspects to ensure compliance with the relevant legal and regulatory requirements, and monitors and responds to the latest ESG issues.

The ESG Committee is primary responsible for:

- identifying ESG issues that are relevant and material to the operations of the Company and/or affect the investors and other important stakeholders;

- reviewing and monitoring the Company's ESG policy and practices;

- coordinating with relevant personnel for monitoring the implementation of the ESG policy and the progress of implementation of environmental protection measures;

- ensuring that the Group complies with relevant legal and regulatory requirements, monitoring and responding to the latest ESG issues; and
- making recommendations to the Board in due course to enhance the Group's ESG performance.

## 3. REGULATORY COMPLIANCE

The Company adheres to regulatory-compliant operation and strictly follows applicable laws and regulations such as the Company Law of the PRC (中華人民共和國公司法), the Guarantee Law of the PRC (中華人民共和國擔保法), the Contract Law of the PRC (中華人民共和國合同法), and the Interim Measures for the Administration of Financing Guarantee Companies of the PRC (中華人民共和國融資性擔保公司管理暫行辦法), with an aim to offer considerate services to customers on a continuing basis. We strive to expand corporate financing channels, reduce corporate financing cost and guarantee smooth financial supply through financial innovations. Furthermore, we have developed the Anti-Money Laundering Measures (反洗錢管理辦法), the Information Security Management Rules (信息保密管理制度) and the Anti-Fraud Management Measures (反舞弊管理辦法) so as to maintain our vision of becoming an integrated financing service provider with the highest synergistic value for SMEs.

### 3.1 Synergy and Excellence

We are committed to creating more and better experiences for SMEs through improvement of operating standards and steady development while constantly pursuing innovation and open cooperation and introducing new business lines and services, thereby brightening the future by credit. Guangdong Join-Share provided services to more than 1,200 customers during the year ended 31 December 2017 only, and its headquarters has provided services to 5,208 customers so far. We have won a number of awards from different organizations, which not only reflected our contribution to and position in the industry where we operate and public recognition of our continuous efforts to provide high-quality services to our customers but also highlighted our competitive edges and development potentials in the industry where we operate. The awards received by Guangdong Join-Share in the reporting period are as follows:

| **Awards received** | **Organizer** |
|---|---|
| 2016 Most Potential Listed Company Award and Best Innovative Listed Company Award | China Financial Market (《中國融資》), a Hong Kong based magazine |
| Wu Liejin, our Chairman, was awarded the Top Ten Huishang Leaders of the 4th Huishang Oscars (第四屆徽商奧斯卡十大徽商領袖) | Anhui Daily Newspaper Group Huishang Media (安徽日報報業集團徽商傳媒) |
| Guangdong Join-Share was elected as Vice President Unit (副會長單位) of China Financing Guarantee Association | China Financing Guarantee Association (中國融資擔保協會) |

### 3.2 Combating Money-Laundering and Terrorist Financing

Guangdong Join-Share strictly implements risk management and internal control, pursues anti-corruption drive and bans illegal operations such as money laundering and terrorist financing. In order to prevent criminals from using the Company for money laundering activities, the Company has developed its Anti-Money Laundering Management Measures (反洗錢管理辦法) to guide its efforts in combating money laundering in accordance with applicable laws and regulations including the Law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法), the Guidelines for Risk Assessment of Money Laundering and Terrorist Financing and for Client Classification Management in Financial Institutions (金融機構洗錢和恐怖融資風險評估及客戶分類管理指引), and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (打擊洗錢條例), the Drug Trafficking (Recovery Of Proceeds) Ordinance (販毒(追討得益)條例) and the Organized and Serious Crimes Ordinance (有組織及嚴重罪行條例) of Hong Kong Special Administrative Region and the United Nations (Anti-Terrorism Measures) Ordinance (聯合國(反恐怖主義措施)條例).

Before establishing business relationship with a customer, we will assess the risks of money laundering and terrorist financing associated with the customer and carry out daily audit and inspection on anti-money laundering. The Anti-money Laundering Leadership Team established by the Company is responsible for leading, deploying and coordinating the anti-money laundering efforts of the Company and monitoring the review of suspicious transactions identified in the course of daily settlements. When received a report on any suspicious transaction, the Anti-money Laundering Leadership Team will perform a careful analysis and repeated identification, and will report to the local branch of the People's Bank of China if there are reasonable grounds to believe that the transaction or the customer is associated with money laundering, terrorist activities or other illegal and criminal activities, and cooperate with the People's Bank of China in its investigation into possible money laundering.

We also advocate the building of anti-money laundering rules and provide regular trainings and education for our employees, publicizing citizens' obligations to combat anti-money laundering, anti-money laundering laws and regulations and the importance of anti-money laundering efforts and describing the basic characteristics of money laundering activities to equip our employees with necessary knowledge of the anti-money laundering laws, regulations and rules and the corresponding legal responsibility and improve the their ability to perform anti-money laundering tasks.

### 3.3 Information Security and Customer Privacy

Guangdong Join-Share places great importance on safeguarding customer privacy and information security, and strive to improve its information management and promote informatization and information security management in accordance with the most stringent standards. We strictly comply with the Personal Data (Privacy) Ordinance (個人資料(私隱)條例) and the Information System Security Management Requirements (信息系統安全管理要求) and set up the Information Security Management Rules (信息保密管理制度) to optimize our information security system framework and ensure our protection of information systems. In addition, we have set up an information work committee to consider and make decisions on our information security issues.

We follow the Administrative Measures for Information Security (信息安全管理辦法) and the Information Security Management Standards Ordinance (信息安全管理標準條例) to implement comprehensive regulation for a full coverage of protection. We have the duty to keep the personal information of our customers confidential, and strictly forbid any unauthorized disclosure of information without the permission of our customers. Our operation and management center conducts internal inspection on the Company's document management every year. Only officers at department chief or above levels and relevant personnel are allowed to access customer information. Employees are prohibited from copying and taking away from workplaces business data and customer information. If any employee needs access to customer information to perform his/her job tasks, he/she must seek approval from the chief of his/her department. No one is allowed to disclose or reveal relevant information to third parties without necessary permission.

## 3.4 Code on Prevention of Briberies and Financial Crimes

Guangdong Join-Share always adheres to the principle of honesty and self-discipline, abides by professional ethics and resists any improper conducts in business operations. According to our Anti-Fraud Management Rules (反舞弊管理制度) and Anti-Fraud Management Measures (反舞弊管理辦法), we require our employees to strictly comply with the relevant laws, industry norms, professional ethics and our rules and policies and create an honest, upright and dedicated atmosphere at workplace. As a standing internal anti-fraud function, our audit department is responsible for organizing and executing the company-wide anti-fraud management, and preventing employees from accepting or soliciting bribes or kickbacks, involving in graft, embezzlement, misappropriation, theft of corporate assets, offering of bribes and other illegal acts. Our directors, supervisors and senior management strive to lead by example through promoting and enhancing compliance education, creating a company-wide strong anti-fraud atmosphere and preventing the occurrence of any improper conduct detrimental to the interests of the Company.

In order to prevent fraud and jobbery and strengthen internal control, we set up confidential whistle-blowing channels designed for employees at different levels and encourage employees to report any non-compliance, improper conduct or fraud. Upon receipt of tip-offs, our relevant department or office will keep record of tip-offs and take follow-up actions within two working days.

## 3.5 Handling Customer Opinions and Complaints

We highly value customers' opinions and rights and strive to address customers' complaints on a timely basis to maintain our corporate reputation and image and promote long-lasting healthy development of our business. As such, we have standard procedures for customer inquiries and complaints in place to ensure that every enquiry and complaint will be properly handled. Our relevant departments will contact customers to better understand their opinions and complaints, follow our procedures to address such complaints and promise that all their opinions and complaints will get appropriate responses in due course. We believe that only when we follow the customer service principle of "Considerate Services, Exceeding Expectations (貼心關懷 更多期待)", can we fully satisfy customers' financing needs.

### 3.6 Supplier Management

Guangdong Join-Share places much emphasis on supplier management and conducts survey and evaluation on suppliers' social responsibility performance, aiming at influencing suppliers and enhancing their sense of corporate responsibility, and establishing a stable and sustainable supply chain with our suppliers.

When selecting suppliers, we will only consider potential suppliers who meet our required criteria on environmental protection, corporate governance, working conditions and ethical aspects, in the hope of enabling suppliers to work together with us to contribute to sustainable development. The types of products provided by our suppliers mainly include electronics, stationery, office equipment, catering and others. We have 18 major suppliers, all of which are from Foshan, Guangzhou. In selecting products, apart from product or service quality, goodwill, cost and other factors, we also give due consideration to the impact on ecological civilization and community harmony during the production process of relevant products and give priority to products conforming to ethical standards.

### 3.7 Service Responsibility

Guangdong Join-Share strictly abides by the relevant laws and regulations, ensures all advertisements for brand promotion deliver complete, true and accurate product information to the public, and bans the use of any false and misleading product descriptions to deceive customers.

In addition, we abide by the laws and regulations relating to intellectual property to protect the intellectual property rights of the Company and third parties. We make sure that our employees' computer systems are installed with safe genuine software and bans any illegal use of third-party intellectual property. Our intellectual property requirements for internal operations also apply to selection of external suppliers, requiring suppliers to ensure that the technical and development achievements delivered in the course of cooperation shall not infringe upon the legitimate rights of any third parties, such as patent rights, trademark rights and copyrights.

## 4. PEOPLE FOREMOST

Convinced that people are the key to business success, we take the "People Foremost" (用人為本) strategy as the cornerstone for our business development and seek for "co-creation, sharing and joint growth" with our employees. We endeavor to create a favorable working environment with competitive pay packages for our employees to develop their careers and bring their potentials into full play. To this end, we have developed the Employee Remuneration and Benefits Policy (員工待遇及福利政策) setting out our recruitment rules, standards, procedures, employee remuneration, benefits and employee training programs, demonstrating our care for our employees. The following are the KPIs of the headquarters of the Company in Foshan in social aspects:

## 2017 Headcount, with a breakdown by age and gender

| Headcount | | 2017 |
|---|---|---|
| Directly employed workers | Number | 126 |
| Dispatched workers | Number | 0 |

| Directly employed workers (by contract type and gender) | | Male | Female |
|---|---|---|---|
| Long-term contracts | Number | 66 | 57 |
| Fixed-term contracts | Number | 0 | 0 |
| Temporary contracts | Number | 1 | 2 |

| Long-term workers (by job type) | | Male | Female |
|---|---|---|---|
| Fulltime | Number | 66 | 57 |
| Part-time | Number | 1 | 2 |

## New recruits in 2017, with a breakdown by geographic location, age and gender

| Directly employed workers (by age groups and gender)<br>Newly employed workers (by age groups and gender) | | Male | Female |
|---|---|---|---|
| <30 years old | Number | 1 | 11 |
| 30–50 years old | Number | 10 | 6 |
| >50 years old | Number | 1 | 0 |

| Percentage of new recruits in the headcount (by age groups and gender) | | Male | Female |
|---|---|---|---|
| <30 years old | % | 6% | 37% |
| 30–50 years old | % | 23% | 22% |
| >50 years old | % | 14% | 0% |

## Departed Employees in 2017, with a breakdown by age and gender

| Departed employees (by age groups and gender) | | Male | Female |
|---|---|---|---|
| <30 years old | Number | 3 | 5 |
| 30–50 years old | Number | 3 | 4 |
| >50 years old | Number | 0 | 0 |

| Percentage of departed employees in the headcount (by age groups and gender) | | Male | Female |
|---|---|---|---|
| <30 years old | % | 18% | 17% |
| 30–50 years old | % | 7% | 15% |
| >50 years old | % | 0% | 0% |

## Employee composition in 2017, with a breakdown by age and gender

| Employee composition by job function and age groups | | <30 years old | 30–50 years old | >50 years old |
|---|---|---|---|---|
| Management | % | 9% | 79% | 13% |
| Section chiefs | % | 32% | 64% | 4% |
| Clerical staff/Secretaries | % | 65% | 30% | 5% |
| Others | % | 91% | 9% | 0% |

| Employee composition by job function and gender | | Male | Female |
|---|---|---|---|
| Management | % | 64% | 36% |
| Section chiefs | % | 43% | 57% |
| Clerical staff/Secretaries | % | 60% | 40% |
| Others | % | 32% | 68% |

### 4.1. Diversity and Equal Employment Opportunities

We are determined to create a harmonious, fair and inclusive working environment with diversified and non-discriminatory promotion channels for all staff. In strict compliance with relevant labor laws and regulations such as the Labor Law (勞動法), the Labor Contract Law (勞動合同法), the Law on the Protection of Minors (未成年人保護法) and the Provisions on the Prohibition of Child Labor (禁止使用童工規定) of the PRC, the Company prohibits any form of employment discrimination, forced labor exploitation as well as employment of child labor and has a zero tolerance policy for any form of discrimination or harassment. During the reporting period, there had been no case of non-compliance in respect of discrimination, employment of child labor or compulsory labor involving the Company.

To regulate employee recruitment and hiring, the Company has formulated the Measures on Recruitment and Employment (招聘與錄用管理辦法), pursuant to which, academic qualifications, working experience and skills of the candidates are assessed through a recruitment process, including verification, written examination, interview and approval. The process together with the selection criteria are made equal and uniform to ensure equal employment with no discrimination based on gender, age, nationality and race as well as a full play of everyone's talents.

## 4.2. Employee Benefits

The Company is committed to providing competitive salaries and benefits as well as a healthy working environment to enhance the sense of belonging of its employees. In an effort to attract and retain talents, it has formulated the Employee Benefits Management Policy (員工福利管理制度) and the Remuneration Management Measures (薪酬管理辦法). The policies on salaries and benefits shall be reviewed on a regular basis.

As provided by the Remuneration Management Measures (薪酬管理辦法), an overall adjustment to employee remuneration shall be made annually with reference to the economic situation, price index, industry development and changes as well as employee performance assessment results.

Apart from remuneration, we also attach great importance to employee benefits. The employee benefits package provided by the Company is better than the minimum legal requirements. In addition to paid annual leave, statutory paid sick leave, personal leave and maternity leave, our employees also enjoy marriage leave, paternity leave, personal leave and bereavement leave. They are also entitled to pension insurance, unemployment insurance, employment injury insurance, medical insurance, maternity insurance and commercial insurance as well as housing provident fund. In addition to a variety of allowances for meals, telecommunications, traffic, festival consolations and staff solatia, we also provide annual physical examination for each employee. We strive to provide a comprehensive security network for the employees so that the employees can focus on work.

A variety of team building activities, such as company trips, birthday parties, recreational and sports events, welcome parties for new recruits and year-end reunion parties are held every month to enhance cohesion and solidarity. Furthermore, festive events are prepared for the festivals, for example, during the Mid-Autumn Festival, a reunion party was held, the mid-autumn treasure hunt game was organized, and moon cakes are handed out to the employees. All these activities are designed to enhance the sense of belonging and team spirit of our employees so that they can work together with the Company for a better future.


"Annual Summary and Commendation Ceremony" – Commendations were given to employees and teams with excellent performance in the past year and units making innovations and special contributions to our business or management.

"Community Welfare Activity – 50km Hiking" – We are engaged in community welfare activities to pass on positive energy.

"Financial Holding Group First Employee Basketball Friendly Match" – We won the second place.

## 4.3. Health and Safety

We sincerely care for our employees and pay great attention to their health and safety. In compliance with relevant laws and regulations such as the Law of PRC on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法), the Provisions on the Supervision and Administration of Occupational Health at Work Sites (工作場所職業衛生監督管理規定), the Regulation on Work-Related Injury Insurances (工傷保險條例) and the Occupational Safety and Health Ordinance (職業安全及健康條例) of Hong Kong SAR, the Company is committed to creating a safe, healthy and friendly workplace environment for its employees. During the reporting period, there was no injury or death caused by work-related injuries in the Company.

Adhering to the policy of prevention first and combination of fire prevention and firefighting (預防為主，防消結合) and in an effort to effectively strengthen workplace fire safety management, the Company organizes regular lectures on safety at work sites, especially fire safety, to raise employee awareness of fire safety, prevent and reduce fire hazards. In addition, for the physical and mental well-being of our employees, a variety of healthy ball games are organized and participation in community hiking activities are encouraged.

We strive to create a healthy and comfortable working environment by improving indoor air quality, adjusting air-conditioning temperature and lighting in the office, and encouraging employees to decorate the offices with pot plants. We also provide constant communication channels such as newspapers and periodicals, questionnaires, intranet and employee forums to create platforms for the employees to communicate with senior management, so that the feelings and suggestions of the employees can be known by senior management.

## 4.4. Cultivating Career Dedicators

The Company always upholds the concept of “cultivating career dedicators” in human resources management. It endeavors to build an outstanding team capable of providing customers with excellent services through improvement of its talent training mechanism. Therefore, in line with the Company’s development goals, the Staff Training Management Measures (員工培訓管理辦法) was formulated, pursuant to which, systematic training is given to employees to strengthen their professional skills and understanding of our corporate culture. Thus the employees, with improved quality, can give a full play to their potentials, build positive relationships and help the Company fulfill its corporate commitments.

“Join hands to achieve more” is our concept for team management and we believe employees in different positions all need continuous learning and development. In line with our corporate culture, the Human Resources Department has set up the training system and programs. Trainings are given to the employees to broaden their knowledge and build up their skills, thus improving their performance. The training programs are set out below:

| Type of training | Objectives | Photos of training scenes |
|---|---|---|
| New staff training | To acquaint the new staff with the Company’s history and culture, business, relevant laws and regulations and business philosophy. |  |

| Type of training | Objectives | Photos of training scenes |
|---|---|---|
| Junior staff training | To help junior staff define their career paths and offer comprehensive business skills trainings to junior management, thereby building a talent pool of junior management and developing new blood for our management teams. |  |
| Middle and senior management training | To improve the management capabilities of our middle and senior management, enhance the execution ability of our middle and senior management in reporting and communicating through courses that integrate both theory and practice and help our middle-level management get a better understanding of our strategies and policies. |  |
| Business skills training | To offer targeted trainings based on different products and improve the professional skills of staff at each business departments, thereby promoting business innovation as well as research and development to drive the Company's continuous growth and create new competitive edges. |  |

| Type of training | Objectives | Photos of training scenes |
|---|---|---|
| Risk control training | To create a learning platform for internal risk management, ensure strict execution of risk management procedures and enhance staffs' awareness of the importance of risk management. |  |

## Training hours and attendances in 2017

| | Type of training | Number of Training sessions | Hours | Staff participation |
|---|---|---|---|---|
| **External training** | Training courses | 6 | 48 | 11 |
| | Reimbursement of fees for qualification tests | – | – | 1 |
| **Internal training** | Middle and senior management training | 2 | 24 | 68 |
| | New staff training | 2 | 21.75 | 81 |
| | Business skills training | 6 | 9.5 | 257 |
| | Risk control training | 2 | 4 | 39 |
| | Other trainings | 2 | 5.5 | 27 |
| | **Total** | 20 | 112.75 | 484 |

## 5. LOW-CARBON EMISSION AND ECO-FRIENDLINESS

Upholding the idea of "Race in the Sunshine", Guangdong Join-Share keeps a close eye on the effects of the Company's operation on environment and natural resources, and has developed the Environmental Ideas and Policy (環保理念及政策), complied with the environmental protection laws of the places where the Company has presence and encouraged staffs to utilize resources in business operation in a more effective way, so as to cope with the global climate changes.

### 5.1 Low-carbon Enterprise

The whole world has realized the urgency of coping with climate changes and determined to jointly solve the issue. At the 21st Conference of the Parties of the United Nations (the "**COP21**") held in Paris in December 2015, the Paris Agreement, an agreement on climate changes of historical significance, was passed and 195 contracting countries expressed a powerful and proactive will of achieving green and low-carbon, climate adaptable and sustainable development.

Main goals under the Paris Agreement:

- To keep the increase in global average temperature to well below 2℃ above pre-industrial levels (many scientists consider it as the threshold for disastrous effects) and aim to limit the increase to 1.5℃;

- To reach the peak of global greenhouse gases (the "**GHG**") emission as soon as possible and achieve the goal of global "carbon neutrality" in 2050–2100, i.e. the balance between the emission and absorption of GHG;

- To formulate the carbon emission reduction goal and renew the emission reduction progress every five years.

The PRC has proactively made contributions, striving to reach the peak as soon as possible, and successively published important policies including the National Plan on Coping with Climate Changes (2014–2020) and National Strategy for Adaptation to Climate Changes. In order to cooperate with the State in fulfillment of the goals, the Company also proactively implements the green and low-carbon concept and advocates corporate social responsibility and green competitiveness.

As a responsible enterprise, we have conducted the first GHG emission inspection for the Company's headquarter in Foshan in accordance with the Greenhouse Gas Protocol developed by the World Resources Institute and World Business Council for Sustainable Development and the ISO14064–1 prepared by the International Organization for Standardization. The GHG emission during the reporting period is summarized as follows:

| | |
|---|---|
| **GHG emissions** | |
| Direct GHG emissions (scope 1) | $tCO_2e$ |
| Indirect GHG emissions (scope 2) | $tCO_2e$ |
| Other indirect GHG emissions (scope 3) | $tCO_2e$ |
| Total GHG emissions (scope 1, 2 & 3) | $tCO_2e$ |
| **GHG emission intensity** | |
| Per $m^3$ floor area (scope 1, 2 & 3) | $tCO_2e/m^3$ floor area |
| Per employee (scope 1, 2 & 3) | $tCO_2e$/employee |

Scope 1: direct GHG emissions from sources that are owned or controlled by the Company.

Scope 2: indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site but purchased by the Company.

Scope 3: emissions include indirect GHG emissions from sources not owned or directly controlled by the Company but related to our activities.

The inspection indicates that the Company's GHG emissions can be divided into direct GHG emissions (scope 1) and indirect GHG emissions (scope 2 and scope 3). The GHG emissions in all scopes were originated from the fuel (scope 1) used by vehicles of the Company, power consumptions (scope 2) in operation and waste landfill and paper consumption (scope 3), etc.

### *Direct GHG emission (scope 1)*

The direct GHG emissions of the Group are generated by the vehicles of the Company as the mobile combustion source and boilers as the fixed combustion source. Carbon dioxide, methane and nitrous oxide are emitted during vehicle operation and combustion of fossil fuels in boilers. During the reporting period, the Group consumed a total of 8.6 tonnes of gasoline, equivalent to 64.28 $tCO_2e$, representing 7.94% of the total GHG emissions.

### *Indirect GHG emissions (scope 2) caused by use of energy*

Most GHG emissions of the Company are from scope 2 – the GHG emissions indirectly caused by purchase of electricity accounts for 77.00% of the total GHG emissions. During the reporting period, the power consumption of the Company was 48,698kWh, equivalent to 623.64 $tCO_2e$, and the power consumption per $m^3$ floor area was 19.75kWh.

*Other indirect GHG emissions (scope 3)*

The total GHG emissions in scope 3 of the Company was 122 $tCO_2e$, representing 15.68% of the total GHG emissions, and mainly caused by consumption of 17,400$m^3$ water, 713,500 paper sheets and 6.1 tonnes of non-hazardous waste. The followings are the KPIs of the headquarters of the Company in Foshan in other environmental aspects:

| Other environmental performance | Unit | 2017 |
|---|---|---|
| **Fuel consumption** | | |
| Fuel consumption by vehicles | Tonne | 8.6 |
| **Energy consumption** | | |
| Power consumption | kWh | 48,698 |
| Total power consumption intensity (per $m^3$ floor area) | kWh/$m^3$ floor area | 19.75 |
| Total power consumption intensity (per employee) | kWh/employee | 386.49 |
| **Hazardous waste** | | |
| Amount of hazardous waste | Tonne | 0.35 |
| **Non-hazardous waste** | | |
| A4 paper | Sheet | 470,000 |
| A3 paper | Sheet | 1,500 |
| Paper consumption intensity | Sheet/employee | 3,742 |

## 5.2 Green Operation

On the basis of sorting out GHG emissions, the Company has prepared measures to reduce GHG emission and improve energy efficiency. We are committed to reducing the GHG emissions generated in the Company's daily operations and energy consumption through innovation and technologies, and strictly comply with the environmental laws and regulations and other relevant requirements of the mainland China and Hong Kong, striving to improve the Company's overall environmental performance and fulfiling our duties as citizen of the world.

Adhering to "same strategic direction, resources synchronization", Guangdong Join-Share has proactively created green and environment-friendly office, and endeavors to make greater contributions to the environment through energy conservation, water resources management, waste recycling and paper-less office in accordance with the Detailed Rules on Management of Administrative Office Affairs.

*Power Conservation*

As the Company's businesses are mainly conducted in offices, there is no production project of high energy consumption. The air conditioning system is one of the equipment with the highest power consumption in office. In order to reduce the energy consumption, we adopt the split type air-conditioner of level 1 energy efficiency and use variable speed drive to regulate the pump and fan system according to the actual needs of air conditioner, supplemented by regular clean of filter screen, to improve energy efficiency. We set the minimum temperature of air conditioning system in office at 25.5℃ and also encourage employees to turn off the air conditioner when no one is in the office. In addition, we apply anti-UV heat-insulating film on windows to reduce heat absorption and install sealing strips on doors and windows to prevent escape of tempered air.

In respect of lighting system, the lamps of high energy efficiency are comprehensively applied in offices and the lighting devices and lamps are maintained clean to improve the energy efficiency. We divide office into a number of different lighting areas for which the lighting can be turned on and off independently, allowing employees to flexibly turn off the unnecessary lighting system.

We also regularly inspect the luminosity at different positions in office and reduce the number of modulator tube at the places where less brightness is required to reduce energy consumption. The modulator tubes removed will be reused to substitute the modulator tubes with energy loss to prevent generation of waste. Dynamic sensors are installed in the places not frequently used to save energy.

In terms of electronic equipment and appliance, we set idle computers to the mode of automatic standby/sleep, and turn off all the electronic equipment in office prior to non-working time, rest days and holidays to prevent energy waste.

### *Water Conservation*

Although the Company's businesses are not in the industry of high water consumption, we still attach great importance to the crisis of global shortage of water resources. Therefore, we paste stickers in tea rooms and washrooms to remind saving water and use faucets with water conservation labels or automatic faucets to encourage employees to save water. To reduce waste of water resources, the Company regularly conducts leakage test for hidden water pipes and inspect overflowing water vats and periodically check readings of water meter to see if there is any hidden water leakage, and recycles grey water for cleaning or irrigation.

### *Paper Conservation*

The Company will further pursue paper-less office and encourage employees to transmit message with electronic communication technologies to reduce paper consumption. We adopt the electronic office system (OA System) to substitute the office administration affairs dominated by paper records. For the documents that must be printed, we use smaller font and line spacing and set computers and printers in the default duplex printing and toner save mode. A recycle bin is set beside the printers to collect paper documents including waste paper, posters, letters and envelops to form the habit of recycling.

### *Waste Management*

We strictly comply with the laws and regulations in relation to waste and insist on reduction of the loss of natural resources through recovery and recycling. The waste of the Company is mainly generated in the daily operations in office and mainly includes waste paper, solid waste in office, waste electric appliance and electronic products (electronic waste), etc. We encourage employees to give priority to the products available for recycling or refill in purchase of office stationery to reduce disposable and unrecoverable products. We also encourage employees to re-use envelops, spring binders, recyclable toner cartridge/ink cartridge and use refills for reuse of pens to reduce volume of waste. We set waste classification guidance in office to encourage classified disposal of recyclable materials, e.g. metal cans, plastic products, waste paper, glass bottle and other recyclable materials, and perform collective recovery in office.

In addition, the non-hazardous waste in office is mainly paper. Except papers with confidential information, all the waste paper is sent to the waste paper recycling operator for recycling. We regularly prepare statistics of paper to monitor paper consumption and take proper improvement measures. For hazardous waste, e.g. electric appliance and electronic products beyond repair, we subject it to collective collection by a company with qualification for treatment of hazardous waste to ensure proper treatment.

The Company has never had any material accident with effects on environment and natural resources or been subject to any punishment or litigation in relation to environment. In this Year, we conduct accounting for and report the GHG emission performance of the Company's office with a view to expanding the coverage and extent of report on environmental performance in the future. We insist on shouldering responsibility for the environment and society and continuously monitor the performance of sustainable development. In the coming year, we will conduct a detailed analysis and review on GHG emission and endeavor to reduce energy consumption, GHG emissions and use of resources based on the efforts made in this Year to improve the Company's overall performance in aspect of environmental protection.

## 6. REPAYING SOCIETY

Guangdong Join-Share upholds the philosophy of "promoting public welfare through Party building and whereby inspiring public cohesiveness" in respect of community construction. In 2017, the Group placed its focus on the public welfare programs concerning public poverty alleviation, education and environment protection. It, under the core guidance of the Party branch, made tireless efforts to strengthen the Party conduct construction and was devoted to contributing to the social harmony, ecological civilization and youth development.

## Social Harmony


"Caring for the handicapped angels" themed visit to the children welfare house in Shunde District, Guangdong, the PRC.

On 26 May 2017, the first Party branch of Guangdong Join-Share, under the leadership of Liang Daming, the Party branch secretary, visited the children welfare house in Shunde District, Guangdong, the PRC, to conduct caring public welfare campaign aimed at outreach for the disadvantaged social groups, which offered a glimpse of the core brand value of "co-creation, sharing and joint growth". The children welfare house in Shunde District was established and put to use in 2000 and has taken in more than 800 children over the years. There are 153 children living in the house at present. During the visit, our employees gave presents to the children and played friendly interactive games with them, which facilitated the building of a close mutual bonding with one another. In addition, Guangdong Join-Share contributed RMB30,000 to the Guangdong Poverty Alleviation Commission to support the poverty relief and hardship aiding work in the province.

## Youth Education


The "showing care in warm spring and aiding student under the sunlight" campaign.

"A nation will prosper only when its young people thrive". Based on the profound understanding that the youth represents the future of our country, Guangdong Join-Share has been committed to participating in the cultivation of the youngsters. On 10 May 2017, representatives of the Party branch, led by Ou Weiming, visited Hebei Primary School of Taishan, Jiangmen. Apart from donating snacks, books and school supplies, they especially held cordial exchanges with four students sponsored by them. The students were deeply inspired and promised to study hard so as to repay the society. Meanwhile, Guangdong Join-Share contributed RMB50,000 to the Guangdong Credit Forum so as to promote the construction of the social credit system and establish an interactive and exchange platform for the intra-industry education aimed at improving the credit service mechanism of Guangdong Province.

### Ecological Civilization


Voluntary cleaning and environment protection activity themed at "popularize going green and protection environment, show elegant demeanor of Guangdong Join-Share".

It is a requisite competency for us Chinese to lead a civilization life and protect the ecological environment with concerted efforts in the new era. On 27 May 2017, we carried out the voluntary cleaning and environment protection activity in Foshan New City so as to appeal to more people to answer back the vision of constructing an ecologically civilized community with our actual practices. Members of the Party branch played their pioneering and exemplary role in cleaning the domestic wastes alongside the river bank of the Foshan New City, which manifested the spiritual character of the Guangdong Join-Share crew featuring commitment to social responsibilities and selfless dedication to the society.

## 7. FUTURE PROSPECTS

Guangdong Join-Share will, in adherence to the core value of "co-creation, sharing and joint growth", continue to serve the four major categories and strive for the Chinese Dream of national rejuvenation on a long-lasting basis. We will be devoted to providing the SMEs with diversified financing services, thus facilitating the harmonious and equal development of the society. Meanwhile, we will proactively carry out trainings to promote youth development and establish an arena for capable employees of the Company to unfold the splendidness of life.

Targeted at building itself into resource-efficient enterprise featuring low carbon emission and eco-friendliness, the Company will also further lower the carbon intensity and energetically construct ecological civilization through intensified carbon emission management. Moreover, we will carry through the Party conduct construction with tireless efforts, care for the community and fulfil our public responsibilities.

## 8. APPENDIX: INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

| Indicator | | | Relevant section |
|---|---|---|---|
| **A. Environmental** | | | |
| A1: Emissions | General Disclosure | 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. | Low-carbon Enterprise<br>Green Operation |
| | A1.1 | The types of emissions and respective emissions data. | Low-carbon Enterprise |
| | A1.2 | Greenhouse gas emissions in total and intensity. | Low-carbon Enterprise |
| | A1.3 | Total hazardous waste produced and intensity. | Low-carbon Enterprise |
| | A1.4 | Total non-hazardous waste produced and intensity. | Low-carbon Enterprise<br>Green Operation |
| | A1.5 | Description of measures to mitigate emissions and results achieved. | Green Operation |
| | A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Green Operation |
| A2: Use of Resources | General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Green Operation |
| | A2.1 | Direct or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity. | Low-carbon Enterprise |
| | A2.2 | Water consumption in total and intensity. | Low-carbon Enterprise |
| | A2.3 | Description of energy use efficiency initiatives and results achieved. | Green Operation |
| | A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Green Operation |

| Indicator | | | Relevant section |
|---|---|---|---|
| | A2.5 | Total packaging material used for finished products and, with reference to per unit produced. | Not applicable, for the business of the Company does not involve packaging material |
| A3: The Environment and Natural Resources | General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Low-carbon Enterprise<br>Green Operation |
| | A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Low-carbon Enterprise<br>Green Operation |
| **B. Social** | | | |
| B1: Employment | General Disclosure | Information on: the policies; and 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. | Diversity and Equal Employment Opportunities<br>Employee Benefits<br>Health and Safety<br>Cultivating Career Dedicators |
| | B1.1 | Total workforce by gender, employment type, age group and geographical region. | People Foremost |
| | B1.2 | Employee turnover rate by gender, age group and geographical region. | People Foremost |
| B2: Health and Safety | General Disclosure | Relating to providing a safe working environment and protecting employees from occupational hazards: | Health and Safety |
| | B2.1 | Number and rate of work-related fatalities. | Health and Safety |
| | B2.2 | Lost days due to work injury. | Health and Safety |
| | B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety |
| B3: Development and Training | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Cultivating Career Dedicators |
| | B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | Cultivating Career Dedicators |
| | B3.2 | The average training hours completed per employee by gender and employee category. | Cultivating Career Dedicators |

| Indicator | | | Relevant section |
|---|---|---|---|
| B4: Labour Standards | General Disclosure | Relating to preventing child and forced labour: | Diversity and Equal Employment Opportunities |
| | B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Diversity and Equal Employment Opportunities |
| | B4.2 | Description of steps taken to eliminate such practices when discovered. | Diversity and Equal Employment Opportunities |
| B5: Supply Chain Management | General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supplier Management |
| | B5.1 | Number of suppliers' geographical region. | Supplier Management |
| | B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Supplier Management |
| B6: Product Responsibility | General Disclosure | Product responsibility: relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: | Service Responsibility |
| | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Service Responsibility |
| | B6.2 | Number of products and service related complaints received and how they are dealt with. | Handling Customer Opinions and complaints |
| | B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Service Responsibility |
| | B6.4 | Description of quality assurance process and recall procedures. | Not applicable |
| | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Information Security and Customer Privacy |
| B7: Anti-corruption | General Disclosure | Relating to bribery, extortion, fraud and money laundering: | Combating Money-Laundering and Terrorist Financing<br>Code on Prevention of Briberies and Financial Crimes |

| Indicator | | | Relevant section |
|---|---|---|---|
| | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Combating Money-Laundering and Terrorist Financing<br>Code on Prevention of Briberies and Financial Crimes |
| | B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Combating Money-Laundering and Terrorist Financing<br>Code on Prevention of Briberies and Financial Crimes |
| B8: Community Investment | General Disclosure | 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. | Repaying Society |
| | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Repaying Society |
| | B8.2 | Resources contributed to the focus area. | Repaying Society |

# Report of the Board of Directors

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2017.

## 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 2017 are set out on pages 90 to 204 of this annual report.

## BUSINESS REVIEW

A review of the business of the Group as at 31 December 2017, and a discussion on the Group's future business development are set out in the paragraphs headed "Business Review" and "Prospects and Future Developments of the Business of the Group" 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 81. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2017 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 ended 31 December 2017 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 50 to 52 of this annual report. In addition, discussions on the Group's compliance with relevant laws and regulations are contained and available in this Report of the Board of Directors on page 88 and in the "Environmental, Social and Governance Report" on pages 53 to 56 of this annual report, respectively. The above discussions constitute part of this report of the Board. 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 8 to page 16 of the section headed "Management Discussion and Analysis" in this annual report.

## FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.076 (before considering any tax effect) per share for the year ended 31 December 2017, amounting to, in aggregate, RMB81,066,667 (the "**2017 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 2017 Final Dividend will be subject to approval by Shareholders at the forthcoming 2017 annual general meeting (the "**AGM**") and is expected to be paid on or about Monday, 30 July 2018.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得税法實施條例》), 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) (《國家税務總局非居民納税人享受税收協定待遇管理辦法》) (國家税務總局公告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) (《國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》(國税函[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 the PRC, 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) (《國家税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税有關問題的通知》(國税函[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 the PRC, 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 Monday, 7 May 2018 to Wednesday, 6 June 2018, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Wednesday, 6 June 2018 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, 4 May 2018.

In order to determine the Shareholders' entitlement to the 2017 Final Dividend, the register of members of the Company will be closed from Tuesday, 12 June 2018 to Sunday, 17 June 2018, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Sunday, 17 June 2018 are entitled to the 2017 Final Dividend. In order to qualify for receiving the 2017 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 Monday, 11 June 2018.

## FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out in the section headed "Financial Highlights" in 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 31 December 2017, the Group had used approximately HK$202.2 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; (iv) approximately HK$28.8 million and HK$32.3 million has been used to contribute to the registered capital of Foshan Chancheng Join-Share Micro Credit Co., Ltd. ("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, the Group's shareholding in Foshan Micro Credit increased from 30% to approximately 50.4%; and (v) approximately HK$48.6 million has been used to contribute to the registered capital of Anhui Join-Share Financing Guarantee Co., Ltd. ("Anhui Join-Share"), upon completion of which the Group's shareholding in Anhui Join-Share increased from 51% to approximately 60.55%.

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 2017, our five largest cooperative banks accounted for approximately 63.4% of the total net balance of our outstanding indirect financing guarantees, while the largest cooperative bank accounted for approximately 19.8% of the total net balance of our outstanding indirect financing guarantees. As of 31 December 2017, the Group guaranteed a total financing of approximately RMB1,291.0 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 2017, revenue derived from our five largest customers accounted for 8.8% of our total income and revenue derived from our largest customer accounted for 3.2% of our total income.

To the best knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders, which to the best knowledge of the Company, owning more than 5% of the Company's issued share capital had any interests in the Group's five largest customers for the year ended 31 December 2017.

## PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2017 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 2017 are set out in note 27 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 2017 are set out in note 27 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 2017 are set out in the consolidated statement of changes in equity on page 101 of this annual report.

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the PRC, amounted to approximately RMB131.9 million. Please refer to note 27 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 2017 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 30 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 Directors and Supervisors entered into a service contract with the Company on 7 December 2015 for a term of three years commencing from 25 March 2015, all of which expired on 24 March 2018. New contracts of Directors and Supervisors will be signed upon appointment after approval at a Shareholders' meeting of the Company.

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 30 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 2017.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Except as disclosed in this annual report, during the year ended 31 December 2017, none of the Directors and their respective close 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 2017.

## REMUNERATION POLICY

The 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 16 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 39 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

For the year ended 31 December 2017, 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 2017.

## 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 2017, 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 (the "**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% |
| | | Beneficial owner | 800,000 Domestic Shares (L) | 0.10% | 0.07% |
| Mr. Huang Guoshen | Director | Beneficial owner | 41,760,000 Domestic Shares (L) | 5.40% | 3.91% |
| Mr. Wu Liejin | Director | Beneficial owner | 32,110,351 Domestic Shares (L) | 4.15% | 3.01% |
| Ms. Wu Yanfen | Director | Beneficial owner | 29,700,000 Domestic Shares (L) | 3.84% | 2.78% |
| Mr. Wang Wei | Supervisor | Beneficial owner | 60,000 Domestic Shares (L) | 0.01% | 0.00% |
| Mr. Liang Yi | Supervisor | Beneficial owner | 80,000 Domestic Shares (L) | 0.01% | 0.01% |

*Notes:*

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

(2) As at 31 December 2017, 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 2017, 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 holding 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 2017, 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 2017, 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 | 19,800,000 H Shares (L) | 6.75% | 1.86% |
| Guangdong Finance Investment International Co., Ltd. (廣東粵財投資控股有限公司)(4) | Interest of controlled corporation | 19,800,000 H Shares (L) | 6.75% | 1.86% |

| 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)] |
|---|---|---|---|---|
| 佛山市金融投資控股有限公司[(5)] | Beneficial owner | 144,364,000 H Shares (L) | 49.22% | 13.53% |
| | Beneficial owner | 223,096,020 Domestic Shares (L) | 28.85% | 20.92% |
| | Interest of controlled corporation[(5)] | 33,002,680 Domestic Shares (L) | 4.27% | 3.09% |
| CITIC Securities Co., Ltd. | Beneficial owner | 30,322,000 H Shares (L) | 10.34% | 2.84% |
| 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[(6)] | Beneficial owner | 39,028,880 Domestic Shares (L) | 5.05% | 3.66% |
| Li Zhie[(6)] | Interest of controlled corporation | 39,028,880 Domestic Shares (L) | 5.05% | 3.66% |
| Hong Kong Wellknown Development Limited (“**Hong Kong Wellknown**”)[(7)] | Beneficial owner | 42,080,000 H Shares (L) | 14.35% | 3.94% |
| Dragon Pearl Hong Kong Investment Development Limited (“**Dragon Pearl**”) [(7)] | Beneficial owner | 58,030,000 H Shares (L) | 19.78% | 5.44% |
| Wu Zhi Jian[(7)] | Interest of controlled corporation | 67,496,000 H Shares (L) | 23.01% | 6.33% |
| Hong Kong Peng Hu Trading Limited | Beneficial owner | 24,916,000 H Shares (L) | 8.49% | 2.34% |

*Notes:*

(1) The letter “L” denotes the person’s long position in the Shares.

(2) As at 31 December 2017, 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 2017, 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 19,800,000 H Shares of the Company and is deemed to be interested in 19,800,000 H Shares held by 粵財控股香港國際有限公司.

(5) Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司) (“**Fuside**”) is owned as to 100% by 佛山市金融投資控股有限公司. 佛山市金融投資控股有限公司 is deemed to be interested in 33,002,680 Domestic Shares held by Fuside.

(6) Li Zhie holds 60% of 廣東家世界家居控股有限公司 and is deemed to be interested in 39,028,880 Domestic Shares of the Company held by it.

(7) Based on the disclosure of interests form submitted by Hong Kong Wellknown on 13 December 2017, Hong Kong Wellknown is wholly-owned by Dragon Pearl, which is in turn wholly-owned by Mr. Wu Zhi Jian on 13 December 2017. Based on the disclosure of interests form submitted by Mr. Wu on 13 December 2017, Mr. Wu is interested in 67,496,000 H Shares in aggregate through corporation(s) controlled by him.

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

During the year ended 31 December 2017, 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 2017 by the Group, please refer to pages 69 to 70 of the "Environmental, Social and Governance Report".

## POST-BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 35 to the audited consolidated financial statements.

## AUDIT COMMITTEE

The Audit Committee had held 2 meetings during the year ended 31 December 2017. 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" of this annual report.

## EQUITY-LINKED AGREEMENTS

The Company entered into the Investor Subscription Agreement with Foshan Financial Investment Holdings Co., Ltd.* (佛山市金融投資控股有限公司) (the "**Subscriber**") on 15 May 2017 under which the Subscriber conditionally agreed to subscribe for (i) 223,096,020 new Domestic Shares of the Company; and (ii) 74,364,000 new H Shares of the Company. In addition, the Company entered into the Management Subscription Agreements with totally 76 management members of the Group on 15 May 2017, under which they conditionally agreed to subscribe for 10,000,000 Domestic Shares of the Company.

In order to maintain the minimum public float requirement under Rule 8.08(1) of the Listing Rules and to cover the public float shortfall that may arise from the completion of the Investment Subscription and the completion of the Possible Shareholders' Transaction, as disclosed in the announcements of the Company dated 18 July 2017 and 26 July 2017, a conditional placing agreement dated 17 July 2017 was entered into by the Company and GF Securities, pursuant to which the Placing Agent conditionally agreed to place up to 186,666,000 new H Shares of the Company. For further updates, please refer to the paragraph headed "Event after reporting period" in the section headed "Management, Discussion and Analysis" in this annual report.

For further details of the abovementioned transactions, the reasons for entering into these transactions, the intended use of net proceeds from these transactions, the associated future plans and status of these transactions, please refer to the announcements of Guangdong Join-Share dated 15 May 2017, 25 May 2017, 29 June 2017, 18 July 2017, 26 July 2017, 28 September 2017, 29 December 2017, 27 March 2018, 28 March 2018 and the March 29 Announcement, respectively, and the Circular.

## 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 2017, 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 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 2017 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 2018

# 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 ended 31 December 2017, 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 2017 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 2018

# Independent Auditor's Report

**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 97 to 204, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure 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, 13 and 15 to the consolidated financial statements and the accounting policies on page 144, 150 and 155.

**The Key Audit Matter**

Assessing impairment of trade and other receivables, loans and advances to customers and receivable investments (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 RMB234,129,000 as at 31 December 2016 to RMB257,458,000 as at 31 December 2017 and total impairment allowances against this balance amounted to RMB43,332,000 as at 31 December 2017.

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 (Continued)

Refer to Note 12, 13 and 15 to the consolidated financial statements and the accounting policies on page 144, 150 and 155.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| 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.<br><br>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. | • 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;<br><br>• 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; |

## Impairment of receivables and provisions for guarantee losses (Continued)

Refer to Note 12, 13 and 15 to the consolidated financial statements and the accounting policies on page 144, 150 and 155.

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| Whilst the Group appoints external valuers for the valuation of certain properties 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.<br><br>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. | • 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<br><br>• 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 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, in accordance with section 405 of the Hong Kong Companies Ordinance 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.

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

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

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

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

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

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

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

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

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

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 2018

# Consolidated Statement of Profit or Loss

*For the year ended 31 December 2017*
*(Expressed in RMB'000)*

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| Guarantee fee income | | **141,584** | 133,795 |
| Guarantee cost | | **(3,672)** | (4,935) |
| Net guarantee fee income | | **137,912** | 128,860 |
| Interest income | | **98,409** | 99,731 |
| Interest expenses | | **(12,006)** | (11,032) |
| Net interest income | | **86,403** | 88,699 |
| Service fee from consulting services | | **39,923** | 35,449 |
| **Revenue** | 2 | **264,238** | 253,008 |
| Other revenue | 3 | **10,574** | 41,465 |
| Share of (losses)/ profits of associates | 17 | **(528)** | 545 |
| Provision written back for guarantee losses | 22(a) | **19,944** | 10,497 |
| Impairment losses | 4(a) | **(20,538)** | (22,905) |
| Operating expenses | 4(b)/(c) | **(105,702)** | (88,718) |
| **Profit before taxation** | | **167,988** | 193,892 |
| Income tax | 5 | **(44,784)** | (49,991) |
| **Profit for the year** | | **123,204** | 143,901 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **106,069** | 114,333 |
| Non-controlling interests | | **17,135** | 29,568 |
| **Profit for the year** | | **123,204** | 143,901 |
| **Earnings per share** | | | |
| Basic and diluted *(RMB per share)* | 9(a) | **0.10** | 0.11 |

The notes on pages 103 to 204 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 27(b).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 December 2017*
*(Expressed in RMB'000)*

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Profit for the year** | | 123,204 | 143,901 |
| **Other comprehensive income to be classified to profit or loss in subsequent year:** | | | |
| Net gain/(loss) on available-for-sale financial assets | | 1,480 | (22,911) |
| Income tax arises from available-for-sale financial assets | | (370) | 5,728 |
| Other comprehensive income for the year | 8 | 1,110 | (17,183) |
| **Total comprehensive income for the year** | | 124,314 | 126,718 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | 107,179 | 97,150 |
| Non-controlling interests | | 17,135 | 29,568 |
| **Total comprehensive income for the year** | | 124,314 | 126,718 |

The notes on pages 103 to 204 form part of these financial statements.

# Consolidated Statement of Financial Position

*(Expressed in RMB'000)*

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank deposits | 10 | **611,520** | 770,195 |
| Pledged bank deposits | 11 | **185,474** | 185,837 |
| Trade and other receivables | 12 | **578,465** | 397,573 |
| Loans and advances to customers | 13 | **666,790** | 625,864 |
| Available-for-sale financial assets | 14 | **58,655** | 55,705 |
| Receivable investments | 15 | **23,000** | 8,225 |
| Interest in associates | 17 | **52,517** | 40,545 |
| Fixed assets | 18 | **11,688** | 10,232 |
| Investment property | | **876** | 921 |
| Intangible assets | 19 | **2,842** | 1,353 |
| Goodwill | 20 | **419** | 419 |
| Deferred tax assets | 26(b) | **46,713** | 46,911 |
| **Total assets** | | **2,238,959** | 2,143,780 |
| **Liabilities** | | | |
| Interest-bearing borrowings | 21 | **74,750** | – |
| Liabilities from guarantees | 22 | **172,614** | 172,379 |
| Customer pledged deposits | 23(a) | **39,911** | 11,795 |
| Accruals and other payables | 23(b) | **66,630** | 86,540 |
| Current tax liabilities | 26(a) | **31,898** | 36,513 |
| Other financial instrument – liability component | 24 | **69,193** | 78,487 |
| Financial institution bonds | 25 | **48,208** | 45,864 |
| **Total liabilities** | | **503,204** | 431,578 |
| **NET ASSETS** | | **1,735,755** | 1,712,202 |

The notes on pages 103 to 204 form part of these financial statements.

# Consolidated Statement of Financial Position (Continued)

*(Expressed in RMB'000)*

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | 27 | | |
| Share capital | | **1,066,667** | 1,066,667 |
| Reserves | | **394,466** | 377,954 |
| **Total equity attributable to equity shareholders of the Company** | | **1,461,133** | 1,444,621 |
| **Non-controlling interests** | | **274,622** | 267,581 |
| **TOTAL EQUITY** | | **1,735,755** | 1,712,202 |

Approved and authorised for issue by the board of directors on 28 March 2018.

**Wu Liejin**
*Executive Director and Chairman*

**Xie Yongdong**
*Executive Director*

**Company Stamp**

The notes on pages 103 to 204 form part of these financial statements.

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2017*
*(Expressed in RMB'000)*

| | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 Note 27(c) | Share premium RMB'000 Note 27(d)(i) | Capital reserve RMB'000 Note 27(d)(ii) | Fair value reserve RMB'000 Note 27(d)(iii) | Surplus reserve RMB'000 Note 27(d)(iv) | General reserve RMB'000 Note 27(d)(v) | Other financial instrument–equity component RMB'000 Note 27(d)(vi) | Retained earnings RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **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 |
| **Balance at 1 January 2017** | 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 |
| **Changes in equity for 2017:** | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | 106,069 | 106,069 | 17,135 | 123,204 |
| Other comprehensive income | – | – | – | 1,110 | – | – | – | – | 1,110 | – | 1,110 |
| Total comprehensive income | – | – | – | 1,110 | – | – | – | 106,069 | 107,179 | 17,135 | 124,314 |
| Purchase of shares from subsidiaries | – | – | – | – | – | – | – | – | – | 5,892 | 5,892 |
| Appropriation to surplus reserve | – | – | – | – | 10,254 | – | – | (10,254) | – | – | – |
| Appropriation to general reserve | – | – | – | – | – | 10,764 | – | (10,764) | – | – | – |
| Dividends approved in respect of the previous year | – | – | – | – | – | – | – | (90,667) | (90,667) | (15,986) | (106,653) |
| **Balance at 31 December 2017** | 1,066,667 | 43,107 | (1,068) | (941) | 88,259 | 96,008 | 2,370 | 166,731 | 1,461,133 | 274,622 | 1,735,755 |

The notes on pages 103 to 204 form part of these financial statements.

# Consolidated Cash Flow Statement

*For the year ended 31 December 2017*
*(Expressed in RMB'000)*

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash (used in)/generated from operations | 10(b) | (45,974) | 283,576 |
| PRC income tax paid | 26(a) | (49,571) | (61,558) |
| **Net cash (used in)/generated from operating activities** | | (95,545) | 222,018 |
| **Investing activities** | | | |
| Proceeds from disposal of financial assets | | 201,350 | 50,046 |
| Investment income | | 7,654 | 24,011 |
| Proceeds from sale of fixed assets and other non-current assets | | 55 | 1,011 |
| Payments for the purchase of investment property | | – | (947) |
| Payments for the purchase of fixed assets and other non-current assets | | (7,701) | (9,877) |
| Payments on acquisition of investments | | (35,000) | (239,640) |
| Payments on acquisition of associates | | (12,500) | (40,000) |
| **Net cash generated from/(used in) investing activities** | | 153,858 | (215,396) |
| **Financing activities** | | | |
| Proceeds from investors | | 5,892 | – |
| Proceeds from new borrowings | 10(c) | 74,750 | 50,000 |
| Repayment of other financial instrument-liability component | 10(c) | (14,000) | – |
| Fixed return of other financial instrument-liability component | 10(c) | (5,640) | (6,000) |
| Repayment of borrowings | | – | (50,000) |
| Purchase of equity interests of subsidiaries from non-controlling interests | | – | (27,301) |
| Interest paid | | (4,796) | (8,625) |
| Dividends paid | | (104,722) | (109,258) |
| Payment of listing expense | | – | (3,629) |
| **Net cash used in financing activities** | | (48,516) | (154,813) |
| **Net increase/(decrease) in cash and cash equivalents** | | 9,797 | (148,191) |
| **Cash and cash equivalents at 1 January** | | 402,508 | 543,004 |
| **Effect of foreign exchange rate changes** | | (5,559) | 7,695 |
| **Cash and cash equivalents at 31 December** | 10(a) | 406,746 | 402,508 |

The notes on pages 103 to 204 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. Significant accounting policies adopted by the Group are disclosed 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 2017 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 33.

## 1 Significant accounting policies (Continued)

### (c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in Note 10(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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)), 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(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 Group 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)), 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)).

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)).

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 equipments | 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)). 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 consolidated 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 recognized. 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.

#### *(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.

## 1 Significant accounting policies (Continued)

### (k) Financial instruments (Continued)

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

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 consolidated 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.

#### *(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.

# 1 Significant accounting policies (Continued)

## (k) Financial instruments (Continued)

### *(vii) Convertible financial instrument (Continued)*

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 measured in accordance with Note 1(r), 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.

## (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.

## 1 Significant accounting policies (Continued)

### (o) Impairment of non-financial 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 Group's and the Company's statement of financial position.

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

- Calculation of recoverable amount

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

# 1 Significant accounting policies (Continued)

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

– 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.

## (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 consolidated statement of profit or loss on an accrual basis.

## 1 Significant accounting policies (continued)

### (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.

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.

## 1 Significant accounting policies (Continued)

### (q) Income tax (Continued)

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company 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.

#### *(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.

# 1 Significant accounting policies (Continued)

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

### *(ii) Provisions and contingent liabilities (Continued)*

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(k)).

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(k)). 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.

## 1 Significant accounting policies (Continued)

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

When the investments are derecognised or impaired (see Note 1(k)), 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.

#### *(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.

# 1 Significant accounting policies (Continued)

## (u) Revenue recognition (Continued)

### *(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 consolidated 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.

## (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.

# 1 Significant accounting policies (Continued)

## (x) Repossessed assets

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

## (y) Related parties

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

(1) Has control or joint control over the Group;

(2) Has significant influence over the Group; or

(3) Is a member of the key management personnel of the Group or the Group's parent.

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

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(3) Both entities are joint ventures of the same third party;

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) The entity is controlled or jointly controlled by a person identified in (i);

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); 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.

## 1 Significant accounting policies (Continued)

### (y) Related parties (Continued)

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, 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:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| **Guarantee fee income** | | |
| Financing guarantee fee income | 107,729 | 120,109 |
| Performance guarantee fee income | 33,855 | 13,461 |
| Litigation guarantee fee income | – | 225 |
| Subtotal | 141,584 | 133,795 |
| **Guarantee cost** | | |
| Re-guarantee expenses | (3,672) | (4,935) |
| **Net guarantee fee income** | 137,912 | 128,860 |
| **Interest income** | | |
| – Loans and advances to customers | 93,086 | 89,730 |
| – Cash at banks and pledged bank deposits | 5,323 | 10,001 |
| Subtotal | 98,409 | 99,731 |
| **Interest expenses** | | |
| – Borrowings from banks | (2,796) | – |
| – Interest expenses from financial institution bonds | (4,344) | (5,632) |
| – Interest expenses from other financial instrument liability component | (4,866) | (5,400) |
| Subtotal | (12,006) | (11,032) |
| **Net interest income** | 86,403 | 88,699 |
| **Service fee from consulting services** | 39,923 | 35,449 |
| **Revenue** | 264,238 | 253,008 |

## 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 2017 and 2016. Details of concentrations of credit risk are set out in Note 28(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.

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

***Others (Continued)***

*(i) Segment results, assets and liabilities*

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

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or 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 2017 and 2016 are set out below:

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

***Others (Continued)***

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

| | 2017 | | |
|---|---|---|---|
| | Guarantee business *RMB'000* | SME lending and others *RMB'000* | Total *RMB'000* |
| Guarantee fee income | 141,584 | – | 141,584 |
| Guarantee cost | (3,672) | – | (3,672) |
| Interest income | 5,059 | 93,350 | 98,409 |
| Interest expenses | (4,866) | (7,140) | (12,006) |
| Service fee from consulting services | 35,035 | 4,888 | 39,923 |
| Reportable segment revenue | 173,140 | 91,098 | 264,238 |
| Other revenue | 7,601 | 2,973 | 10,574 |
| Share of losses of associates | (528) | – | (528) |
| Provisions written back for guarantee issued | 19,944 | – | 19,944 |
| Impairment losses | (14,031) | (6,507) | (20,538) |
| Operating expenses | (71,437) | (34,265) | (105,702) |
| Reportable segment profit before taxation | 114,689 | 53,299 | 167,988 |
| Reportable segment assets | 1,413,429 | 780,887 | 2,194,316 |
| Reportable segment liabilities | 369,931 | 135,343 | 505,274 |

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

***Others (Continued)***

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

| | 2016 | | |
|---|---|---|---|
| | Guarantee business *RMB'000* | SME lending and others *RMB'000* | Total *RMB'000* |
| Guarantee fee income | 133,795 | – | 133,795 |
| Guarantee cost | (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 issued | 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 |
| Reportable segment assets | 1,414,684 | 727,785 | 2,142,469 |
| Reportable segment liabilities | 418,450 | 58,728 | 477,178 |

## 2 Revenue and segment reporting (Continued)

### (b) Segment reporting (Continued)

***Others (Continued)***

*(ii) Reconciliation of reportable segment assets and liabilities*

| | Note | 31 December 2017<br>RMB'000 | 31 December 2016<br>RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| Reportable segment assets | | **2,194,316** | 2,142,469 |
| Deferred tax assets | 26(b) | **46,713** | 46,911 |
| Elimination of inter-segment receivables | | **(2,070)** | (45,600) |
| Consolidated total assets | | **2,238,959** | 2,143,780 |

| | 31 December 2017<br>RMB'000 | 31 December 2016<br>RMB'000 |
|---|---|---|
| **Liabilities** | | |
| Reportable segment liabilities | **505,274** | 477,178 |
| Elimination of inter-segment receivables | **(2,070)** | (45,600) |
| Consolidated total liabilities | **503,204** | 431,578 |

## 3 Other revenue

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| Investment income of receivable investments | | **4,866** | 1,015 |
| Investment income from available-for-sale financial assets | | **2,788** | 895 |
| Government grant | | **2,635** | 8,212 |
| Reclassification from other comprehensive income on disposal of available for sale financial assets | 8(b) | **–** | 20,583 |
| Dividend income from investments | | **–** | 878 |
| Disposal gain of available-for-sale financial assets (unlisted security) | | **–** | 640 |
| Foreign exchange gains | 10(b) | **–** | 7,695 |
| Others | | **285** | 1,547 |
| Total | | **10,574** | 41,465 |

## 4 Profit before taxation

Profit before taxation is arrived at after charging:

### (a) Impairment and provision – charged/(written back)

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| Receivables for default guarantee payments | 12(b)(i) | **(3,838)** | 15,171 |
| Receivables from guarantee customers | 12(b)(ii) | **17,869** | 5,684 |
| Loans and advances to customers | 13(f) | **6,081** | 2,050 |
| Others | | **426** | – |
| | | **20,538** | 22,905 |

## 4 Profit before taxation (Continued)

### (b) Staff costs

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Salaries, wages, bonuses and other benefits | 52,596 | 45,183 |
| Contributions to retirement schemes | 4,077 | 3,507 |
| | 56,673 | 48,690 |

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.

### (c) Other items

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| Foreign exchange losses | 10(b) | 5,559 | – |
| Depreciation and amortisation | 10(b) | 4,631 | 2,855 |
| Operating lease charges: minimum lease payments | | 5,393 | 5,115 |
| Auditors' remuneration | | | |
| – annual audit | | 2,130 | 1,700 |
| – others | | 600 | 600 |

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

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

| | *Note* | 2017 *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| **Current tax** | | | |
| Provision for PRC income tax for the year | 26(a) | **44,956** | 55,812 |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | 26(b) | **(172)** | (5,821) |
| **Income tax expense** | | **44,784** | 49,991 |

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

| | *Note* | 2017 *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| Profit before taxation | | **167,988** | 193,892 |
| Notional tax on profit before taxation, calculated at 25% | (i)/(ii) | **41,997** | 48,473 |
| Effect of non-deductible expenses | | **1,481** | 1,518 |
| Unrealised temporary differences | | **68** | – |
| Others | | **1,238** | – |
| Actual income tax expense | | **44,784** | 49,991 |

*(i)* No provision for Hong Kong Profits Tax has been made for Join-Share (HK) Supply Chain Services Co., Ltd located in Hong Kong as it had not derived any income subject to Hong Kong Profits Tax during the year.

*(ii)* According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

## 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:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | 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 | 492 | 1,148 | 28 | 1,743 |
| **Executive director** | | | | | |
| Xie Yongdong | 60 | 315 | 912 | 28 | 1,315 |
| **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 |
| **Supervisors** | | | | | |
| Wang Wei | 20 | 179 | 259 | 31 | 489 |
| Li Qi | 20 | – | – | – | 20 |
| Feng Qunying | 20 | – | – | – | 20 |
| Liang Yi | 20 | 161 | 147 | 28 | 356 |
| Liao Zhenliang | 30 | – | – | – | 30 |
| Zhong Jian | 30 | – | – | – | 30 |
| | 605 | 1,147 | 2,466 | 115 | 4,333 |

## 6 Directors' emoluments (Continued)

| | 2016 | | | | |
|---|---|---|---|---|---|
| | 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 | 468 | 1,160 | 25 | 1,728 |
| **Executive director** | | | | | |
| 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 |
| **Supervisors** | | | | | |
| 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 |

There were no amounts paid during the years ended 31 December 2017 and 2016 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 2017 and 2016.

## 7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2016: two) are directors of the Company whose emoluments are disclosed in Note 6.

The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowance and benefits in kind | **718** | 726 |
| Discretionary bonuses | **1,830** | 1,386 |
| Retirement scheme contributions | **56** | 65 |
| Total | **2,604** | 2,177 |

The emoluments of the three (2016: three) individuals with the highest emoluments are all within the following band:

| | **2017** | 2016 |
|---|---|---|
| | ***Number of Individuals*** | *Number of Individuals* |
| HKD | | |
| Nil – 1,000,000 | **2** | 3 |
| 1,000,001 – 1,500,000 | **1** | – |

There were no amounts paid during the years ended 31 December 2017 and 2016 to the individuals in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join.

## 8 Other comprehensive income

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

| | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **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 | **1,480** | **(370)** | **1,110** | (22,911) | 5,728 | (17,183) |

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

| | **2017** | 2016 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Available-for-sale financial assets: | | |
| Changes in fair value recognised during the year | **1,480** | (2,328) |
| Reclassification adjustments for amounts transferred to profit or loss: | | |
| – gains on disposal *(Note 3)* | **–** | (20,583) |
| Net movement in the fair value reserve during the year recognised in other comprehensive income | **1,480** | (22,911) |

## 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:

| | 2017 | 2016 |
|---|---|---|
| Profit attributable to the equity shareholders of the Company *(RMB'000)* | **106,069** | 114,333 |
| Weighted average number of ordinary shares in issue for the purpose of basic earnings per share *('000)* | **1,066,667** | 1,066,667 |
| Basic earnings per share *(RMB per share)* | **0.10** | 0.11 |

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

| | 2017 | 2016 |
|---|---|---|
| Issued ordinary shares at 1 January *('000)* | **1,066,667** | 1,066,667 |
| Effect of new issue *('000)* | **–** | – |
| Weighted average number of ordinary shares at 31 December *('000)* | **1,066,667** | 1,066,667 |

### (c) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016, and therefore, diluted earnings per share are the same as the basic earnings per share.

## 10 Cash and bank deposits

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

| | 31 December 2017 *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Cash in hand | 23 | 11 |
| Cash at banks | 406,723 | 402,497 |
| Cash and cash equivalents in the consolidated cash flow statement | 406,746 | 402,508 |
| Term deposits with banks | 202,409 | 365,173 |
| Restricted bank deposits | 2,365 | 2,514 |
| | 611,520 | 770,195 |

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 represent secured deposits for bank borrowings, and deposits received for the Group's guarantee business in accordance with tripartite custodian agreement among lending banks, guarantee customers 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 bank deposits (Continued)

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

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Profit before taxation** | | **167,988** | 193,892 |
| Adjustments for: | | | |
| Impairment losses | | **20,538** | 22,905 |
| Interest expenses | | **12,006** | 11,032 |
| Depreciation and amortisation | 4(c) | **4,631** | 2,855 |
| Losses on disposal of fixed assets | | **115** | 34 |
| Investment income | 3 | **(7,654)** | (24,011) |
| Provisions written back for guarantee losses | | **(19,944)** | (10,497) |
| Foreign exchange losses/(gains) | 4(c)/3 | **5,559** | (7,695) |
| Share of losses/ (profits) of associates | | **528** | (545) |
| **Change in working capitals:** | | | |
| (Increase)/decrease from term deposits with banks, restricted banks deposits and pledged bank deposits | | **(19,319)** | 194,488 |
| (Increase)/decrease in loans and advances to customers | | **(47,007)** | 10,060 |
| Increase in trade and other receivables | | **(175,170)** | (91,738) |
| Increase in customer pledged deposits | | **28,116** | 4,924 |
| Decrease in accruals and other payables | | **(16,361)** | (22,128) |
| **Cash (used in)/generated from operations** | | **(45,974)** | 283,576 |

## 10 Cash and bank deposits (Continued)

### (c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

| | Interest-bearing borrowings | Principal Payable for Other Financial instrument-liability component | Fixed Return Payable for Other Financial instrument-liability component | Other Financial instrument-liability component | Financial institution bonds | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 21* | *Note 23(b)* | *Note 23(b)* | *Note 24* | *Note 25* | |
| **At 1 January 2017** | – | 14,000 | 5,640 | 78,487 | 45,864 | 143,991 |
| **Changes from financing cash flows:** | | | | | | |
| Proceeds from new borrowings | 74,750 | – | – | – | – | 74,750 |
| Repayment of other financial instrument-liability component | – | (14,000) | – | – | – | (14,000) |
| Fixed return of other financial instrument-liability component | – | – | (5,640) | – | – | (5,640) |
| Interest paid | (2,796) | – | – | – | (2,000) | (4,796) |
| **Total changes from financing cash flows** | 71,954 | (14,000) | (5,640) | – | (2,000) | 50,314 |
| **Other changes:** | | | | | | |
| Interest expenses | 2,796 | – | 5,160 | (294) | 4,344 | 12,006 |
| Principal payable for other financial instrument-liability component | – | 9,000 | – | (9,000) | – | – |
| **Total other changes** | 2,796 | 9,000 | 5,160 | (9,294) | 4,344 | 12,006 |
| **At 31 December 2017** | 74,750 | 9,000 | 5,160 | 69,193 | 48,208 | 206,311 |

## 11 Pledged bank deposits

All pledged bank deposits represent the deposits at banks and other financial institutions for the financing guarantees that the Group provides to third parties in respect of their borrowings from banks and other financial institutions.

## 12 Trade and other receivables

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| Receivables for default guarantee payments | (i)/12(a)(i) | 257,458 | 234,129 |
| Less: Allowance for doubtful debts | 12(b)(i) | (43,332) | (55,898) |
| | | 214,126 | 178,231 |
| Receivables from guarantee customers | (ii)/12(a)(ii) | 313,131 | 131,748 |
| Less: Allowance for doubtful debts | 12(b)(ii) | (29,126) | (13,160) |
| | | 284,005 | 118,588 |
| Interest receivables | 12(d) | 18,950 | 21,871 |
| Receivables from disposal of default guarantee payments and receivables from guarantee customers | | 32,898 | 49,983 |
| Other receivables | | 9,708 | 13,859 |
| | | 61,556 | 85,713 |
| Deposits and prepayments | | 4,645 | 4,956 |
| Repossessed assets | | 14,133 | 10,085 |
| | | 18,778 | 15,041 |
| | | 578,465 | 397,573 |

As at 31 December 2017, 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 RMB34.58 million (2016: RMB35.06 million). All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

## 12 Trade and other receivables (Continued)

(i) During the year ended 31 December 2017, the Group disposed of receivables for default guarantee payments amounted to RMB33,753,000 (2016: RMB130,290,000) (with allowances for doubtful debts of RMB905,000 (2016: RMB15,768,000)), without recourse to other parties at considerations amounted to RMB32,848,000 (2016: RMB114,523,000).

(ii) During the year ended 31 December 2017, the Group disposed of receivables from guarantee customers amounted to RMB4,900,000 (2016: RMB9,514,000) with no allowance for doubtful debts without recourse at considerations amounted to RMB4,900,000 (2016: RMB8,563,000).

### (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 2017** *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Within 1 year | **27,620** | 67,744 |
| Over 1 year but less than 2 years | **70,854** | 48,183 |
| Over 2 years but less than 3 years | **37,429** | 45,823 |
| Over 3 years | **121,555** | 72,379 |
| Subtotal | **257,458** | 234,129 |
| Less: allowance for doubtful debts | **(43,332)** | (55,898) |
| | **214,126** | 178,231 |

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 28(a).

## 12 Trade and other receivables (Continued)

### (a) Ageing analysis: (Continued)

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

| | 31 December 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| Within 1 year | **209,854** | 86,030 |
| Over 1 year but less than 2 years | **66,424** | 45,718 |
| Over 2 years but less than 3 years | **36,853** | – |
| Subtotal | **313,131** | 131,748 |
| Less: allowance for doubtful debts | **(29,126)** | (13,160) |
| | **284,005** | 118,588 |

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 28(a).

### (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 2017 and 2016, are as follows:

## 12 Trade and other receivables (Continued)

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

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

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| As at 1 January | | **55,898** | 56,978 |
| Impairment losses (reversed)/ recognised in the consolidated statement of profit or loss | 4(a) | **(3,838)** | 15,171 |
| Amounts written off | | **(9,876)** | (2,045) |
| Disposal of the year | | **(905)** | (15,768) |
| Amounts recovered | | **2,053** | 1,562 |
| As at 31 December | | **43,332** | 55,898 |

As at 31 December 2017, the Group's receivables for default guarantee payments of RMB257.46 million (2016: RMB234.13 million), were all individually assessed for the impairment, out of which the balances of RMB111.05 million (2016: RMB122.25 million) were 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 of RMB43.33 million were made for receivables for default guarantee payments as at 31 December 2017 (2016: RMB55.90 million).

#### (ii) Receivables from guarantee customers

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| As at 1 January | | **13,160** | 7,476 |
| Impairment losses recognised in the consolidated statement of profit or loss | 4(a) | **17,869** | 5,684 |
| Amounts written off | | **(1,903)** | – |
| As at 31 December | | **29,126** | 13,160 |

## 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 (Continued)*

As at 31 December 2017, the Group's receivables from guarantee customers of RMB128.38 million (2016: RMB84.48 million) were individually assessed for the impairment and RMB30.92 million (2016: RMB20.79 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 RMB184.75 million (2016: RMB47.27 million), management adopted a collective assessment. Consequently, individually assessed allowances for doubtful debts of RMB5.86 million (2016: RMB7.21 million) and collectively assessed allowances for receivables from guarantee customers of RMB23.27 million (2016: RMB5.95 million) were made at 31 December 2017.

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

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

| | 31 December 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| Overdue within 3 months (inclusive) | **5,879** | 17,577 |
| Overdue more than 3 months to 6 months (inclusive) | **–** | 7,417 |
| Overdue more than 6 months to one year (inclusive) | **5,995** | 13,117 |
| Overdue more than one year | **134,532** | 73,767 |
| | **146,406** | 111,878 |

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.

## 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*

| | 31 December 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| Neither past due nor impaired | **184,750** | 47,274 |
| Overdue within 3 months (inclusive) | **15,912** | 460 |
| Overdue more than 3 months to 6 months (inclusive) | **54,096** | 27,911 |
| Overdue more than 6 months to one year (inclusive) | **–** | 33,518 |
| Overdue more than one year | **27,453** | 1,800 |
| | **282,211** | 110,963 |

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 2017, the interest receivables include interest receivables from loans and advances amounted to RMB16,276,000 (2016: RMB14,752,000).

## 13 Loans and advances to customers

### (a) Analysed by nature

| | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|
| Entrusted loans | 331,098 | 360,305 |
| Micro-lending | 371,220 | 303,782 |
| Gross loans and advances to customers | 702,318 | 664,087 |
| Less: Allowances for impairment losses | | |
| – Individually assessed | (16,963) | (20,200) |
| – Collectively assessed | (18,565) | (18,023) |
| Total allowances for impairment losses | (35,528) | (38,223) |
| Net loans and advances to customers | 666,790 | 625,864 |

### (b) Analysed by industry sector

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | RMB'000 | % | RMB'000 | % |
| Loans to individual business proprietors | 221,480 | 32% | 128,064 | 19% |
| Wholesale and Retail | 220,105 | 31% | 244,864 | 36% |
| Service Sector | 157,637 | 22% | 189,754 | 29% |
| Manufacturing | 78,724 | 11% | 76,047 | 11% |
| Construction industry | 10,500 | 1% | 12,000 | 2% |
| Transportation Warehousing and Postal service | 4,500 | 1% | 10,958 | 2% |
| Real estate and construction | 2,372 | 1% | 2,400 | 1% |
| Others | 7,000 | 1% | – | 0% |
| Gross loans and advances to customers | 702,318 | 100% | 664,087 | 100% |
| Less: Allowances for impairment losses | | | | |
| – Individually assessed | (16,963) | | (20,200) | |
| – Collectively assessed | (18,565) | | (18,023) | |
| Total allowances for impairment losses | (35,528) | | (38,223) | |
| Net loans and advances to customers | 666,790 | | 625,864 | |

## 13 Loans and advances to customers (Continued)

### (c) Analysed by type of collateral

| | 31 December 2017 *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Secured loans | **249,360** | 195,473 |
| Unsecured loans | **45,644** | 84,136 |
| Others | **407,314** | 384,478 |
| Gross loans and advances to customers | **702,318** | 664,087 |
| Less: Allowances for impairment losses | | |
| – Individually assessed | **(16,963)** | (20,200) |
| – Collectively assessed | **(18,565)** | (18,023) |
| Total allowances for impairment losses | **(35,528)** | (38,223) |
| Net loans and advances to customers | **666,790** | 625,864 |

– 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 estates and land use rights.

– Unsecured loans: Unsecured loans refer to the loan and advances which are not secured by collateral or counter-guaranteed.

– 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 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| Overdue within 3 months (inclusive) | 49,740 | 57,100 |
| Overdue more than 3 months to 6 months (inclusive) | 26,018 | 7,851 |
| Overdue more than 6 months to one year (inclusive) | 6,700 | 52,257 |
| Overdue more than one year | 151,109 | 58,469 |
| | 233,567 | 175,677 |

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

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

| | 31 December 2017 | | |
|---|---|---|---|
| | Loans and advances for which allowances are collectively assessed<br>*RMB'000* | Impaired loans and advances for which allowances are individually assessed<br>*RMB'000* | Total<br>*RMB'000* |
| Entrusted loans | 109,380 | 221,718 | 331,098 |
| Micro-lending | 359,371 | 11,849 | 371,220 |
| Gross loans and advances to customers | 468,751 | 233,567 | 702,318 |
| Less: Allowances for impairment losses | (18,565) | (16,963) | (35,528) |
| Net loans and advances to customers | 450,186 | 216,604 | 666,790 |

## 13 Loans and advances to customers (Continued)

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

| | 31 December 2016 | | |
|---|---|---|---|
| | Loans and advances for which allowances are collectively assessed | Impaired loans and advances for which allowances are individually assessed | Total |
| | *RMB'000* | *RMB'000* | *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 |

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

| | | 2017 | | |
|---|---|---|---|---|
| | | **Allowances for loans and advances which are collectively assessed** | **Allowances for impaired loans and advances which are individually assessed** | **Total** |
| | *Note* | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| As at 1 January | | **18,023** | **20,200** | **38,223** |
| Charge for the year | 4(a) | **542** | **5,539** | **6,081** |
| Write-offs | | **–** | **(9,237)** | **(9,237)** |
| Recoveries | | **–** | **461** | **461** |
| As at 31 December | | **18,565** | **16,963** | **35,528** |

## 13 Loans and advances to customers (Continued)

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

| | | 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 |

### (g) Analysed by credit quality

| | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|
| Gross balance of loans and advances to customers | | |
| Neither past due nor impaired | **468,751** | 488,410 |
| Impaired | **227,567** | 158,877 |
| Overdue but not impaired | **6,000** | 16,800 |
| | **702,318** | 664,087 |
| Less: Allowances for impairment losses | | |
| Neither past due nor impaired | **(18,565)** | (18,023) |
| Impaired | **(16,963)** | (20,200) |
| | **(35,528)** | (38,223) |
| Net balance | | |
| Neither past due nor impaired | **450,186** | 470,387 |
| Impaired | **210,604** | 138,677 |
| Overdue but not impaired | **6,000** | 16,800 |
| | **666,790** | 625,864 |

## 14 Available-for-sale financial assets

| | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|
| **Equity investments** | | |
| Unlisted equity investments | 30,700 | 21,200 |
| Listed securities | 26,595 | 22,615 |
| Wealth management products | 1,360 | 9,240 |
| Unlisted bonds | – | 2,650 |
| | 58,655 | 55,705 |

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 2017, no impairment has been recognised (2016: 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 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|
| Private placement note | 23,000 | – |
| Trust rights | – | 8,225 |
| Total | 23,000 | 8,225 |

At 26 December 2017, the Group purchased a private placement note from a third party via Guangzhou Equity Exchange Co., Ltd. The duration of this note is 6 months and enjoys an annual fixed return of 15%.

*(Expressed in RMB'000 unless otherwise indicated)*

## 16 Investments in subsidiaries

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

| Name of companies | Place of incorporation and business | Date and place of incorporation/ establishment | Registered capital | Proportion of ownership interest As at 31 December 2017: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|---|
| 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) | Foshan | 11 November 2005 the PRC | RMB 3,000,000 | 100% | 100% | – | Investment and Consulting |
| Foshan Join-Share Industrial Investment Co., Ltd. ("Foshan Industrial Investment") (佛山中盈興業投資有限公司) | Foshan | 29 September 2007 the PRC | RMB 5,100,000 | 100% | 100% | – | Investment and Consulting |
| Anhui Join-Share Financing Guarantee Co., Ltd. ("Anhui Join-Share") (安徽中盈盛達融資擔保有限公司) | Hefei | 31 August 2009 the PRC | RMB 200,000,000 | 60.55% | 60.55% | – | Guarantee |
| Hefei Join-Share Consultancy Service Co., Ltd. ("Hefei Consultancy") (合肥中盈盛達諮詢服務有限公司) | Hefei | 8 May 2010 the PRC | RMB 1,000,000 | 60.55% | – | 100% | Consulting |
| 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) | Foshan | 30 May 2011 the PRC | RMB 230,000,000 | 50.44% | 50.44% | – | Microcredit |
| 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) | Zhongshan | 8 July 2014 the PRC | RMB 200,000,000 | 79% | 46.5% | – | Guarantee |
| Guangdong Join-Share Capital Investment Co., Ltd. ("Guangdong Capital Investment") (广东中盈盛達資本管理有限公司) | Guangzhou | 27 April 2016 the PRC | RMB 60,000,000 | 100% | 100% | – | Investment and Consulting |
| Guangdong Join-Share Jinmao Investment Management Co., Ltd. ("Guangdong Jinmao") (广东中盈金茂投資管理有限公司) | Foshan | 29 April 2016 the PRC | RMB 10,000,000 | 60% | – | 60% | Investment and Consulting |
| Foshan Join-Share Supply Chain Services Co., Ltd. ("Foshan Supply Chain") (佛山中盈盛達供應鏈服務有限公司) | Foshan | 14 April 2017 the PRC | RMB 1,000,000 | 51% | – | 51% | Supply Chain Services |
| Shenzhen Join-Share Commercial Factoring Co., Ltd. ("Shenzhen Commercial Factoring") (深圳中盈盛達商业保理有限公司) | Shenzhen | 17 November 2017 the PRC | RMB 50,000,000 | 100% | 100% | – | Factoring |
| Join-Share (HK) Supply Chain Services Co., Ltd ("HK Supply Chain") (中盈盛達(香港)供應鏈服务有限公司) | Foshan | 28 July 2017 Hong Kong the PRC | RMB 300,000 | 51% | – | 100% | Supply Chain Services |

## 16 Investments in subsidiaries (Continued)

All of the above subsidiaries are limited liability companies incorporated and operated in the PRC, except that HK Supply Chain was registered in Hong Kong but operated in Foshan, PRC. The English translation of the names of these companies is for reference only. The official names of these companies are in Chinese.

### (a) Acquisition of subsidiaries

On 2 March 2017, the Company contributed additional share capital of RMB50,000,000 to Anhui Join-Share and held 60.55% equity interests in Anhui Join-Share.

During the year ended 31 December 2017, Foshan Consultancy together with other third parties established Foshan Supply Chain, in which Foshan Consultancy contributed RMB510,000 and held 51% equity interests.

During the year ended 31 December 2017, the Company established Shenzhen Commercial Factoring with 100% equity interests. As at 31 December 2017, Shenzhen Commercial Factoring's paid-in capital was RMB5,000,000.

During the year ended 31 December 2017, Foshan Supply Chain established HK Supply Chain with 100% equity interests held at a cost of RMB300,000.

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

| | 31 December 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| Anhui Join-Share | **121,100** | 76,500 |
| Zhongshan Join-Share | **93,000** | 84,000 |
| Foshan Micro Credit | **123,002** | 123,002 |
| Foshan Consultancy | **3,000** | 3,000 |
| Foshan Industrial Investment | **5,284** | 5,284 |
| Guangdong Capital Investment | **60,000** | 60,000 |
| Shenzhen Commercial Factoring | **5,000** | – |
| | **410,386** | 351,786 |

## 16 Investments in subsidiaries (Continued)

### (c) Material non-controlling interests

The following table lists out the information relating to Anhui Join-Share, 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 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| NCI percentage | 39.45% | 49.00% |
| Gross amounts of the subsidiary: | | |
| – Non-current assets | 10,713 | 17,111 |
| – Current assets | 236,466 | 231,704 |
| – Current liabilities | (20,340) | (68,957) |
| Net assets | 226,839 | 179,858 |
| **Carrying amount of NCI** | 89,488 | 88,130 |

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Gross amounts of the subsidiary: | | |
| – Revenue | 20,431 | 15,522 |
| – Profit | 4,136 | 22,448 |
| – Total comprehensive income | 4,136 | 22,448 |
| **Profit allocated to NCI** | 1,632 | 11,000 |
| Cash flow from operating activities | (71,212) | 39,208 |
| Cash flow from investment activities | (15,381) | (2,546) |
| Cash flow from financing activities | 42,481 | (1,498) |
| Net (decrease)/increase in cash and cash equivalents | (44,112) | 35,164 |

## 16 Investments in subsidiaries (Continued)

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

#### *(ii) Foshan Micro Credit*

| | 31 December 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| NCI percentage | 49.56% | 49.56% |
| Gross amounts of the subsidiary: | | |
| – Non-current assets | 5,783 | 6,145 |
| – Current assets | 390,033 | 309,348 |
| – Non-current liabilities | (48,208) | (45,864) |
| – Current liabilities | (84,603) | (11,817) |
| Net assets | 263,005 | 257,812 |
| **Carrying amount of NCI** | 130,345 | 127,797 |

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Gross amounts of the subsidiary: | | |
| – Revenue | 50,786 | 40,272 |
| – Profit | 23,467 | 18,078 |
| – Total comprehensive income | 23,467 | 18,078 |
| **Profit allocated to NCI** | 11,630 | 8,961 |
| Cash flow from operating activities | (44,908) | (11,415) |
| Cash flow from investment activities | (10,207) | (127) |
| Cash flow from financing activities | 58,996 | 5,206 |
| Net increase/(decrease) in cash and cash equivalents | 3,881 | (6,336) |

## 16 Investments in subsidiaries (Continued)

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

#### *(iii) Zhongshan Join-Share*

| | 31 December 2017<br>*RMB'000* | 31 December 2016<br>*RMB'000* |
|---|---|---|
| NCI percentage | 21% | 21% |
| Gross amounts of the subsidiary: | | |
| – Non-current assets | 27,093 | 21,779 |
| – Current assets | 218,835 | 211,138 |
| – Non-current liabilities | (13,669) | (17,730) |
| – Current liabilities | (42,830) | (24,572) |
| Net assets | 189,429 | 190,615 |
| **Carrying amount of NCI** | 39,780 | 41,935 |

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Gross amounts of the subsidiary: | | |
| – Revenue | 32,145 | 17,065 |
| – Profit | 6,037 | 14,550 |
| – Total comprehensive income | 6,037 | 13,613 |
| **Profit allocated to NCI** | 1,268 | 2,995 |
| Cash flow from operating activities | 18,976 | 22,537 |
| Cash flow from investment activities | (904) | (18,979) |
| Cash flow from financing activities | (13,323) | (10,913) |
| Net increase/(decrease) in cash and cash equivalents | 4,749 | (7,355) |

## 17 Interest in associates

The Group's interests in associates are as follows:

| | 31 December 2017 *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Yunfu Guarantee | **30,634** | 30,545 |
| Others | **21,883** | 10,000 |
| | **52,517** | 40,545 |

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

| | | | | Proportion of ownership interest As at 31 December 2017 | | | |
|---|---|---|---|---|---|---|---|
| Name of company | Place of Incorporation and business | Date and place of incorporation/ establishment | Paid-in/ registered capital | Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
| 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)* | Yunfu | 4 February 2016 the PRC | RMB 90,000,000 | 33.33% | 33.33% | – | Guarantee |

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

(i) On 13 December 2017, Yunfu Guarantee repurchased 60,000,000 ordinary shares at an exercise price of RMB1.02 per share, from one of its founders Guangdong Financing Re-guarantee Company Limited ("Guangdong Re-guarantee"). Subsequent to this event, Yunfu Guarantee's number of shares was reduced to 90,000,000, in which the Company held 33.33% of its equity interests and had significant influence.

## 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 others as individually immaterial associates:

| | **31 December 2017** *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Aggregate carrying amount of individually immaterial associates in the consolidated financial statements | **52,517** | 40,545 |

| | **2017** *RMB'000* | 2016 *RMB'000* |
|---|---|---|
| Aggregate amounts of the Group's share of (losses)/profits of these associates: | | |
| (Losses)/profits from operation and total comprehensive income | **(528)** | 545 |

## 18 Fixed assets

### (a) Reconciliation of carrying amount

| | Motor vehicles RMB'000 | Buildings held for own use RMB'000 | Office and other equipments RMB'000 | Deferred expenses RMB'000 | Total fixed assets RMB'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 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 and 1 January 2017 | 2,357 | 5,013 | 3,992 | 7,460 | 18,822 |
| Additions | 1,182 | – | 1,758 | 2,211 | 5,151 |
| Disposals | (994) | – | (1,263) | – | (2,257) |
| At 31 December 2017 | 2,545 | 5,013 | 4,487 | 9,671 | 21,716 |
| **Accumulated depreciation:** | | | | | |
| At 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 and 1 January 2017 | (2,133) | (129) | (2,757) | (3,571) | (8,590) |
| Charge for the year | (233) | (238) | (643) | (2,411) | (3,525) |
| Written back on disposals | 944 | – | 1,143 | – | 2,087 |
| At 31 December 2017 | (1,422) | (367) | (2,257) | (5,982) | (10,028) |
| **Net book value:** | | | | | |
| At 31 December 2016 | 224 | 4,884 | 1,235 | 3,889 | 10,232 |
| At 31 December 2017 | 1,123 | 4,646 | 2,230 | 3,689 | 11,688 |

## 18 Fixed assets (Continued)

### (b) Impairment losses

During the year ended 31 December 2017, no impairment loss of equipment was recognised (2016: nil).

## 19 Intangible Assets

### (a) Reconciliation of carrying amount

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| **Cost:** | | |
| At the beginning of the year | 3,353 | 2,830 |
| Additions | 2,551 | 523 |
| At the end of the year | 5,904 | 3,353 |
| **Accumulated amortisation:** | | |
| At the beginning of the year | (2,000) | (1,021) |
| Charge for the year | (1,062) | (979) |
| At the end of the year | (3,062) | (2,000) |
| **Net book value:** | | |
| At the end of the year | 2,842 | 1,353 |
| At the beginning of the year | 1,353 | 1,809 |

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

### (b) Impairment losses

During the year ended 31 December 2017, no impairment loss of intangible assets was recognized (2016: nil).

## 20 Goodwill

### Impairment tests for cash-generating units containing goodwill

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

| | Note | 2017 *RMB'000* | 2016 *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% (2016: 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% (2016: 10.56%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

## 21 Interest-bearing borrowings

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

| | At 31 December 2017 *RMB'000* | At 31 December 2016 *RMB'000* |
|---|---|---|
| Bank loans | | |
| – Unsecured | **50,000** | – |
| – Secured | **24,750** | – |
| | **74,750** | – |

At 31 December 2017, the secured bank loans of the Group were secured by bank deposits (Note 10).

## 22 Liabilities from guarantees

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| Deferred income | | 124,074 | 103,895 |
| Provisions for guarantee losses | 22(a) | 48,540 | 68,484 |
| | | 172,614 | 172,379 |

### (a) Provisions written back for guarantee losses

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| As at 1 January | 68,484 | 78,981 |
| Written back for the year | (19,944) | (10,497) |
| As at 31 December | 48,540 | 68,484 |

## 23 Customer pledged deposits and accruals and other payables

### (a) Customer pledged deposits

Customer pledged deposits refer to deposits received from customers as collateral security for 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 (《融資性擔保公司管理暫行辦法》), 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 (《融資性擔保業務監管部際聯席會議關於規範融資性擔保機構客戶擔保保證金管理的通知》) 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 part of the received customer pledged deposits in a restricted bank account under tripartite custody.

## 23 Customer pledged deposits and accruals and other payables (Continued)

### (b) Accruals and other payables

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| Accrued staff cost | | **32,878** | 39,209 |
| Principal and fixed return payable for other financial instrument-liability component | 24(i) | **14,160** | 19,640 |
| Receipts in advance | | **9,981** | 6,493 |
| Dividends payable | | **1,931** | – |
| Interest payable | | **149** | – |
| Withholding income tax | | **445** | 155 |
| Other payable | | **7,086** | 21,043 |
| Total | | **66,630** | 86,540 |

## 24 Other financial instrument-liability component

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| Other financial instrument-liability component | (i) | **69,193** | 78,487 |

## 24 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, 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 agreements, 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 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 2017, the Group accrued RMB9,000,000 (2016: RMB14,000,000) as the fixed return and RMB5,160,000 (2016: RMB5,640,000) as a replacement of Zhongshan Health's original contribution, which are obligations according to the agreements.

## 25 Financial institution bonds

| | **31 December 2017** *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Financial institution bonds | **48,208** | 45,864 |

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%.

## 26 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 | 2017 *RMB'000* | 2016 *RMB'000* |
|---|---|---|---|
| Balance of income tax payable at the beginning of the year | | **36,513** | 42,259 |
| Provision for income tax on the estimated taxable profit for the year | 5(a) | **44,956** | 55,812 |
| Income tax paid during the year | | **(49,571)** | (61,558) |
| Balance of income tax payable at the end of the year | | **31,898** | 36,513 |

### (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 2017 and 2016 are as follows:

| | | Deferred tax assets | | | | Deferred tax liabilities | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Deferred Income *RMB'000* | Impairment loss *RMB'000* | Salaries Payable *RMB'000* | Total *RMB'000* | Re-guarantee fee *RMB'000* | Provision for guarantee losses *RMB'000* | Government grant *RMB'000* | Financial Instrument *RMB'000* | Total *RMB'000* | Net *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 |

| | | Deferred tax assets | | | | Deferred tax liabilities | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Note* | Deferred Income *RMB'000* | Impairment loss *RMB'000* | Salaries Payable *RMB'000* | Total *RMB'000* | Re-guarantee fee *RMB'000* | Provision for guarantee losses *RMB'000* | Interest in Subsidiaries *RMB'000* | Government grant *RMB'000* | Financial Instrument *RMB'000* | Total *RMB'000* | Net *RMB'000* |
| At 1 January 2017 | | 25,974 | 26,571 | 10,068 | 62,613 | (736) | (17,629) | – | 1,388 | 1,275 | (15,702) | 46,911 |
| Charged/(credited) to the consolidated statement of profit or loss | 5(a) | 5,046 | (79) | (1,666) | 3,301 | 535 | (2,174) | (4) | (1,486) | – | (3,129) | 172 |
| Charged to reserves | | – | – | – | – | – | – | – | – | (370) | (370) | (370) |
| At 31 December 2017 | | 31,020 | 26,492 | 8,402 | 65,914 | (201) | (19,803) | (4) | (98) | 905 | (19,201) | 46,713 |

## 27 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<br>*RMB'000*<br>*Note 27(c)* | Share premium<br>*RMB'000*<br>*Note 27(d)(i)* | Surplus reserve<br>*RMB'000*<br>*Note 27(d)(iv)* | General reserve<br>*RMB'000*<br>*Note 27(d)(v)* | Retained earnings<br>*RMB'000* | Total<br>*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 |

## 27 Capital, reserves and dividends (Continued)

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

| | Share capital RMB'000 Note 27(c) | Share premium RMB'000 Note 27(d)(i) | Surplus reserve RMB'000 Note 27(d)(iv) | General reserve RMB'000 Note 27(d)(v) | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 1,066,667 | 43,107 | 77,877 | 78,011 | 140,520 | 1,406,182 |
| **Changes in equity for 2017:** | | | | | | |
| Profit for the year | – | – | – | – | 102,540 | 102,540 |
| Total comprehensive income | – | – | – | – | 102,540 | 102,540 |
| Appropriation to surplus reserve | – | – | 10,254 | – | (10,254) | – |
| Appropriation to general reserve | – | – | – | 10,254 | (10,254) | – |
| Dividends approved in respect of the previous year | – | – | – | – | (90,667) | (90,667) |
| **Balance at 31 December 2017** | 1,066,667 | 43,107 | 88,131 | 88,265 | 131,885 | 1,418,055 |

### (b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 28 March 2018, the proposed dividends appropriations for the year ended 31 December 2017 are as follows:

– Declare cash dividends to all shareholders of RMB81,066,667 (2016: RMB90,666,667) representing RMB0.076 (2016: RMB0.085) per share before tax.

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

## 27 Capital, reserves and dividends (Continued)

### (c) Share capital

The share capital of the Company as at 31 December 2017 and 2016 are as below:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | 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 | 1,066,667 | 1,066,667 |
| As at 31 December | 1,066,667 | 1,066,667 | 1,066,667 | 1,066,667 |

### (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 2017, 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.

## 27 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.

## 27 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 24) 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 2017 and 2016.

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.

## 28 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 operations:***

The Group has taken measures to identify credit risks arising from guarantees issued 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.

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

### (a) Credit risk (Continued)

***Credit risk arising from guarantees issued operations: (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 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|
| Financing guarantee | 2,741,411 | 3,092,771 |
| Performance guarantee | 6,933,344 | 3,152,802 |
| Litigation guarantee | 340,512 | 366,847 |
| Subtotal | 10,015,267 | 6,612,420 |
| Less: Customer pledged deposits | (39,911) | (11,795) |
| Total | 9,975,356 | 6,600,625 |

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

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

### (a) Credit risk (Continued)

***Credit risk arising from guarantees issued operations: (Continued)***

The maximum exposure to credit risk in respect of guarantees issued by industry at 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | | 31 December 2016 | |
|---|---|---|---|---|
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Construction | **5,638,859** | **55%** | 3,100,972 | 46% |
| Manufacturing | **1,177,548** | **12%** | 1,190,416 | 17% |
| Wholesale and retail | **837,160** | **8%** | 986,330 | 15% |
| Commercial services | **136,517** | **1%** | 105,700 | 2% |
| Service industry | **44,825** | **1%** | 39,555 | 1% |
| Transportation warehousing and postal service | **21,830** | **1%** | 23,355 | 1% |
| Agriculture | **64,465** | **1%** | 43,010 | 1% |
| Others | **2,094,063** | **21%** | 1,123,082 | 17% |
| Total of guarantees issued | **10,015,267** | **100%** | 6,612,420 | 100% |

***Credit risk arising from entrusted loans and micro-lending business:***

The Group adopts the similar pre-approval, review and credit approval risk management system for credit risk arising from entrusted loans and 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.

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

### (a) Credit risk (Continued)

***Credit risk arising from entrusted loans and 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.

# 28 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 2017** *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Fixed interest rate | | |
| Financial assets | | |
| – Cash and cash equivalents | **202,410** | 365,173 |
| – Pledged bank deposits | **53,132** | 46,896 |
| – Loans and advances to customers | **666,790** | 625,864 |
| – Trade and other receivables | **284,005** | 118,588 |
| – Receivable investments | **23,000** | 8,225 |
| – Available-for-sale financial assets | **–** | 2,650 |
| | **1,229,337** | 1,167,396 |
| Financial liabilities | | |
| – Other financial instrument-liability component | **(69,193)** | (78,487) |
| – Financial institution bonds | **(48,208)** | (45,864) |
| | **(117,401)** | (124,351) |
| Net | **1,111,936** | 1,043,045 |

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

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

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

| | 31 December 2017 *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Variable interest rate | | |
| Financial assets | | |
| – Cash and cash equivalents | **409,110** | 405,022 |
| – Pledged bank deposits | **132,342** | 138,941 |
| – Available-for-sale financial assets | **65,655** | 53,055 |
| | **607,107** | 597,018 |
| Financial liability | | |
| – Interest-bearing borrowings | **(74,750)** | – |
| Net | **532,357** | 597,018 |
| Total net financial assets | **1,644,293** | 1,640,063 |
| Net fixed rate financial assets as a percentage of total net financial assets | **68%** | 64% |

#### *(ii) Sensitivity analysis*

At 31 December 2017, 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 taxation and retained profits for the next 12 months by approximately RMB1,750,000 (2016: RMB2,039,000). Other components of consolidated equity would have increased by approximately RMB246,000 (2016: RMB199,000).

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.

## 28 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 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | – | 1,238 | 3,149 | 6,977 | 28,547 | – | 39,911 |
| Liabilities from guarantees | – | 77 | 5,933 | 55,270 | 110,996 | 338 | 172,614 |
| Other financial instrument-liability component | – | – | – | 14,708 | 54,485 | – | 69,193 |
| Financial institution bonds | – | – | – | 48,208 | – | – | 48,208 |
| Interest-bearing borrowings | – | – | 59,750 | 15,000 | – | – | 74,750 |
| Other liabilities | 2,272 | 12,793 | 54,706 | 9,259 | 19,498 | – | 98,528 |
| **Total** | 2,272 | 14,108 | 123,538 | 149,422 | 213,526 | 338 | 503,204 |

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

### (c) Liquidity risk (Continued)

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

| | 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Indefinite<br>*RMB'000* | Repayable on demand<br>*RMB'000* | Within three months<br>*RMB'000* | Between three months and one year<br>*RMB'000* | Between one year and five years<br>*RMB'000* | More than five years<br>*RMB'000* | Total<br>*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 |

#### (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.

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

### (c) Liquidity risk (Continued)

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

| | 31 December 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual undiscounted cash outflows | Indefinite | Repayable on demand | Within three months | Between three months and one year | Between one year and five years | More than five years |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Liabilities** | | | | | | | | |
| Customer pledged deposits | 39,911 | 39,911 | - | 1,238 | 3,149 | 6,977 | 28,547 | - |
| Other financial instrument-liability component | 69,193 | 82,840 | - | - | - | 15,620 | 67,220 | - |
| Financial institution bonds | 48,208 | 47,699 | - | - | - | - | 47,699 | - |
| Interest-bearing borrowings | 74,750 | 76,498 | - | - | 59,867 | 16,631 | - | - |
| Other financial liabilities | 98,528 | 24,630 | 2,272 | 12,793 | 8,553 | 259 | 753 | - |
| **Total** | 330,590 | 271,578 | 2,272 | 14,031 | 71,569 | 39,487 | 144,219 | - |
| Guarantee issued | | | | | | | | |
| Maximum amount guaranteed* | | 10,015,267 | 340,513 | - | 949,999 | 3,893,221 | 4,831,534 | - |

| | 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual undiscounted cash outflows | Indefinite | Repayable on demand | Within three months | Between three months and one year | Between one year and five years | More than five years |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *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 | 123,053 | 33,331 | – | 12,953 | 12,563 | 6,508 | 1,307 | – |
| **Total** | 259,199 | 189,825 | – | 17,896 | 13,073 | 23,848 | 117,448 | 17,560 |
| Guarantee issued | | | | | | | | |
| Maximum amount guaranteed* | | 6,612,420 | 366,846 | – | 746,819 | 2,828,220 | 2,670,535 | – |

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

### (c) Liquidity risk (Continued)

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

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

### (d) Currency risk

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

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

### (e) Fair values

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

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

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

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

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

## 28 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 2017** *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| *Level 1* | | |
| Available-for-sale financial assets | **26,595** | 43,815 |
| *Level 3* | | |
| Available-for-sale financial assets | **32,060** | 11,890 |
| *Liabilities* | | |
| Other financial instrument-liability component | **69,193** | 78,487 |

During the year ended 31 December 2017, 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.

## 28 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:

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Available-for-sale financial assets | | |
| At the beginning of the year | 11,890 | 7,430 |
| Payment for purchases | 30,700 | 6,710 |
| Proceeds from sales | (10,530) | (2,250) |
| At the end of the year | 32,060 | 11,890 |

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

| | 2017<br>*RMB'000* | 2016<br>*RMB'000* |
|---|---|---|
| Other financial instrument-liability component | | |
| At the beginning of the year | 78,487 | 86,748 |
| – change in fair value | (9,294) | (8,261) |
| At the end of the year | 69,193 | 78,487 |

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 2017 and 2016.

## 29 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 2017 *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| Within 1 year (inclusive) | 2,920 | 1,445 |
| After 1 year but within 3 years (inclusive) | 4,264 | 2,099 |
| Over 3 years | 2,040 | 25 |
| Total | 9,224 | 3,569 |

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 2017, the Group had no outstanding litigation or disputes in which the Group was a defendant (2016: nil).

## 30 Material related party transactions

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

| Name of related parties | Relationship |
|---|---|
| 廣東中盈盛達控股股份有限公司 (Guangdong Join-Share Holding Co., Ltd.) | Controlled by the same shareholders |
| 西藏中盈成長創業投資有限公司 (Xi Zang Join-Share Venture Capital Co., Ltd.) | Subsidiary of Guangdong Join-Share Holding 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 Holding Co., Ltd |
| 佛山前海梧桐投融資諮詢服務有限公司 (Foshan Qianhai Wutong Investment and Financing Consultancy Co., Ltd.) | Subsidiary of Guangdong Join-Share Holding Co., Ltd |
| 吳列進 (Wu Liejin) | Director and Chairman of the Company |
| 謝勇東 (Xie Yongdong) | Director of the Company and president |
| 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 |
| 鄭正強 (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 |
| 鍾堅 (Zhong Jian) | Supervisor of the Company |
| 黃國深 (Huang Guoshen) | Non-executive director |
| 吳艷芬 (Wu Yanfen) | Non-executive director |
| 顧李丹 (Gu Lidan) | Non-executive director |
| 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 |
| 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 |
| 廣東美思置業有限公司 (Guangdong Mei Si Properties Co., Ltd.) | A company of which 90% interest held by Wu Yan Fen |
| 廣東名創互聯電子商務有限公司 (Guangdong Ming Chuang Internet Electronic Commerce Co., Ltd.) | A company of which 100% interest held by Wu Yan Fen |

*(Expressed in RMB'000 unless otherwise indicated)*

## 30 Material related party transactions (Continued)

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

| Name of related parties | Relationship |
|---|---|
| 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 90% 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 100% interest held by Zhang Minming |
| 佛山市南海科明達混凝土有限公司 (Foshan Nanhai Ke Ming Da Concrete Co., Ltd.) | A company of which 95% interest held by Zhang Minming |
| 肇慶市高要區科明達混凝土有限公司 (Zhaoqing Gaoyao Ke Ming Da Concrete Co., Ltd.) | A company of which 100% interest held by Zhang Minming |
| 佛山市聚豐混凝土有限公司 (Foshan Ju Feng Concrete Co., Ltd.) | A company of which 100% interest held by Zhang Minming |
| 佛山南海聚豐置業投資有限公司 (Foshan Nanhai Ju Feng Property Investment Co., Ltd) | A company of which 100% interest held by Zhang Minming |
| 廣東科明達集團有限公司 (Guangdong Ke Ming Da Group Co., Ltd.) | A company of which 100% interest held by Zhang Minming and his related person |
| 肇慶市科明達混凝土攪拌有限公司 (Zhaoqing Ke Ming Da Concrete Co., Ltd.) | A company of which 100% interest held by Zhang Minming and his related person |
| 佛山市聯益建築材料有限公司 (Foshan Lian Yi Building Material Co., Ltd.) | A company of which 100% interest held by related person of Zhang Minming |
| 佛山市南海區西樵恒建混凝土有限公司 (Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.) | A company of which 100% interest held by related person of Zhang Minming |
| 佛山市科明達數碼科技有限公司 (Foshan Ke Ming Da Digital Technology Co., Ltd.) | A company of which 80% interest held by related person of Zhang Minming |

## 30 Material related party transactions (Continued)

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

| Name of related parties | Relationship |
|---|---|
| 佛山市南海聯盈建築工程勞務有限公司 (Foshan Nanhai Lian Ying Construction Engineering Services Co., Ltd.) | A company of which 90% interest held by related person of Zhang Minming |
| 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 |
| 湖北盛世康源茶油有限公司 (Hubei Sheng Shi Kang Yuan Tea Oil Co., Ltd.) | A company of which 50% interest held by related person of Liu Heng |
| 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 |
| 深圳邦利互聯網金融服務有限公司 (Shenzhen Bangli Internet Financial Services Co., Ltd.) | Associate of the Group From June 2017 |

### (b) Key management personnel remuneration

| | Note | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| Key management personnel remuneration | (i)/(ii) | 8,025 | 7,677 |

(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.

## 30 Material related party transactions (Continued)

### (c) Related parties transactions

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Guarantee fee income | | |
| – Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd. | 400 | 104 |
| Other income | | |
| – Yunfu Yuecai Puhui Financing Guarantee Co., Ltd. | – | 1,000 |

### (d) Balances with related parties

| | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|
| Loans to related persons | | |
| – Wang Wei | – | 100 |
| – Gu Liqing | 1 | – |
| Other payable | | |
| – Zhang Rong | 550 | – |

### (e) Guarantees provided by related parties

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

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Guarantee amount | – | 9,000 |

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. According to the personal guarantee agreements with China Construction Bank Corporation, Mr. Wu Liejin and Mr. Xie Yongdong should provide guarantee for the financial guarantees issued by the Group. The last expiration date of the above guarantee obligation undertaken by Mr. Wu Liejin and Mr. Xie Yongdong is 28 July 2017, after which, Mr. Wu Liejin and Mr. Xie Yongdong did not enter into any further personal guarantee agreements alike.

## 31 Company-level statement of financial position

| | Note | 31 December 2017 RMB'000 | 31 December 2016 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 397,612 | 468,987 |
| Pledged bank deposits | | 95,723 | 93,957 |
| Trade and other receivables | | 391,536 | 356,290 |
| Loans and advances to customers | | 268,379 | 299,655 |
| Receivable investments | | 23,000 | 6,225 |
| Interests in associates | 17 | 30,634 | 30,545 |
| Investment in subsidiaries | 16(b) | 410,386 | 351,786 |
| Fixed assets | | – | 3,197 |
| Intangible assets | | 1,583 | 995 |
| Deferred tax assets | | 29,892 | 32,813 |
| **Total assets** | | 1,648,745 | 1,644,450 |
| **Liabilities** | | | |
| Liabilities from guarantees | | 139,116 | 150,789 |
| Customer pledged deposits | | 35,421 | 11,795 |
| Accruals and other payables | | 56,153 | 52,521 |
| Current tax liabilities | | – | 23,163 |
| **Total liabilities** | | 230,690 | 238,268 |
| **NET ASSETS** | | 1,418,055 | 1,406,182 |

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

| | 31 December 2017 *RMB'000* | 31 December 2016 *RMB'000* |
|---|---|---|
| **CAPITAL AND RESERVES** | | |
| Share capital | **1,066,667** | 1,066,667 |
| Reserves | **351,388** | 339,515 |
| **Total equity attributable to equity shareholders of the Company** | **1,418,055** | 1,406,182 |
| **TOTAL EQUITY** | **1,418,055** | 1,406,182 |

Approved and authorised for issue by the board of directors on 28 March 2018.

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

## 32 Loans to officers

| | |
|---|---|
| **Name of borrower** | **王維 (Wang Wei)** |
| **Position** | Supervisor |
| **Terms of the loan** | |
| – Duration and repayment terms | One year |
| – Loan amount *(RMB'000)* | 100 |
| – Interest rate | – |
| – Security | – |
| **Balance of the loan** *(RMB'000)* | |
| – At 31 December 2017 | – |
| – At 31 December 2016 | 100 |
| **Maximum balance outstanding** *(RMB'000)* | |
| – During 2017 | – |
| – During 2016 | 100 |

## 33 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 28 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

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

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

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

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

## 33 Accounting judgements and estimates (Continued)

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

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

If circumstances indicate that the carrying amount of a non-financial asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-financial assets as described in Note 1(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.

### (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.

*(Expressed in RMB'000 unless otherwise indicated)*

## 33 Accounting judgements and estimates (Continued)

### (e) Deferred tax assets

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

### (f) Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including 3 fair values and reports directly to financial officer (Note 28 (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.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017

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 2017 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** |
|---|---|
| HKFRS 9, *Financial instruments* | 1 January 2018 |
| HKFRS 15, *Revenue from contracts with customers* | 1 January 2018 |
| Amendments to HKAS 40, *Investment property: Transfers of Investment property* | 1 January 2018 |
| HKFRS 16, *Leases* | 1 January 2019 |

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

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 has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

### 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. 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 interest revenue, 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.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

### HKFRS 9, Financial instruments (Continued)

#### *(a) Classification and measurement (Continued)*

The Group has assessed 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.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans not to elect this designation option for any of the investments held on 1 January 2018 and will recognize any fair value changes in respect of these investments in profit or loss as they arise. This will give rise to a change in accounting policy as currently the Group recognizes the fair value changes of available-for-sale equity investments 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(k)(i) and 1(k)(ii). This change 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 either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (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. The Group currently does not have any hedge business and therefore it expects that the hedge accounting will not impact its consolidated financial statement upon adoption of HKFRS 9.

Based on a preliminary assessment, if the Group were to adopt HKFRS 9 at 31 December 2017, the Group's net assets would decrease by less than 1.1% as a result of the new requirements on classification and measurement, and impairment as compared with that recognised under IAS 39.

### 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. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

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

The Group's revenue recognition policies are disclosed in Note 1(u). Currently, revenue arising from the provision of services is recognised over time.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (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.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from guarantees issued, loans and advances to customers, and the provision of consulting services.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (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.

Advance payments are not common in the group's arrangements with its customers, with the exception of when residential properties are marketed by the group while the property is still under construction. In this situation, the group may offer customers a discount compared to the sales price payable, provided the customers agree to pay the balance of the purchase price early.

Where such advance payment schemes include a significant financing component, the transaction price will need to be adjusted to separately account for this component. Such adjustment will result in interest expense being recognised to reflect the effect of the financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment, with a corresponding increase to revenue on sale of properties recognised when control of the completed property is transferred to the customer. However, the actual extent of impact of this new accounting policy will also depend on whether and by how much such interest expense can be capitalised as part of the cost of the properties under HKAS 23, Borrowing costs. If the interest expense is to be capitalised until the construction work is completed, then this new accounting policy will not have a material impact on the group's net profits during the construction period and gross profit from the sales of properties. The group is in the process of assessing the implication of the significant financing component identified from the property sales on its capitalisation policy.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

### 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.

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 29, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB9,224,000 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.

## 34 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

### HKFRS 16, Leases (Continued)

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

## 35 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 27(b).

(b) 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 Guarantee") was renamed as Yunfu Puhui Financing Guarantee Co., Ltd (雲浮市普惠融資擔保股份有限公司). The shareholders of Guangdong Yunfu agreed on an issuance of 20,000,000 ordinary shares to the Company, at an exercise price of RMB1.00 per share. The shares were fully paid and relevant filing was completed on 27 February 2018.

(c) On 17 November 2017, a series of subscription proposals were approved on the extraordinary general meeting of the Company. As at 31 December 2017, it had not been completed.

By the reporting date, the related subscriptions were not completed.

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