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

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

2018 Interim Report

* For identification purpose only

Contents

Corporate Information

EXECUTIVE DIRECTOR

Mr. Wu Liejin (吳列進)
(Chairman of the Board and President)

NON-EXECUTIVE DIRECTORS

Mr. Zhang Minming (張敏明)
Ms. Gu Lidan (顧李丹)
Mr. Luo Zhenqing (羅振清)
Mr. Huang Guoshen (黃國深)
Mr. Zhang Deben (張德本)

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

Mr. Li Qi (李琦)
Ms. Feng Qunying (馮群英)
Mr. Liao Zhenliang (廖振亮)
Mr. Zhong Jian (鍾堅)
Mr. Liang Yi (梁毅)
Ms. Huang Yuzhen (黃瑜珍)

AUDIT COMMITTEE

Mr. Wu Xiangneng (吳向能) *(Chairman)*
Mr. Leung Hon Man (梁漢文)
Mr. Huang Guoshen (黃國深)
Mr. Luo Zhenqing (羅振清)
Mr. Liu Heng (劉恒)

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Leung Hon Man (梁漢文) *(Chairman)*
Mr. Liu Heng (劉恒)
Mr. Wu Xiangneng (吳向能)
Mr. Luo Zhenqing (羅振清)
Mr. Zhang Deben (張德本)

NOMINATION COMMITTEE

Mr. Wu Liejin (吳列進) *(Chairman)*
Ms. Gu Lidan (顧李丹)
Mr. Leung Hon Man (梁漢文)
Mr. Liu Heng (劉恒)
Mr. Wu Xiangneng (吳向能)

RISK MANAGEMENT COMMITTEE

Mr. Zhang Minming (張敏明) *(Chairman)*
Mr. Wu Liejin (吳列進)
Mr. Huang Guoshen (黃國深)
Mr. Wu Xiangneng (吳向能)
Mr. Zhang Deben (張德本)

STRATEGY COMMITTEE

Mr. Wu Liejin (吳列進) *(Chairman)*
Mr. Zhang Minming (張敏明)
Ms. Gu Lidan (顧李丹)
Mr. Liu Heng (劉恒)
Mr. Zhang Deben (張德本)

JOINT COMPANY SECRETARIES

Mr. Lau Kwok Yin (劉國賢)
Mr. Zheng Zhengqiang (鄭正強)

AUTHORISED REPRESENTATIVES

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Mr. Lau Kwok Yin (劉國賢)

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STOCK CODE

1543

Management Discussion and Analysis

OVERVIEW

In the first half of 2018, China's economy remained at the important stage of structural adjustment and economic transformation. In the outset year of the 19th National Congress of the Communist Party of China (中國共產黨十九次全國代表大會), the central committee of the Communist Party of China explicitly concentrated on "high-quality development" instead of "high-speed growth" in implementing its economic work. The overall economy progressed steadily and levelled up at high quality while maintaining stability.

Under such macro circumstances, the financial industry was of particular prominence and significance in supporting the development of the real economy. We were of the view that, credit guarantee, as the bond of financial institutions and the capital demanders, could significantly reduce the transaction costs for all players in the market and effectively resolve the realistic predicament of demanding and costly financing, on condition that credit enhancement and risk management function came into play. Accordingly, demands in the financing guarantee and lending markets of small-and-medium-sized enterprises (the "**SMEs**") will continue to grow, which will facilitate further business development of the Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**").

In the first half of 2018, the Company completed the issuance of additional shares successfully and thereby channeled investment from Foshan Financial Investment Holding Co., Ltd.* (佛山市金融投資控股有限公司), our largest shareholder. Its solid comprehensive muscle will benefit the Group in promoting the credit guarantee and brand building of the Group and exert positive effects on the improvement of the corporate governance structure, update of the Company's management concepts and achievement of sustainable development of the Company. The Group recorded a year-on-year increase of approximately 3.11% in total revenue in the first half of 2018.

BUSINESS REVIEW

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce that, in the first half of 2018, the Group maintained sound operation and management with stable performance and bright development momentum.

The Board is pleased to announce that, the management of the Company proactively and prudently carried forward various operation and management tasks closely around our two core missions, i.e., principal business and transformational development, in accordance with the annual goals set by the Board.

Business Highlights

1. Growth in both revenue and profit: In the first half of 2018, the Group achieved total revenue of RMB145.33 million and profit for the period of RMB64.27 million, representing an increase of approximately 3.11% and approximately 1.97% as compared to the same period in 2017.

2. Steady expansion of the Group's micro credit business: As at 30 June 2018, interest income from micro credit of the Group amounted to RMB24.66 million, representing an increase of approximately 4.85% as compared to the same period in 2017.

3. Stable cooperation with external institutions: The Group has established extensive strategic cooperation relations with major banks, securities companies, trust companies and financial asset management companies in the PRC, striving to expand the breadth and depth of cooperation with various financial institutions and local government. As of 30 June 2018, the Group had established cooperation with 26 banks and other financial institutions, with bank credit of more than RMB8.62 billion. Upon the completion of share issuance on 18 April 2018, the Group's credit rating has been further enhanced, and the Group has received further recognition from external cooperative institutions.

FINANCIAL REVIEW

Guarantee Fee Income

For the six months ended 30 June 2018, the Group's guarantee fee income increased by approximately RMB4.15 million, or approximately 5.80%, to approximately RMB75.72 million for the six months ended 30 June 2018 from approximately RMB71.57 million for the six months ended 30 June 2017. Such increase was mainly attributable to (i) the Group's adjustment to the structure of the guarantee business; and (ii) the Group's increased efforts in expanding its non-financing guarantee business with relatively lower risk.

Interest Income

The Group's interest income decreased by approximately RMB12.07 million, or approximately 22.41%, to approximately RMB41.79 million for the six months ended 30 June 2018 from approximately RMB53.86 million for the six months ended 30 June 2017, primarily due to the increase of 503.13%, decrease of 55.33% and increase of 4.85% of bank deposits and deposit interest income, interest income from the entrusted loans and the micro-lending business, respectively.

Bank deposits and deposit interest income increased by approximately RMB3.22 million, or approximately 503.13%, to approximately RMB3.86 million for the six months ended 30 June 2018 from approximately RMB0.64 million in the same period of 2017, primarily due to the increase in interest income from the proceeds from additional issuance of shares of the Company (the "**Shares**") during the reporting period.

The interest income from the Group's entrusted loan business decreased by approximately RMB16.44 million, or approximately 55.33%, to approximately RMB13.27 million for the six months ended 30 June 2018 from approximately RMB29.71 million for the corresponding period in 2017, which was mainly attributable to a significant decrease in the volume of the entrusted loan business as a result of shrinking bank entrusted loan business. For the six months ended 30 June 2018, the average monthly balance of the entrusted loan business decreased by approximately 21.99%.

The interest income from the Group's micro-lending business increased by approximately RMB1.14 million, or approximately 4.85%, to approximately RMB24.66 million for the six months ended 30 June 2018 from approximately RMB23.52 million for the corresponding period in 2017, primarily due to the period-on-period increase in average monthly balance of its micro-lending business by approximately 7.81% as a result of the expansion of financing channels by increasing brand awareness of the micro-lending business.

Service Fee from Consulting Services

The Group's service fee from consulting services decreased by approximately RMB8.19 million, or approximately 38.30%, to approximately RMB13.19 million as at 30 June 2018 from approximately RMB21.38 million for the six months ended 30 June 2017, primarily due to the reduction in clients' demand for the financial advisory service as a result of fewer facilities granted by commercial banks in the PRC to its clients upon the implementation of credit tightening policies by such commercial banks.

Other Revenue

The Group's other revenue increased by approximately RMB18.86 million, or approximately 411.79%, to approximately RMB23.44 million for the six months ended 30 June 2018 from approximately RMB4.58 million for the six months ended 30 June 2017, primarily due to (i) an increase by RMB5.67 million, or approximately 480.51% of investment income of receivable investment from approximately RMB1.18 million, for the six months ended 30 June 2017 to RMB6.85 million for the six months ended 30 June 2018; and (ii) an increase in foreign exchange gains from nil for the six months ended 30 June 2017 to RMB15.10 million for the six months ended 30 June 2018, which was due to the conversion of proceeds from additional issuance of shares from HK$ into US$ and strong appreciation of the US dollar.

Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect the management's estimate on the level of provisions that is adequate to the Group's guarantee business. The Group made reversal for guarantee losses of approximately RMB4.95 million for the six months ended 30 June 2018 as compared to reversal of approximately RMB2.16 million for the six months ended 30 June 2017, primarily due to a decrease by RMB473.98 million or approximately 15.86%, of the balance of outstanding financing guarantee from approximately RMB2,988.60 million as of 30 June 2017 to approximately RMB2,514.62 million as of 30 June 2018.

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; (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; (iii) receivables of factoring fees, which mainly reflect the net amount of factoring facility services we provided to customers not being able to be recovered by the Group; and (iv) receivable investments, which mainly reflect the net amount of wealth management products and bonds purchased through financing platforms not being able to be recovered by the Group. The Group's impairment losses increased by approximately RMB3.99 million, or approximately 22.08%, to approximately RMB22.08 million for the first half of 2018 from approximately RMB18.09 million for the six months ended 30 June 2017, primarily due to (i) an increase of receivables from guarantee customers by approximately RMB10.51 million, or approximately 94.51%, to approximately RMB21.63 million for the six months ended 30 June 2018 from approximately RMB11.12 million for the six months ended 30 June 2017; and (ii) an increase in factoring receivables and receivable investments from nil and nil as at 30 June 2017 to RMB1.12 million and RMB2.49 million, respectively as at 30 June 2018 as a result of the development of factoring business, assets management products and other new products by the Group to promote the diversity of products during the reporting period.

Operating Expenses

The Group's operating expenses increased by approximately RMB1.02 million, or approximately 2.57%, to approximately RMB40.72 million for the six months ended 30 June 2018 from approximately RMB39.70 million for the six months ended 30 June 2017, mainly attributable to (i) an increase in office leasing expenses by approximately 14.51% from RMB2.62 million for the six months ended 30 June 2017 to approximately RMB3.00 million for the six months ended 30 June 2018; (ii) an increase in staff cost by RMB1.88 million from approximately RMB18.48 million for the six months ended 30 June 2017 to approximately RMB20.36 million for the six months ended 30 June 2018, mainly due to the Group's major adjustments to business structure and talents training programs for business diversification; (iii) an increase in business expenses from RMB4.63 million for the six months ended 30 June 2017 to RMB6.39 million for the six months ended 30 June 2018; and (iv) a decrease in tax and surcharges by RMB0.07 million from approximately RMB0.45 million for the six months ended 30 June 2017 to approximately RMB0.38 million for the six months ended 30 June 2018.

Profit before Taxation

As a result of the foregoing, the Group's profit before taxation increased by approximately RMB1.55 million, or approximately 1.81%, to approximately RMB86.80 million for the six months ended 30 June 2018 from approximately RMB85.25 million for the six months ended 30 June 2017. The Group's profit before taxation accounted for approximately 71.21% and 62.51% of its revenue for the six months ended 30 June 2018 and 2017, respectively.

Income Tax

The Group's income tax increased by approximately RMB0.30 million, or approximately 1.35%, to approximately RMB22.53 million for the six months ended 30 June 2018 from approximately RMB22.23 million for the corresponding period in 2017, primarily due to the increase in its taxable profits.

Profit for the Period

As a result of the foregoing, the Group's profit for the year increased by approximately RMB1.24 million, or approximately 1.97%, to approximately RMB64.27 million for the six months ended 30 June 2018 from approximately RMB63.03 million for the corresponding period in 2017, and its net profit margin slightly increased to approximately 52.73% for the six months ended 30 June 2018 from approximately 46.22% for the corresponding period in 2017.

Capital Expenditure

The Group's capital expenditures consist primarily of expenditures for the purchase of relevant property and other equipments. For the six months ended 30 June 2018, its capital expenditures amounted to approximately RMB0.92 million, which was primarily related to the purchase of office supplies due to the Group's business expansion.

Capital Commitments and Contingent Liabilities

As at 30 June 2018, the Group's outstanding commitments relating to the total maximum guarantee issued to its customers in relation to its guarantee business and the leases of its office premises amounted to approximately RMB11,699.32 million and RMB12.96 million, respectively.

As at 30 June 2018, the Group did not have any contingent liabilities.

Charge on Assets

As at 30 June 2018, the Group did not pledge any of its assets to secure any banking facility or bank loan.

INTERIM DIVIDEND

The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2018.

PROSPECTS AND FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

(I) Development trend of the industry:

1. *Increasingly improving standardization of the industry:*

On 1 October 2017, The Measures for the Supervision and Administration of Financing Guarantee Companies (Guo Ling NO. 683) (《融資擔保公司監督管理條例》(國令第683號)) was officially implemented. On 2 April 2018, China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and the members of the Inter-ministerial Joint Council for Regulation of Financing Guarantee Business (融資性擔保業務監管部際聯席會議) such as the National Development and Reform Commission (國家發展和改革委員會), Ministry of Industry and Information Technology (工業和信息化部), Ministry of Finance (財政部), Ministry of Agriculture and Rural Affairs (農業農村部), the People's Bank of China (人民銀行), the State Administration for Market Regulation (國家市場監督管理總局), etc., jointly issued the Notification on the Issue of Four Supporting Systems for the Measures for the Supervision and Administration of Financing Guarantee Companies (Yin Bao Jian Fa [2018] No. 1) (《關於印發<融資擔保公司監督管理條例>四項配套制度的通知》(銀保監發[2018]1號)), and promulgated the four supporting systems comprising the Measures for Management of Licenses for Operating Financing Guarantee Business (《融資擔保業務經營許可證管理辦法》), the Measures for the Calculation of Financing Guarantee Liability Balance (《融資擔保責任餘額計量辦法》), the Measures for Management of Asset Ratio of Financing Guarantee Companies (《融資擔保公司資產比例管理辦法》), and the Guidelines for Business Cooperation between Financial Institutions in the Banking Industry and Financing Guarantee Companies (《銀行業金融機構與融資擔保公司業務合作指引》). The implementation of the abovementioned rules and measures are of milestone significance for improving the creditability of the industry and promoting the legal, compliance and healthy development of the industry.

2. *Intensified efforts on policy support:*

On 28 March 2018, executive meeting of the State Council (國務院) decided to establish the State Financing Guarantee Fund (國家融資擔保基金) to facilitate to solve and relieve the financing difficulties of SMEs and "agriculture, rural areas and farmers". The establishment of the State Financing Guarantee Fund represents an important step to form and optimize the financial systems that serve the SMEs and the "agriculture, rural areas and farmers", and contributes to solving the problems of demanding, costly and tardy financing for SMEs and the "agriculture, rural areas and farmers". Cooperation between the banking industry and financing guarantee companies is deepened by the establishment of the Financing Guarantee Fund, thus creating a favorable social environment for the development of the guarantee industry.

3. *Ever-growing demands in the financing guarantee market:*

Financing guarantee companies are the intermediaries for SMEs to reach out to credit lending agencies. They provide SMEs with financing guarantee to enhance their credit and in turn share the risks of the credit lending agencies. Under the general background of improving the capability of finance in serving the real economy, and in the realistic predicament of demanding, costly and tardy financing faced by the SMEs in the short term, there will be great business growth potential for the guarantee institutions in the future.

(II) From the perspective of operation

In the second half of 2018, China's macro economy is expected to advance while maintaining stability. Facing opportunities and challenges, the Group intends to take the following measures:

1. Optimizing top-level design to promote the achievement of the Company's goals of strategic transformation and upgrade. We will reinforce the synergy and integration of various internal business lines to press ahead the implementation and completion of the Company's transformation and upgrade in accordance with the overall development plan of the Company and in consideration of changes in internal and external conditions. We will vigorously take advantage of the Internet and increase the utilization of financial technology such as the big data to achieve extensional growth by way of strategic mergers and acquisitions.

2. Devoting greater efforts to business innovation and expansion to achieve synergic development of direct and indirect financing businesses. We will mainly focus on industries and sectors concerning the infrastructure and people's livelihood as well as those with national supports and guiding policies, and effectuate the synergy of guarantee's function of credit enhancement and other financial products so as to provide the clients with comprehensive financial services at high quality.

3. Actively adapting to new regulations and internal and external environmental changes, and continuously improving the Group's risk control system. We will, with reference to the new characteristics and new requirements of the strategic transformation and upgrade of the Company, establish a comprehensive risk management system covering the entire business process, strengthen the risk identification for existing business and increase investment in informationization and technology, so as to facilitate the transformation and business development and establishment of a risk control system.

4. Enhancing our brand and team building. The year marks the 40th anniversary of China's reform and opening up and the 15th anniversary of the establishment of the Company. We will make greater efforts to promote the brand and culture of the Company and further enhance the Company's brand awareness and market influence. Meanwhile, we will further strengthen team building and improve work style, and develop a high-caliber management team with a high sense of duty, strong innovative ability and willingness to undertake responsibility. We will, based on a market-oriented approach, improve the long-term incentive mechanism for core management team and enhance the Company's talent competitiveness.

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 the Company's shareholders (the "**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

The liquidity and capital requirements of the Group primarily relate to capital investments in the registered capital of our operating subsidiaries, granting micro-lending and entrusted loans, making default payments, maintaining security deposits at banks and other working capital requirements. The Group has 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 of the Company.

As of 30 June 2018, the Group's cash and cash equivalents were approximately RMB944.56 million.

The gearing ratios of the Group as at 30 June 2018 and 31 December 2017 were 20.82% and 22.47%, respectively. Such gearing ratio was computed by dividing total liabilities by total assets.

Indebtedness

As of 30 June 2018, private placement bonds issued by 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**"), a subsidiary of the Company, amounted to RMB50.00 million, and the interest-bearing borrowings totaled RMB30.00 million.

In addition, the Group had other financial instrument – liability component of approximately RMB69.03 million.

Off-Balance-Sheet Arrangements

The Group enters into guarantee contracts with off-balance-sheet risk in the ordinary course of business. The contract amount reflects the extent of the Group's involvement in the financing guarantee business and also represents its maximum exposure to credit loss. As of 30 June 2018, the outstanding guarantee of the Group totaled approximately RMB11,699.32 million. Save as disclosed above, the Group has no other off-balance-sheet arrangements.

Proceeds from the Listing, proceeds from issue of investors subscription shares, management subscription shares and placement of new H shares

(I) Proceeds from the Listing

The actual net proceeds from the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 December 2015 (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$340.30 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 announcements of the Company dated 16 May 2016 and 26 September 2016 for further details.

As at 30 June 2018, details of use of proceeds from the Listing are as follows:

Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of remaining net proceeds	The amount of proceeds brought forward to the current financial year from the previous financial year
HK$120.00 million	(i) Develop financing guarantee business, establish new subsidiaries and branches (including those in Dongguan, Yunfu and Zhuhai, Guangdong province) and increase the capital base for financing guarantee and expand the Group's business in order to enhance competitive advantage in the financing guarantee market.	(i) Approximately HK$23.86 million and HK$24.82 million had been utilized to establish Yunfu Yuecai Puhui Financing Guarantee Co., Ltd.* (雲浮市粵財普惠融資擔保股份有限公司), the name of which was changed to Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司) afterwards, with Guangdong Financing Re-Guarantee Company Limited* (廣東省融資再擔保有限公司), Yunfu Rongda Asset Operations Company Limited* (雲浮市融達資產經營有限公司) and Guangdong Wenshi Investment Company Limited* (廣東溫氏投資有限公司) and to increase the registered capital of Yunfu Puhui Financing Guarantee Co., Ltd. after Guangdong Financing Re-Guarantee Company Limited ceased to be a shareholder thereof. Upon the completion of capital contribution, the shareholding of the Group in Yunfu Puhui Financing Guarantee Co., Ltd. increased to 45.5%. And approximately HK$48.58 million had been used to contribute to the registered capital of 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**"), following which the Group's shareholding in Anhui Join-Share increased from 51% to approximately 60.55%.	(i) The amount of HK$22.74 million remaining net proceeds have not yet been utilized and remain available for the intended use.	(i) HK$47.56 million
HK$74.90 million	(ii) Develop SMEs lending business, establish new subsidiaries and increase capital base in order to expand the Group's SME lending business and improve its status in the market.	(ii) Approximately HK$28.79 million and HK$32.39 million had been used to contribute to the registered capital of Foshan Micro Credit and the acquisition of shares in Foshan Micro Credit from its existing shareholders, respectively. Following the acquisition of shares in Foshan Micro Credit, the Group's shareholding in Foshan Micro Credit increased from 30% to approximately 50.4%.	(ii) The amount of HK$ 13.72 million remaining net proceeds have not yet been utilized and remain available for the intended use.	(ii) HK$13.72 million

	Net proceeds allocation	Intended use of the proceeds	Actual use of the proceeds	The amount of remaining net proceeds	The amount of proceeds brought forward to the current financial year from the previous financial year
	HK$57.90 million	(iii) Develop finance lease business, establish new finance lease subsidiaries and explore and optimise related industries and establish a finance lease company in 2016.	(iii) Nil	(iii) The amount of HK$57.90 million remaining net proceeds have not yet been utilized and remain available for the intended use.	(iii) HK$57.90 million
	HK$63.70 million	(iv) Contribution to the registered capital of a new wholly-owned subsidiary to provide capital management services.	(iv) Approximately HK$63.55 million had been used to contribute to the registered capital of Guangdong Join-Share Capital Management Limited* (廣東中盈盛達資本管理有限公司).	(iv) The amount of HK$0.15 million remaining net proceeds have not yet been utilized and remain available for the intended use.	(iv) HK$0.15 million
	HK$23.80 million	(v) Supplement operating capital and other business expenses.	(v) Approximately HK$23.80 million had been utilised for supplementing operating capital and other business expenses.	(v) The amount of nil remaining net proceeds have not yet been utilized and remain available for the intended use.	Nil
Total:	HK$340.30 million		HK$245.79 million	HK$94.51 million	HK$119.33 million

The actual use of net proceeds abovementioned were consistent with the intended use of the proceeds disclosed in the announcement of the Company dated 26 September 2016.

(II) ***Proceeds from investor subscription shares, management subscription shares and placing of new H shares***

Reference is made to the announcements of the Company 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, 29 March 2018 and 18 April 2018, respectively, and the circular of the Company dated 30 September 2017 (the "**Circular**") in relation to, among other things, (i) the Investor Subscription; (ii) the Management Subscriptions; and (iii) the Placing. Unless otherwise specified, capitalised terms used in this sub-paragraph shall have the same meanings as those defined in the Circular.

The Company has allotted and issued and Foshan Financial Investment Holdings Co., Ltd.* (佛山市金融投資控股有限公司), the Subscriber, and the Management Subscribers have subscribed for the Investor Subscription Shares and Management Subscription Shares comprising, in aggregate, (i) 233,096,020 new Domestic Shares at an issue price of RMB1.264 (approximately HK$1.428 at the exchange rate of HK$1: RMB0.88507) per Domestic Share, equal to the net price per Domestic Share; and (ii) 74,364,000 new H Shares at an issue price of HK$1.42 per H Share, equal to the net price per H Share on 18 April 2018. The Subscriber has nominated Fojin Hongkong Limited (佛金香港有限公司), a wholly-owned subsidiary of the Subscriber, to take up the Investor Subscription H Shares. The average market price and closing market price of H Share on 15 May 2017, being which the date of each of the Investor Subscription Agreement entered into between the Company and Subscriber and Management Subscription Agreements entered into between the Company and each of the Management Subscribers, was HK$1.51 per H Share and HK$1.42 per H Share, respectively.

Regarding the reasons and benefits of issue of Investor Subscription Shares, it is the strategy of the Group to continue to develop its core business while seeking to increase profitability and achieve long-term growth through continuous optimisation of its service mix and expanding its footprint in new segment(s) that could complement the Group's business or create synergy. Please refer to the Circular for further details of the reasons and benefits of the issue of the Investor Subscription Shares. Further, the Directors believe that the issue of Management Subscription Shares will motivate the key management and employees of the Company, establish a mid-to-long-term incentive plan, realise the maximisation of value for the Company and the Shareholders, and effectively align the interests of the Shareholders, the Company and its employees with a view to ensuring the long-term and sound development of the Company. Please refer to the Circular for further details of the reasons and benefits of the issue of the Management Subscription Shares.

The net proceeds from the Investor Subscription and the Management Subscription are approximately RMB375.45 million (approximately HK$424.21 million at the exchange rate of HK$1:RMB0.88507) and RMB12.64 million (approximately HK$14.28 million at the exchange rate of HK$1:RMB0.88507), respectively.

As at 30 June 2018, details of the use of proceeds from the Investors Subscription are as follows:

Fund raising activity	Net proceeds raised (approximately)	Intended use of the proceeds	Actual use of the proceeds
Issue of the Investor Subscription Shares (comprising 74,364,000 H Shares and 223,096,020 Domestic Shares) under Specific Mandate	RMB375.45 million (approximately HK$424.21 million at the exchange rate of HK$1:RMB0.88507)	(i) Approximately 60% will be used for pursuing acquisition and merger opportunities when suitable target becomes available, in order to expand the Group's service mix and further consolidate the market position of the Group in Guangdong Province or Pearl River Delta region.	(i) RMB45.00 million and RMB90.00 million have been used for capital contribution of establishment of Shenzhen Join-Share Commercial Factoring Co., Ltd.* (深圳市中盈 盛達商業保理有限公司) and capital contribution of establishment of Shenzhen Join-Share Construction Guarantee Co., Ltd.* (深圳市中盈盛達工程 擔保有限公司), which was held as to 90% by the Company.
		(ii) Approximately 20% will be used for establishing a subsidiary for providing comprehensive internet financial and internet micro-lending services.	(ii) The remaining net proceeds have not yet been utilized and remain available for the intended use.
		(iii) Approximately 20% will be used for further developing and strengthening the Group's existing business by way of increasing the Group's contribution to the registered capital of Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd* (中山 中盈盛達科技融資擔保 有限公司), a subsidiary of the Company engaging in financing guarantee, non- financing guarantee and consulting services.	(iii) The remaining net proceeds have not yet been utilized and remain available for the intended use.

As at 30 June 2018, details of the use of proceeds from the Management Subscription are as follows:

Fund raising activity	Net proceeds raised (approximately)	Intended use of the proceeds	Actual use of the proceeds
Issue of the Management Subscription Shares (i.e. 10,000,000 Domestic Shares) under Specific Mandate	RMB12.64 million (approximately HK$14.28 million at the exchange rate of HK$1:RMB0.88507)	The net proceeds from the issue of Management Subscription Shares, after deducting relevant expenses, will be applied by the Company for working capital and general corporate purposes, namely for marketing and advertising purposes to enhance the corporate image of the Group in Guangdong Province or Pearl River Delta region.	The total net proceeds have been used for working capital and general corporate purposes, namely for marketing and advertising purposes to enhance the corporate image of the Group in Guangdong Province or Pearl River Delta region.

Upon the Investor Subscription Completion and the Management Subscription Completion, the conditions precedent to both of the First Tranche Placing and Second Tranche Placing have been satisfied and the Placing was completed on 18 April 2018. A total of 186,666,000 Placing Shares (new H Shares) have been placed to nine Placees at a Placing Price of HK$1.42 per Placing Share (with an net price of approximately HK$1.41 per Placing Share). The average market price and closing price of H Share on 17 July 2017, being which the Placing Agreement was entered into between the Company and the Placing Agent in relation to the Placing, was HK$1.36 per H Share and HK$1.37 per H Share, respectively. The Placing Shares were placed to cover the Initial Public Float Shortfall upon Investor Subscription Completion and the Possible Further Public Float Shortfall upon the Possible Shareholders' Transaction Completion, with a view to maintaining the Public Float Requirement at all times. Please refer to the Circular for further details regarding the reasons and benefits of issue of Placing Shares.

The net proceeds (after deducting the placing commission and relevant expenses) from the Placing (comprising the First Tranche Placing and the Second Tranche Placing) are approximately HK$262.4 million.

As at 30 June 2018, actual use of proceeds from Placing are as follows:

Fund raising activity	Net proceeds raised (approximately)	Intended use of the proceeds	Actual use of the proceeds
Placing of 186,666,000 H Shares under Specific Mandate	HK$262.4 million	(i) Approximately 30% will be used for funding a potential investment (through capital contribution or acquisition of existing equity interest) in a company established in Foshan, the PRC, which is principally engaged in providing financial and related consultancy services through its service platform to the SMEs operating along the value chain in the ceramic industry of the PRC.	(i) The remaining net proceeds have not yet been utilized and remain available for the intended use.
		(ii) Approximately 35% will be used for funding the geographical expansion of the Group's financing guarantee business to Guangzhou city of Guangdong Province, which is planned to be achieved through establishing a new subsidiary or (if desirable) acquiring an equity interest in an entity which is providing financing guarantee services in that district.	(ii) The remaining net proceeds have not yet been utilized and remain available for the intended use.

Fund raising activity	Net proceeds raised (approximately)	Intended use of the proceeds	Actual use of the proceeds
		(iii) Approximately 25% will be used for increasing the registered capital of Foshan Micro Credit, a subsidiary of the Company engaging in SME lending business, which would allow the Group to expand the lending portfolio and capture further business opportunity under this segment in light of the recent increase in the demand for SME loans granted by the Group;	(iii) The remaining net proceeds have not yet been utilized and remain available for the intended use.
		(iv) Approximately 10% will be used for general working capital purposes, of which approximately 6% will be used for the renovation of existing office premises of the Group and the setting up of new offices by the Group in Foshan to enhance its business network in the city and approximately 4% will be used for purchasing office equipment including computers and for upgrading the computer software.	(iv) As to HK$15.744 million has been used for the renovation of existing office premises of the Group and the setting up of new offices by the Group in Foshan to enhance its business network in the city and as to HK$10.496 million has been used for purchasing office equipment including computers and for upgrading the computer software.

The above mentioned uses are consistent with the intended use of proceeds as disclosed in the Circular. The Group will constantly evaluate its business plan and may change or modify plan against the changing market condition to attain sustainable business growth of the Group.

Significant Investments

As at 30 June 2018, the Group did not hold any significant investment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 27 February 2018, the Group increased its capital contribution to its 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) by RMB20 million, with its shareholding reaching 45.45% afterwards, and entered into a concert party agreement with other shareholders to consolidate it as a subsidiary into the Group's financial statements during the reporting period. Meanwhile, the company was renamed as Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司).

On 10 April 2018, the Group acquired 20%, 5% and 9% equity interests from Jiang Jianming, Zhou Hehua and Foshan Nanhai Songgang Fuhao Network Wire Co., Ltd.* (佛山市南海區松崗富豪網絡線材有限公司), shareholders of Foshan Join-Share Supply Chain Service Co., Ltd.* (佛山中盈盛達供應鏈服務有限公司), a subsidiary of the Company, which was renamed as Guangdong Join-Share Supply Chain Management Co., Ltd* (廣東中盈盛達供應鏈管理有限公司) on 3 August 2018, respectively, with its shareholding standing at 85% as at 30 June 2018.

On 30 May 2018, the Group and Shenzhen Lichengxing Investment Consulting Co., Ltd.* (深圳市利誠興投資諮詢有限公司) jointly established Shenzhen Join-Share Engineering Guarantee Co., Ltd.* (深圳市中盈盛達工程擔保有限公司), with a registered capital of RMB100 million, and 90% equity interest held by the Group.

Future Plans for Material Investments or Capital Assets

Save as the future plans or development of the Group's business as disclosed in the sections headed "Prospects and Future Developments in the Business of the Group" and "Events After the Reporting Period" in this interim report, there was no specific plan for material investments or capital assets as at 30 June 2018.

HUMAN RESOURCES

The total number of staff within the Group as at 30 June 2018 was 275. As at 30 June 2018, the number of staff holding a bachelor's degree or above was 226, accounting for 82% of our total number of staff; and the number of staff holding a junior college degree or below was 49, accounting for 18% of our total number of staff. 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 six months ended 30 June 2018, we paid approximately RMB20.36 million to our employees as remuneration. We also offer trainings to our new employees once 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 six months ended 30 June 2018.

Other Information

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

As at 30 June 2018, the interests or short positions of Directors, chief executive or supervisors of the Company (the "**Supervisors**") in the Shares, underlying shares and debentures of the 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 Rules Governing the Listing of Securities on Stock Exchange (the "**Listing Rules**") were as follows:

Interest in Shares of the 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. Zhang Deben	Director	Beneficial owner	212,000 Domestic Shares (L)	0.02%	0.01%
Mr. Huang Guoshen	Director	Beneficial owner	41,760,000 Domestic Shares (L)	4.15%	2.68%
Mr. Wu Liejin	Director	Beneficial owner	32,110,351 Domestic Shares (L)	3.19%	2.06%
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 30 June 2018, the number of issued domestic shares of the Company (the "**Domestic Shares**") and the H shares of the Company (the "**H Shares**") were 1,006,429,353 and 554,363,334, respectively.

(3) As at 30 June 2018, there were 1,560,792,687 Shares in the issued share capital of the Company.

Save as disclosed above, as at 30 June 2018, 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 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 30 June 2018, the persons (not being the Directors, Supervisors or the chief executive of the Company) or corporations having interests or 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 or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Shareholder	Nature of Interest	Number and class of Shares[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]
Lo Kai Bong[4]	Beneficial owner	30,368,000 H Shares (L)	5.48%	1.95%
	Interest of controlled corporation	39,596,000 H Shares (L)	7.14%	2.54%
Foshan Financial Investment Holding Co., Ltd.* 佛山市金融投資控股有限公司[5]	Interest of controlled corporation[6]	164,164,000 H Shares (L)	29.61%	10.52%
	Beneficial owner	239,854,838 Domestic Shares (L)	23.83%	15.37%
	Interest of controlled corporation[5]	33,002,680 Domestic Shares (L)	3.28%	2.11%
Fojin Hongkong Limited 佛金香港有限公司[6]	Beneficial owner	164,164,000 H Shares (L)	29.61%	10.52%
Hong Kong Wellknown Development Limited ("**Hong Kong Wellknown**")[7]	Beneficial owner	55,134,000 H Shares (L)	9.95%	3.53%
Dragon Pearl Hong Kong Investment Development Limited ("**Dragon Pearl**") [7]	Beneficial owner	66,222,000 H Shares (L)	11.95%	4.24%
Wu Zhi Jian[7]	Interest of controlled corporation	89,514,000 H Shares (L)	16.15%	5.74%

Notes:

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

(2) As at 30 June 2018, the number of issued Domestic shares and the H Shares were 1,006,429,353 shares and 554,363,334 shares, respectively.

(3) As at 30 June 2018, there were 1,560,792,687 Shares in the issued share capital of the Company.

(4) Based on the disclosure of interests form submitted by Mr. Lo Kai Bong on 20 April 2018, Better Linkage Limited, which has direct interest in 39,596,000 H Shares, is wholly-owned by Mr. Lo Kai Bong as at 18 April 2018. Mr. Lo Kai Bong is interested in 69,964,000 H Shares in aggregate.

(5) Foshan Fuside Infrastructure Investment Co., Ltd*. (佛山市富思德基礎設施投資有限公司) (the "**Fuside**") is wholly-owned by Foshan Financial Investment Holding Co., Ltd.* (佛山市金融投資控股有限公司). Foshan Financial Investment Holding Co., Ltd.* (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) Foshan Financial Investment Holding Co., Ltd.* (佛山市金融投資控股有限公司) holds 100% of Fojin Hongkong Limited (佛金香港有限公司) and is deemed to be interested in 164,164,000 H Shares of the Company held by the latter.

(7) Based on the disclosure of interests form submitted by Hong Kong Wellknown on 4 June 2018, Hong Kong Wellknown is wholly-owned by Dragon Pearl, which is in turn wholly-owned by Mr. Wu Zhi Jian ("**Mr. Wu**") as at 31 May 2018. Based on the disclosure of interests form submitted by Mr. Wu on 3 July 2018, Mr. Wu is interested in 89,514,000 H Shares in aggregate through corporation(s) controlled by him as at 29 June 2018.

Save as disclosed above, as at 30 June 2018, the Company is not aware of any other persons (not being the Directors, Supervisors or the chief executive of the Company) or corporations having interests or 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 or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

The audit committee of the Board (the "**Audit Committee**") comprised three independent non-executive Directors and two non-executive Directors, namely, Mr. Wu Xiangneng, Mr. Leung Hon Man, Mr. Liu Heng, Mr. Huang Guoshen and Mr. Luo Zhenqing. Mr. Wu Xiangneng is the chairman of the Audit Committee. The unaudited consolidated interim financial statements for the six months ended 30 June 2018 and its interim report have been reviewed by the Audit Committee. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner.

The Board comprises one executive Director, five non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**Code Provisions**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. For the six months ended 30 June 2018, the Company has complied with the Code Provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of practice for carrying out securities transactions by the Directors and Supervisors. After specific enquiry with all the Directors and Supervisors, they have confirmed full compliance with the relevant standards stipulated in the Model Code during the six months ended 30 June 2018.

CHANGES OF INFORMATION OF DIRECTORS AND SUPERVISORS

On 19 April 2018, Mr. Xie Yongdong tendered resignation from the office as an executive Director, the president of the Company, a member of the remuneration and appraisal committee of the Board (the "**Remuneration and Appraisal Committee**"), a member of the risk management committee of the Board (the "**Risk Management Committee**") and a member of the strategy committee of the Board (the "**Strategy Committee**"), with effect from 19 April 2018 to pursue his personal development. Please refer to the announcement of the Company dated 19 April 2018 for further details.

On 6 June 2018, Mr. Luo Zhenqing ("**Mr. Luo**") and Mr. Zhang Deben ("**Mr. Zhang**") were both elected as new non-executive Directors. Mr. Luo was appointed as a member of the Audit Committee as well as the Remuneration and Appraisal Committee. Mr. Zhang was appointed as a member of the Strategy Committee, the Risk Management Committee as well as the Remuneration and Appraisal Committee. Please refer to the announcement of the Company dated 6 June 2018 for further details.

On 6 June 2018, Ms. Huang Yuzhen was elected as the employee representative Supervisor. and Mr. Wang Wei ceases to be an employee representative Supervisor due to family affair reason. Please refer to the announcement of the Company dated 6 June 2018 for further details.

Save as disclosed above, as at the date of this report, the Directors and Supervisors confirmed that there is no information which is discloseable pursuant to the requirements under Rule 13.51B of the Listing Rules.

CHANGE OF JOINT COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE

On 30 May 2018, Mr. Wong Yat Tung ("**Mr. Wong**") tendered resignation as a joint company secretary of the Company (the "**Joint Company Secretary**") and has ceased to act as an authorised representative of the Company under Rule 3.05 of the Listing Rules and an authorised representative of the Company for accepting service of process or notice in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (collectively, the "**Authorised Representative**") with effect from 30 May 2018.

Mr. Lau Kwok Yin has been appointed as the Joint Company Secretary and Authorised Representative in replacement of Mr. Wong with effect from 30 May 2018. Please refer to the announcement of the Company dated 30 May 2018 for further details.

INTEREST OF DIRECTORS IN A COMPETING BUSINESS

None of the Directors, the controlling Shareholders of the Company and their respective close associates had an interest in a business which competes or may compete with the business of the Group during the six months ended 30 June 2018.

EVENTS AFTER THE REPORTING PERIOD

The Company updated the payment date of the final dividend for the year ended 31 December 2017 on 11 July 2018. Due to the fact that the tax filing process in the PRC and the review process for the remittance outside the PRC have not been completed, the Board announced that the payment date for the final dividend payable to the Shareholders whose names appear on the register of members of the Company on 17 June 2018 will be adjusted from 30 July 2018 to on or before 16 August 2018. Please refer to the announcement of the Company dated 11 July 2018 for further details.

The principal place of business in Hong Kong was changed to 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong on 30 July 2018 by the Company. Please refer to the announcement of the Company dated 30 July 2018 for further details.

Save as disclosed above, from the end of the reporting period up to the date of this report, the Group did not have any other significant events.

By order of the Board
Guangdong Join-Share Financing Guarantee Investment Co, Ltd*
Wu Liejin
Chairman of the Board
28 August 2018

Review Report to the Board of Directors of
Guangdong Join-Share Financing Guarantee Investment Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 28 to 96 which comprises the consolidated statement of financial position of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") as of 30 June 2018 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept legal liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

28 August 2018

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	Note	*RMB'000*	*RMB'000*
Guarantee fee income		75,717	71,566
Guarantee cost		(1,887)	(5,025)
Net guarantee fee income		73,830	66,541
Interest income		41,787	53,859
Interest expenses		(6,922)	(5,411)
Net interest income		34,865	48,448
Service fee from consulting services		13,192	21,381
Revenue	3	121,887	136,370
Other revenue	4	23,440	4,575
Share of losses of associates		(685)	(63)
Provisions written back for guarantee losses		4,952	2,159
Impairment losses	5(a)	(22,083)	(18,089)
Operating expenses	5(b)/(c)	(40,715)	(39,699)
Profit before taxation		86,796	85,253
Income tax	6	(22,527)	(22,228)
Profit for the period		64,269	63,025
Attributable to:			
Equity shareholders of the Company		54,939	55,770
Non-controlling interests		9,330	7,255
Profit for the period		64,269	63,025
Earnings per share			
Basic and diluted *(RMB per share)*	7	0.04	0.05

The notes on pages 35 to 96 form part of this interim financial report.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**64,269**	63,025
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVOCI: net movement in fair value	**(290)**	–
Available-for-sale financial assets: net movement in fair value	**–**	2,760
Income tax arises from financial assets measured at FVOCI	**72**	–
Income tax arises from available-for-sale financial assets	**–**	(690)
Other comprehensive income for the period	**(218)**	2,070
Total comprehensive income for the period	**64,051**	65,095
Attributable to:		
Equity shareholders of the Company	**54,721**	57,840
Non-controlling interests	**9,330**	7,255
Total comprehensive income for the period	**64,051**	65,095

The notes on pages 35 to 96 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Assets			
Cash and bank deposits	8	**944,558**	611,520
Pledged bank deposits	9	**272,511**	185,474
Trade and other receivables	10	**605,246**	578,465
Loans and advances to customers	11	**649,069**	666,790
Factoring receivables	12	**50,650**	–
Financial assets measured at FVOCI	13	**60,005**	–
Available-for-sale financial assets	14	**–**	58,655
Receivable investments	15	**201,258**	23,000
Interest in associates	17	**21,197**	52,517
Fixed assets	18(a)	**10,664**	11,688
Investment property	18(b)	**5,561**	876
Intangible assets	19	**2,865**	2,842
Goodwill		**419**	419
Deferred tax assets	25(b)	**65,431**	46,713
Total assets		**2,889,434**	2,238,959
Liabilities			
Interest-bearing borrowings	20	**30,000**	74,750
Liabilities from guarantees	21	**183,967**	172,614
Customer pledged deposits	22(a)	**60,924**	39,911
Accruals and other payables	22(b)	**180,363**	66,630
Current tax liabilities	25(a)	**27,791**	31,898
Other financial instrument-liability component	23	**69,027**	69,193
Financial institution bonds	24	**49,371**	48,208
Total liabilities		**601,443**	503,204
NET ASSETS		**2,287,991**	1,735,755

The notes on pages 35 to 96 form part of this interim financial report.

Consolidated Statement of Financial Position (Continued)

at 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
CAPITAL AND RESERVES	26		
Share capital		**1,560,793**	1,066,667
Reserves		**394,809**	394,466
Total equity attributable to equity shareholders of the Company		**1,955,602**	1,461,133
Non-controlling interests		**332,389**	274,622
TOTAL EQUITY		**2,287,991**	1,735,755

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

Wu Liejin
Executive Director and Chairman

Company Stamp

The notes on pages 35 to 96 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital *RMB'000* *Note 26(b)*	Share premium *RMB'000* *Note 26(c)(i)*	Capital reserve *RMB'000* *Note 26(c)(ii)*	Fair value reserve *RMB'000* *Note 26(c)(iii)*	Surplus reserve *RMB'000* *Note 26(c)(iv)*	General reserve *RMB'000* *Note 26(c)(v)*	Other financial instrument-equity component *RMB'000* *Note 26(c)(vi)*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
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 the six months ended 30 June 2017:											
Profit for the period	–	–	–	–	–	–	–	55,770	55,770	7,255	63,025
Other comprehensive income	–	–	–	2,070	–	–	–	–	2,070	–	2,070
Total comprehensive income	–	–	–	2,070	–	–	–	55,770	57,840	7,255	65,095
Acquisition of additional shares in a subsidiary	–	–	–	–	–	–	–	–	–	15,914	15,914
Appropriation to general reserve	–	–	–	–	–	510	–	(510)	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(90,667)	(90,667)	(14,921)	(105,588)
Balance at 30 June 2017	1,066,667	43,107	(1,068)	19	78,005	85,754	2,370	136,940	1,411,794	275,829	1,687,623
Balance at 30 June 2017 and 1 July 2017	1,066,667	43,107	(1,068)	19	78,005	85,754	2,370	136,940	1,411,794	275,829	1,687,623
Changes in equity for the six months ended 31 December 2017:											
Profit for the period	–	–	–	–	–	–	–	50,299	50,299	9,880	60,179
Other comprehensive income	–	–	–	(960)	–	–	–	–	(960)	–	(960)
Total comprehensive income	–	–	–	(960)	–	–	–	50,299	49,339	9,880	59,219
Purchase of shares from subsidiaries	–	–	–	–	–	–	–	–	–	(10,022)	(10,022)
Appropriation to surplus reserve	–	–	–	–	10,254	–	–	(10,254)	–	–	–
Appropriation to general reserve	–	–	–	–	–	10,254	–	(10,254)	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	–	–	(1,065)	(1,065)
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 35 to 96 form part of this interim financial report.

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument-equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 26(b)	*Note 26(c)(i)*	*Note 26(c)(ii)*	*Note 26(c)(iii)*	*Note 26(c)(iv)*	*Note 26(c)(v)*	*Note 26(c)(vi)*				
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
Impact of adopting HKFRS 9 at 1 January 2018 (net of tax)	–	–	–	–	–	–	–	(36,141)	(36,141)	(5,668)	(41,809)
Restated balance at 1 January 2018	1,066,667	43,107	(1,068)	(941)	88,259	96,008	2,370	130,590	1,424,992	268,954	1,693,946
Changes in equity for the six months ended 30 June 2018:											
Profit for the period	–	–	–	–	–	–	–	54,939	54,939	9,330	64,269
Other comprehensive income	–	–	–	(218)	–	–	–	–	(218)	–	(218)
Total comprehensive income	–	–	–	(218)	–	–	–	54,939	54,721	9,330	64,051
Issue of ordinary shares	494,126	90,666	–	–	–	–	–	–	584,792	–	584,792
Addition through acquisition of subsidiaries	–	–	–	–	–	–	–	1,240	1,240	70,035	71,275
Appropriation to general reserve	–	–	–	–	–	(204)	–	204	–	–	–
Dividends approved in respect of the previous year	–	–	–	–	–	–	–	(110,143)	(110,143)	(15,930)	(126,073)
Balance at 30 June 2018	1,560,793	133,773	(1,068)	(1,159)	88,259	95,804	2,370	76,830	1,955,602	332,389	2,287,991

The notes on pages 35 to 96 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Operating activities			
Cash used in operations		**(290,924)**	(152,576)
PRC income tax paid	25(a)	**(31,174)**	(32,732)
Net cash used in operating activities		**(322,098)**	(185,308)
Investing activities			
Investment income		**8,417**	3,036
Proceeds from disposal of financial assets		**4,360**	118,958
Payments on purchase of financial assets		**(187,174)**	(19,000)
Other cash flows arising from investing activities		**(2,610)**	(4,898)
Net cash (used in)/ generated from investing activities		**(177,007)**	98,096
Financing activities			
Proceeds from capital contribution by equity shareholders		**584,792**	–
Net proceeds from acquiring subsidiaries		**70,375**	15,915
Proceeds from new borrowings		**59,500**	60,662
Repayment of Interest-bearing borrowings		**(104,250)**	(8,978)
Other cash flows arising from financing activities		**(16,600)**	(2,072)
Net cash generated from financing activities		**593,817**	65,527
Net increase/(decrease) in cash and cash equivalents		**94,712**	(21,685)
Cash and cash equivalents at 1 January	8	**406,746**	402,508
Effect of foreign exchange rate changes	4/5(c)	**15,104**	(2,378)
Cash and cash equivalents at 30 June	8	**516,562**	378,445

The notes on pages 35 to 96 form part of this interim financial report.

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 August 2018.

The interim financial report has been prepared in accordance with the same basis and accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on Page 27.

2 Changes in accounting policies

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and not materially impacted by HKFRS 15. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017	Impact on initial application of HKFRS 9 *(Note 2(b))*	**At 1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Trade and other receivables	578,465	(17,743)	**560,722**
Loans and advances to customers	666,790	(21,506)	**645,284**
Receivable investments	23,000	(495)	**22,505**
Deferred tax assets	46,713	13,936	**60,649**
Total assets	2,238,959	(25,808)	**2,213,151**

2 Changes in accounting policies (Continued)

(a) Overview (Continued)

	At 31 December 2017	Impact on initial application of HKFRS 9 *(Note 2(b))*	**At 1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Liabilities from guarantees	(172,614)	(16,001)	**(188,615)**
Total liability	(503,204)	(16,001)	**(519,205)**
Net assets	1,735,755	(41,809)	**1,693,946**
Reserves	394,466	(36,141)	**358,325**
Total equity attributable to equity shareholders of the Company	1,461,133	(36,141)	**1,424,992**
Non-controlling interests	274,622	(5,668)	**268,954**
Total equity	1,735,755	(41,809)	**1,693,946**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	At 30 June 2018 *RMB'000*
Retained earnings	
Recognition of additional expected credit losses on:	
– Trade and other receivables	(17,743)
– Loans and advances to customers	(21,506)
– Receivable investments	(495)
– Liabilities from guarantees	(16,001)
Subtotal	(55,745)
Related tax	13,936
Net decrease in retained earnings at 1 January 2018	(41,809)
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and financial guarantees issued, and decrease in non-controlling interests at 1 January 2018	(5,668)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets and financial guarantees issued under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at amortised cost and financial guarantees issued				
Trade and other receivables	578,465	-	(17,743)	560,722
Loans and advances to customers	666,790	–	(21,506)	645,284
Receivable investments	23,000	–	(495)	22,505
Liabilities from guarantees	(172,614)	–	(16,001)	(188,615)
Total	1,095,641	–	(55,745)	(1,039,896)
Financial assets measured at FVOCI				
Equity securities *(note (i))*	–	58,655	–	58,655
Financial assets classified as available-for-sale under HKAS 39 *(note (i))*	58,655	(58,655)	–	–

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

(i) Under HKAS 39, equity securities not held for trading and wealth management products were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment amounting to RMB58,655,000 at FVOCI, as these investments are held for strategic purposes.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

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.

Financial guarantees issued are initially recognised within "Liabilities from guarantees" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "Liabilities from guarantees" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (other than financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans and advances to customers);

– receivables from guarantee customers;

– receivables for default guarantee payments; and

– financial guarantee contracts issued (see note 2(b)(i)).

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and wealth management products, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Measurement of ECLs (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the loans and advances to customers are 30 days past due and other financial assets are past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;

- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(ii) Credit losses (Continued)

Write-off policy (Continued)

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB41,809,000, which decreased retained earnings by RMB36,141,000 and non-controlling interests by RMB5,668,000 and increased gross deferred tax assets by RMB13,936,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	Loss allowance at 31 December 2017 under HKAS 39 *RMB'000*	**Additional credit loss recognised at 1 January 2018** ***RMB'000***	**Loss allowance at 1 January 2018 under HKFRS 9** ***RMB'000***
Trade and other receivables	72,458	**17,743**	**90,201**
Loans and advances to customers	35,528	**21,506**	**57,034**
Receivable investments	–	**495**	**495**
Liabilities from guarantees	172,614	**16,001**	**188,615**
Total	280,600	**55,745**	**336,345**

2 Changes in accounting policies (Continued)

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - The determination of the business model within which a financial asset is held; and

  - The designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

The Group performed an assessment of the new standard and concluded that the current treatment of revenue from contracts with customers is consistent with the new principles and there is no transition impact to retained earnings.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

2 Changes in accounting policies (Continued)

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration (Continued)

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The Group currently does not have any foreign business and therefor the adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

3 Revenue and segment reporting

(a) Revenue

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Guarantee fee income		
Financing guarantee fee income	**49,191**	57,005
Performance guarantee fee income	**26,518**	14,561
Litigation guarantee fee income	**8**	–
Subtotal	**75,717**	71,566
Guarantee cost		
Re-guarantee expenses	**(1,887)**	(5,025)
Net guarantee fee income	**73,830**	66,541
Interest income		
– Loans and advances to customers	**37,923**	53,222
– Cash at banks and pledged bank deposits	**3,864**	637

3 Revenue and segment reporting (Continued)

(a) Revenue (Continued)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Subtotal	**41,787**	53,859
Interest expenses		
– Interest expenses from other financial instruments liability component	**(2,314)**	(2,433)
– Interest expenses from financial institution bonds	**(2,154)**	(2,154)
– Borrowings from banks	**(2,454)**	(824)
Subtotal	**(6,922)**	(5,411)
Net interest income	**34,865**	48,448
Service fee from consulting services	**13,192**	21,381
Revenue	**121,887**	136,370

3 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, net interest income and service fee from consulting services during the six months ended 30 June 2018 and 2017. Details of concentrations of credit risk are set out in note 27(a).

(b) Segment reporting

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

Guarantee business

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

SME lending

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

Others

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

(i) Segment results, assets and liabilities

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

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

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

Others (Continued)

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization 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 six months ended 30 June 2018 and 2017 are set out below:

	Six months ended 30 June 2018 (unaudited)		
	Guarantee business *RMB'000*	SME lending and others *RMB'000*	Total *RMB'000*
Guarantee fee income	75,717	–	75,717
Guarantee cost	(1,887)	–	(1,887)
Interest income	3,696	38,091	41,787
Interest expenses	(2,145)	(4,777)	(6,922)
Service fee from consulting services	12,134	1,058	13,192
Reportable segment revenue	87,515	34,372	121,887
Other revenue	22,965	475	23,440
Share of losses of associates	(685)	–	(685)
Provisions written back for guarantees issued	4,952	–	4,952
Impairment losses	(21,629)	(454)	(22,083)
Operating expenses	(29,197)	(11,518)	(40,715)
Reportable segment profit before taxation	63,921	22,875	86,796
Segment assets	2,036,341	818,019	2,854,360
Segment liabilities	513,022	118,778	631,800

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

Others (Continued)

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

	Six months ended 30 June 2017 (unaudited)		
	Guarantee business *RMB'000*	SME lending and others *RMB'000*	Total *RMB'000*
Guarantee fee income	71,566	–	71,566
Guarantee cost	(5,025)	–	(5,025)
Interest income	406	53,453	53,859
Interest expenses	(2,433)	(2,978)	(5,411)
Service fee from consulting services	19,034	2,347	21,381
Reportable segment revenue	83,548	52,822	136,370
Other revenue	4,137	438	4,575
Share of losses of associates	(63)	–	(63)
Provisions written back for guarantees issued	2,159	–	2,159
Impairment losses	(11,122)	(6,967)	(18,089)
Operating expenses	(26,951)	(12,748)	(39,699)
Reportable segment profit before taxation	51,708	33,545	85,253
Segment assets	1,423,759	832,178	2,255,937
Segment liabilities	466,811	143,310	610,121

3 Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

Others (Continued)

(ii) Reconciliation of reportable segment assets

	Note	**At 30 June 2018 *RMB'000* (unaudited)**	At 30 June 2017 *RMB'000* (unaudited)
Assets			
Reportable segment assets		**2,854,360**	2,255,937
Deferred tax assets	25(b)	**65,431**	41,807
Elimination of inter-segment receivables		**(30,357)**	(12,875)
Consolidated total assets		**2,889,434**	2,284,869
Liabilities			
Reportable segment liabilities		**631,800**	610,121
Elimination of inter-segment receivables		**(30,357)**	(12,875)
Consolidated total liabilities		**601,443**	597,246

4 Other revenue

	Six months ended 30 June	
	2018 *RMB'000* (unaudited)	2017 *RMB'000* (unaudited)
Foreign exchange gains	**15,104**	–
Investment income of receivable investments	**6,850**	1,180
Investment income from financial assets measured at FVOCI	**882**	–
Investment income from available-for-sale financial assets	**–**	1,856
Government grant	**39**	860
Others	**565**	679
	23,440	4,575

5 Profit before taxation

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

(a) Impairment and provision-charged/(written back)

	Note	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Receivables for default guarantee payments	10(b)(i)	14,598	(690)
Receivables from guarantee customers	10(b)(ii)	7,032	11,811
Loans and advances to customers	11(f)	(3,091)	6,968
Factoring receivables	12(b)	1,115	–
Receivable investments		2,494	–
Others		(65)	–
		22,083	18,089

(b) Staff costs

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Salaries, wages, bonuses and other benefits	18,146	16,661
Contributions to retirement schemes	2,210	1,823
	20,356	18,484

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 period. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

5 Profit before taxation (Continued)

(c) Other items

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating lease charges: minimum lease payments	2,999	2,619
Foreign exchange losses	–	2,378
Depreciation and amortization	2,687	2,031
Auditors' remuneration	630	600

6 Income tax in the consolidated statement of profit or loss

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

		Six months ended 30 June	
		2018	2017
	Note	RMB'000	RMB'000
		(unaudited)	(unaudited)
Current tax			
Provision for PRC income tax for the period	25(a)	26,665	17,814
Deferred tax			
Origination and reversal of temporary differences	25(b)	(4,138)	4,414
Income tax expense		22,527	22,228

6 Income tax in the consolidated statement of profit or loss (Continued)

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

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Profit before taxation		**86,796**	85,253
Notional tax on profit before taxation, calculated at 25%	(i)/(ii)	**21,699**	21,313
Effect of non-deductible expenses		**828**	915
Actual income tax expense		**22,527**	22,228

(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 period.

(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%.

7 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 of RMB54,939,000 (six months ended 30 June 2017: RMB55,770,000) and the weighted average of 1,264,317,000 ordinary shares (2017: 1,066,667,000 shares).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017, therefore, diluted earnings per share are the same as the basic earnings per share.

8 Cash and bank deposits

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Cash in hand	26	23
Cash at banks	516,536	406,723
Cash and cash equivalents in the condensed consolidated cash flow statement	516,562	406,746
Term deposits with banks	427,996	202,409
Restricted bank deposits	–	2,365
	944,558	611,520

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 deposit 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 condensed consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

9 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.

10 Trade and other receivables

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Receivables for default guarantee payments	(i)/10(a)(i)	260,812	257,458
Less: Allowance for doubtful debts	10(b)(i)	(58,010)	(43,332)
		202,802	214,126
Receivables from guarantee customers	10(a)(ii)	344,872	313,131
Less: Allowance for doubtful debts	10(b)(ii)	(53,901)	(29,126)
		290,971	284,005
Interest receivables	10(c)	26,811	18,950
Receivables from disposal of default guarantee payments		32,698	32,898
Other receivables		39,842	9,708
		99,351	61,556
Deposits and prepayments		3,600	4,645
Repossessed assets		8,522	14,133
		12,122	18,778
		605,246	578,465

10 Trade and other receivables (Continued)

(i) During the six months ended 30 June 2018, the Group disposed of receivables for default guarantee payments amounting to RMB1,737,000 (30 June 2017: RMB3,940,600) with no allowances for doubtful debts (30 June 2017: nil), without recourse at considerations amounting to RMB1,737,000 (30 June 2017: RMB3,940,600).

(a) Ageing analysis:

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

(i) Receivables for default guarantee payments

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 year	**24,281**	27,620
Over 1 year but less than 2 years	**49,383**	70,854
Over 2 years but less than 3 years	**57,055**	37,429
Over 3 years	**130,093**	121,555
Subtotal	**260,812**	257,458
Less: Allowance for doubtful debts	**(58,010)**	(43,332)
	202,802	214,126

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

10 Trade and other receivables (Continued)

(a) Ageing analysis: (Continued)

(ii) Receivables from guarantee customers

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 year	245,689	209,854
Over 1 year but less than 2 years	77,100	66,424
Over 2 year but less than 3 years	22,083	36,853
Subtotal	344,872	313,131
Less: allowance for doubtful debts	(53,901)	(29,126)
	290,971	284,005

Receivables from guarantee customers are due from the date of payment. Further details on the Group's credit policy are set out in note 27(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 losses are written off against receivables for default guarantee customers and receivables from guarantee customers.

10 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	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
As at 1 January		43,332	55,898
Impairment losses recognised/ (reversed) in the consolidated statement of profit or loss	5(a)	14,598	(3,838)
Amounts written off		(2,000)	(9,876)
Disposal during the period/year		–	(905)
Amounts recovered		2,080	2,053
As at 30 June/31 December		58,010	43,332

10 Trade and other receivables (Continued)

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

(ii) Receivables from guarantee customers

	30 June 2018 (unaudited)			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017	–	23,273	5,853	29,126
Impact of adopting HKFRS 9	–	4,157	13,586	17,743
As at 1 January 2018	–	27,430	19,439	46,869
Transfer to lifetime ECL not credit-impaired	–	2,770	(2,770)	–
Transfer to lifetime ECL credit-impaired	–	(959)	959	–
Net re-measurement of loss allowance	–	(11,804)	761	(11,043)
New receivables from guarantee customers originated	–	18,075	–	18,075
As at 30 June	–	35,512	18,389	53,901

10 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)

	31 December 2017 (audited)		
	Allowances for receivables from guarantee customers which are collectively assessed *RMB'000*	Allowances for impaired receivables from guarantee customers which are individually assessed *RMB'000*	Total *RMB'000*
As at 1 January	5,950	7,210	13,160
Charge for the year	17,323	546	17,869
Write-offs	–	(1,903)	(1,903)
As at 31 December	23,273	5,853	29,126

(c) Interest receivables

As at 30 June 2018, the interest receivables include interest receivables from loans and advances amounting to RMB20,222,000 (31 December 2017: RMB16,276,000).

11 Loans and advances to customers

(a) Analysed by nature

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Entrusted loans	352,249	331,098
Micro-lending	348,634	371,220
Gross loans and advances to customers	700,883	702,318
Total allowances for impairment losses	(51,814)	(35,528)
Net loans and advances to customers	649,069	666,790

11 Loans and advances to customers (Continued)

(b) Analysed by industry sector

	At 30 June 2018 (unaudited)		At 31 December 2017 (audited)	
	RMB'000	*%*	*RMB'000*	*%*
Wholesale and retail	**259,994**	**35%**	220,105	31%
Loans to individual business proprietors	**200,464**	**29%**	221,480	32%
Service sector	**159,386**	**23%**	157,637	22%
Manufacturing	**71,167**	**10%**	78,724	11%
Construction industry	**3,000**	**1%**	10,500	1%
Transportation, warehousing and postal service	**4,500**	**1%**	4,500	1%
Real estate and construction	**2,372**	**1%**	2,372	1%
Others	**–**	**–**	7,000	1%
Gross loans and advances to customers	**700,883**	**100%**	702,318	100%
Total allowances for impairment losses	**(51,814)**		(35,528)	
Net loans and advances to customers	**649,069**		666,790	

11 Loans and advances to customers (Continued)

(c) Analysed by type of collateral

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Secured loans	231,274	249,360
Unsecured loans	63,030	45,644
Others	406,579	407,314
Gross loans and advances to customers	700,883	702,318
Total allowances for impairment losses	(51,814)	(35,528)
Net loans and advances to customers	649,069	666,790

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

– Secured Loans: Secured loans refer to 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 estate properties and land use rights;

– Others: Others refer to loans and advances guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily observed, or on which the Group does not have priorities over other beneficiaries. Such collateral includes real estate properties that cannot be registered, land use rights, and account receivables that have been registered, vehicles, machineries, inventories and equity interests.

11 Loans and advances to customers (Continued)

(d) Overdue loans analysed by overdue period

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Overdue within 3 months (inclusive)	6,500	49,740
Overdue more than 3 months to 6 months (inclusive)	31,380	26,018
Overdue more than 6 months to one year (inclusive)	–	6,700
Overdue more than one year	149,368	151,109
	187,248	233,567

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

	30 June 2018 (unaudited)			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Entrusted loans	78,500	93,000	180,749	352,249
Micro-lending	339,240	6,380	3,014	348,634
Gross loans and advances to customers	417,740	99,380	183,763	700,883
Less: Allowances for impairment losses	(18,928)	(19,858)	(13,028)	(51,814)
Net loans and advances to customers	398,812	79,522	170,735	649,069

11 Loans and advances to customers (Continued)

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

	31 December 2017 (audited)		
	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	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

11 Loans and advances to customers (Continued)

(f) Movements of allowances for impairment losses

	30 June 2018 (unaudited)			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 31 December 2017	18,565	777	16,186	35,528
Impact of adopting HKFRS 9	3,321	18,920	(735)	21,506
As at 1 January 2018	21,886	19,697	15,451	57,034
Transfer to 12-month ECL	842	(842)	–	–
Transfer to lifetime ECL not credit-impaired	(269)	269	–	–
Transfer to lifetime ECL credit-impaired	–	(158)	158	–
Net re-measurement of loss allowance	(12,531)	(321)	(1,712)	(14,564)
New loans and advances originated	9,000	1,213	1,260	11,473
Recoveries	–	–	5	5
Write-offs	–	–	(2,134)	(2,134)
As at 30 June	18,928	19,858	13,028	51,814

	31 December 2017 (audited)		
	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	18,023	20,200	38,223
Charge for the period	542	5,539	6,081
Write-offs	–	(9,237)	(9,237)
Recoveries	–	461	461
As at 31 December	18,565	16,963	35,528

12 Factoring receivables

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Factoring receivables	51,765	–
Less: allowances for factoring receivables	(1,115)	–
	50,650	–

(a) Ageing analysis

As at 30 June 2018, the aging analysis of receivables for factoring business, based on the invoices date and net of allowance for doubtful debts, is as follows:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Within 1 year	51,765	–
Less: allowances for factoring receivables	(1,115)	–
Total	50,650	–

12 Factoring receivables (Continued)

(b) Impairment of factoring receivables

Impairment losses in respects of receivables for factoring business are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against receivables for factoring business directly.

The movement in the allowance for doubtful debts during the period ended 30 June 2018 is as follows:

	Note	**At 30 June 2018** ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
At 1 January		**–**	–
Transfer to 12-month ECL	5(a)	**1,115**	–
At 30 June/31 December		**1,115**	–

13 Financial assets measured at FVOCI

	At 30 June 2018 ***RMB'000*** **(unaudited)**	At 31 December 2017 *RMB'000* (audited)
Unlisted equity investments	**33,700**	–
Listed securities	**26,305**	–
	60,005	–

14 Available-for-sale financial assets

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Unlisted equity investments	–	30,700
Listed securities	–	26,595
Wealth management products	–	1,360
	–	58,655

When impairment of an available-for-sale investment measured at fair value occurs, any impairment losses recognized are recorded in the carrying amount directly. As at 30 June 2018, no impairment has been recognized (31 December 2017: 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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trust products	156,247	23,000
Wealth management products	48,000	–
Subtotal	204,247	23,000
Less: Allowances for impairment losses	(2,989)	–
	201,258	23,000

(Expressed in Renminbi 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:

Names of companies	Place of incorporation and business	Date and place of incorporation/ establishment	Registered capital	Paid-in capital	Proportion of ownership interest As at 30 June 2018: 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	RMB3,000,000	RMB3,000,000	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	RMB5,100,000	RMB5,100,000	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	RMB200,000,000	RMB200,000,000	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	RMB1,000,000	RMB1,000,000	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	RMB230,000,000	RMB230,000,000	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	RMB200,000,000	RMB200,000,00	80%	42.00%	–	Guarantee

(Expressed in Renminbi unless otherwise indicated)

16 Investments in subsidiaries (Continued)

			Proportion of ownership interest As at 30 June 2018					
Names of companies	Place of incorporation and business	Date and place of incorporation/ establishment	Registered capital	Paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Guangdong Join-Share Capital Investment Co., Ltd. ("**Guangdong Capital Investment**") (廣東中盈盛達資本管理有限公司)	Guangzhou	27 April 2016 the PRC	RMB60,000,000	RMB60,000,000	100%	100%	–	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	RMB1,000,000	RMB1,000,000	85%	–	85%	Supply Chain Services
Shenzhen Join-Share Commercial Factoring Co., Ltd. ("**Shenzhen Commercial Factoring**") (深圳中盈盛達商業保理有限公司)	Shenzhen	17 November 2017 the PRC	RMB50,000,000	RMB50,000,000	100%	100%	–	Factoring
Join-Share (HK) Supply Chain Services Co., Ltd ("**HK Supply Chain**") (中盈盛達(香港)供應鏈服務有限公司)	Foshan	28 July 2017 Hong Kong the PRC	RMB300,000	–	85%	–	100%	Supply Chain Services
Shenzhen Join-Share Engineering Guarantee Co., Ltd ("**Shenzhen Engineering Guarantee**") (深圳市中盈盛達工程擔保有限公司)	Shenzhen	31 May 2018 the PRC	RMB100,000,000	RMB100,000,000	90%	90%	–	Guarantee
Yunfu Puhui Financing Guarantee Co., Ltd. ("**Yunfu Guarantee**") (雲浮市普惠融資擔保股份有限公司)	Yunfu	4 February 2016 the PRC	RMB110,000,000	RMB110,000,000	83.32%	45.45%	–	Guarantee

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

(i) On 10 April 2018, the Company contributed additional share capital of RMB340,000 to Foshan Supply Chain and held 85% equity interests in Foshan Supply Chain.

(ii) During the six months ended 30 June 2018, the Company established Shenzhen Engineering Guarantee with 90% equity interests. As at 30 June 2018, Shenzhen Engineering Guarantee's paid-in capital was RMB90,000,000.

(iii) Yunfu Guarantee was an associate of the Company for the year ended 31 December 2017. As a co-founder of Yunfu Guarantee, the Company held 33.33% of its equity interest as at 31 December 2017, at a cost of RMB30,000,000. In February 2018, the Company injected RMB20,000,000 as share capital to Yunfu Guarantee, subsequent to which the Company holds 45.45% of its equity shares.

The Company also entered into a concert party agreement with the rest of shareholders, Yunfu Rongda Asset Management Ltd., Co. ("**Yunfu Rongda**") and Guangdong Wenshi Investment Ltd., Co. ("**Guangdong Wenshi**"), whose equity shares in Yunfu Guarantee were 45.45% and 9.1% respectively. According to the above mentioned concert party agreement, the Company will have control over Yunfu Guarantee and enjoys 83.32% of Yunfu Guarantee's distributable profits.

17 Interest in associates

The Group's interests in associates are as follows:

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Yunfu Guarantee	16(a)(iii)	–	30,634
Zhongshan Wujieping		10,228	10,281
Shenzhen Bangli		10,969	11,602
		21,197	52,517

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

					Proportion of ownership interest As at 30 June 2018			
Names of companies	Place of Incorporation and business	Date and place of incorporation/ establishment	Registered capital	Paid-in capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Zhongshan Wujieping Health Industry Investment Partnership (Limited Partnership) ("**Zhongshan Wujieping**") (中山吳階平健康產業投資合夥企業(有限合夥))	Zhongshan	18 April 2016 the PRC	RMB100,000,000	RMB10,000,000	10%	–	10%	Health Industry Investment
Shenzhen Bangli Internet Financial Services Co., Ltd ("**Shenzhen Bangli**") (深圳邦利互聯網金融服務有限公司)	Shenzhen	5 May 2015 the PRC	RMB100,000,000	RMB30,050,000	25%	–	25%	Financial Services

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

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

18 Fixed assets and investment property

(a) Fixed assets

(i) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired fixed assets with a cost of RMB173,000 (six months ended 30 June 2017: RMB4,551,000). Office and other equipment and motor vehicles with a net book value of RMB20,000 were disposed during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB187,000), resulting in a gain on disposal amounting to RMB96,000 (six months ended 30 June 2017: RMB35,000).

(ii) Impairment losses

During the six months ended 30 June 2018, no impairment loss of fixed assets was recognized (six months ended 30 June 2017: nil).

(b) Investment property

The Group transferred repossessed assets whose book value is RMB4,822,000 to investment property during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

19 Intangible assets

(a) Acquisitions and disposals

During the six months ended 30 June 2018, the Group acquired intangible assets with a cost of RMB750,000 (six months ended 30 June 2017: RMB569,000). None of the intangible assets was disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

(b) Impairment losses

During the six months ended 30 June 2018, no impairment loss of intangible assets was recognized (six months ended 30 June 2017: nil).

20 Interest-bearing borrowings

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Bank loans		
– Unsecured	30,000	50,000
– Secured	–	24,750
	30,000	74,750

At 30 June 2018, loans bear interest at a range from 12% to 13% per annum and are unsecured.

21 Liabilities from guarantees

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Deferred income		124,061	124,074
Provisions for guarantee losses	21(a)	59,906	48,540
		183,967	172,614

(a) Provisions written back for guarantee losses

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
As at 1 January	64,541	68,484
Addition through acquisition of subsidiaries	317	–
Written back for the period/year	(4,952)	(19,944)
As at 30 June/31 December	59,906	48,540

22 Customer pledged deposits and accruals and other payables

(a) Customer pledged deposits

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

According to Interim Measures for the Administration of Financing Guarantee Companies (《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 all received customer pledged deposits in a restricted bank account under tripartite custody.

(b) Accruals and other payables

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Dividends payable	120,455	1,931
Accrued staff cost	18,047	32,878
Receipts in advance	15,780	9,981
Principal and fixed return payable for other financial instrument-liability component	11,373	14,160
Withholding income tax	212	445
Interest payable	156	149
Other payables	14,340	7,086
Total	180,363	66,630

23 Other financial instrument-liability component

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Other financial instrument-liability component	(i)	69,027	69,193

(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; Accordingly, the Group's effective interest rate in Zhongshan Join-Share is 80%.

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 30 June 2018, the Group accrued RMB2,314,000 (2017: RMB5,160,000) as a fixed return of Zhongshan Health's original contribution, which are obligations according to the agreements.

24 Financial institution bonds

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Financial institution bonds	49,371	48,208

Foshan Micro Credit issued financial institution bonds with par value of RMB25 million each on 26 September 2016 and 18 October 2016 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 is two years and the interest rate is 4%. The value of the bonds is calculated using amortization cost method.

25 Income tax in the consolidated statement of financial position

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

	Note	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Balance of income tax payable at the beginning of the period/year		31,898	36,513
Addition through acquisition of subsidiaries		402	–
Provision for income tax on the estimated taxable profit for the period/year	6(a)	26,665	44,956
Income tax paid during the period/year		(31,174)	(49,571)
Balance of income tax payable at the end of the period/year		27,791	31,898

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

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period/year 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*	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
Recognised to the consolidated statement of profit or loss		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
At 1 January 2018		31,020	36,428	8,402	75,850	(201)	(15,803)	(4)	(98)	905	(15,201)	60,649
Addition through acquisition of subsidiaries		–	536	35	571	–	–	–	–	–	–	571
Recognised to the consolidated statement of profit or loss	6(a)	(4)	9,786	(2,859)	6,923	419	(3,375)	171	–	–	(2,785)	4,138
Charged to reserves		–	–	–	–	–	–	–	–	73	73	73
At 30 June 2018 (unaudited)		31,016	46,750	5,578	83,344	218	(19,178)	167	(98)	978	(17,913)	65,431

26 Capital, reserves and dividends

(a) Dividends

On 6 June 2018, the Company declared a final cash dividends to all shareholders, amounting to RMB110,142,595 in respect of the year ended 31 December 2017. As at 30 June 2018, the total amount was not paid.

(b) Share capital

The share capital of the Company as at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018 (unaudited)		31 December 2017 (audited)	
	No. of shares *('000)*	***RMB'000***	No. of shares *('000)*	*RMB'000*
Ordinary shares, issued and fully paid:				
As at 30 June/31 December	**1,560,793**	**1,560,793**	1,066,667	1,066,667

On 20 April 2018, the Company issued a total of 494,126,020 new ordinary shares via subscription and placing, with par value of RMB1.00 per share. The newly issued ordinary shares included 261,030,000 H Shares and 233,096,020 Domestic Shares, which were issued at the price of HKD1.42 and RMB1.26 per share respectively.

(c) 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.

(ii) Capital reserve

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

26 Capital, reserves and dividends (Continued)

(c) Nature and purpose of reserves (Continued)

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in investment securities measured at FVOCI held at the end of the reporting period.

Before 1 January 2018, 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.

(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 capitalization is not less than 25% of the registered capital before capitalization.

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

(v) General reserve

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

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

26 Capital, reserves and dividends (Continued)

(c) 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 (note 23) issued by the Group.

(d) 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 six months ended 30 June 2018.

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

27 Financial risk management and fair values of financial instruments

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

(a) Credit risk

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

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

Credit risk arising from guarantees issued and entrusted loan operations:

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

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

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.

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

(a) Credit risk (Continued)

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

	30 June 2018 *RMB'000* (unaudited)	31 December 2017 *RMB'000* (audited)
Performance guarantee	8,844,185	6,933,344
Financing guarantee	2,514,618	2,741,411
Litigation guarantee	340,512	340,512
Subtotal	11,699,315	10,015,267
Less: Customer pledged deposits	(60,924)	(39,911)
Total	11,638,391	9,975,356

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

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

(a) Credit risk (Continued)

The maximum exposure to credit risk in respect of financial guarantees issued by industry at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018 (unaudited)		31 December 2017 (audited)	
	RMB'000	*%*	*RMB'000*	*%*
Construction	**8,199,459**	**68%**	5,638,859	55%
Manufacturing	**1,063,178**	**9%**	1,177,548	12%
Wholesale and retail	**744,634**	**6%**	837,160	8%
Commercial services	**177,462**	**2%**	136,517	1%
Service industry	**56,369**	**1%**	44,825	1%
Transportation, Warehousing and Postal service	**8,090**	**1%**	21,830	1%
Agriculture	**61,070**	**1%**	64,465	1%
Others	**1,389,053**	**12%**	2,094,063	21%
Total of financial guarantees issued	**11,699,315**	**100%**	10,015,267	100%

Credit risk arising from micro-lending business:

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

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

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

(a) Credit risk (Continued)

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

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.

In accordance with accounting policies and regulations, from 1 January 2018, the Group applies ECL model in its micro-lending business. The ECL model requires an ongoing measurement of credit risk associated with a financial asset. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Before 1 January 2018, 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 losses are recognized in the statement of profit or loss. 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.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment losses are provided in a lifetime ECL credit-impaired assessment (2017: individual assessment), 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.

Other credit risks:

The Group's other credit risks is attributable to bank deposits, factoring receivables, 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, 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.

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

(a) Credit risk (Continued)

Other credit risks: (Continued)

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 11 and note 10, respectively.

(b) 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 categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

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

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

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

(b) 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 categorized 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.

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Level 1		
Financial assets measured at FVOCI	**6,002**	–
Available-for-sale financial assets	**–**	26,595
Level 3		
Financial assets measured at FVOCI	**54,003**	–
Available-for-sale financial assets	**–**	32,060
Liabilities		
Other financial instrument-liability component	**69,027**	69,193

During the six months ended 30 June 2018, there were no transfers into or out among the three levels. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

(b) 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/year in the balance of Level 3 fair value measurements is as follows:

	30 June 2018 ***RMB'000*** **(unaudited)**	31 December 2017 *RMB'000* (audited)
Financial assets measured at FVOCI/ Available-for-sale financial assets		
At the beginning of the period/year	**32,060**	11,890
Payment for purchases	**6,000**	30,700
Proceeds from sales	**(4,360)**	(10,530)
Reclassification	**20,303**	–
At the end of the period/year	**54,003**	32,060

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

(b) Fair values (Continued)

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

The carrying amounts of the Group's financial instrument carried at cost or amortization cost are not materially different from their fair values as at 30 June 2018 and 31 December 2017.

28 Commitments and contingent liabilities

(a) Lease commitments

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

	30 June 2018 *RMB'000* **(unaudited)**	31 December 2017 *RMB'000* (audited)
Within 1 year (inclusive)	**6,125**	2,920
Over 1 year but within 3 years (inclusive)	**5,754**	4,264
Over 3 years	**1,081**	2,040
Total	**12,960**	9,224

28 Commitments and contingent liabilities (Continued)

(a) Lease commitments (Continued)

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 to 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 30 June 2018, the Group had no outstanding litigation or disputes in which the Group was a defendant (31 December 2017: nil).

29 Material related party transactions

(a) Parent and ultimate controlling party

The Company does not have a majority shareholder or an ultimate controlling party.

During 6 months ended 30 June 2018, Foshan Financial Investment Holding Co., Ltd. ("**Foshan Financial Investment Holding**", 佛山市金融投資控股有限公司, a government entity) obtained 28% of the Company's equity interests via acquisition and contributing additional share capital to the Company. As a result, Foshan Financial Investment Holding is the top shareholder of the Company.

(b) Key management personnel remuneration

	Note	**30 June 2018** ***RMB'000*** **(unaudited)**	30 June 2017 *RMB'000* (unaudited)
Key management personnel remuneration	(i)	**2,509**	2,190

(i) Total remuneration is included in "staff costs" (note 5(b)).

29 Material related party transactions (Continued)

(c) Balances with related parties

	30 June 2018 **RMB'000** **(unaudited)**	31 December 2017 *RMB'000* (audited)
Trade and other receivables		
Gu Liqing	–	1
Accruals and other payables		
Zhang Rong	–	550

30 Comparative figures

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 (see note 2(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, Leases, which may not have a significant impact on the Group's consolidated financial statements.

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into operating leases and accounts for the lease arrangements accordingly. The Group enters into some leases as the lessee.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2018 (Continued)

HKFRS 16, *Leases* (Continued)

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 28, at 30 June 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB12,960,000 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.

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.

32 Subsequent events

Save as disclosed, there have been no events to cause material impact on the Group from 30 June 2018 to the date of this report that need to be disclosed.