Join-Share中盈盛达
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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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1543)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

- Total revenue was approximately RMB327.59 million, representing an increase of approximately 19.21% as compared to last year.
- Net profit for the year and net profit margin were approximately RMB144.34 million and 52.48%, respectively.
- Profit before taxation amounted to approximately RMB194.34 million, representing an increase of approximately 15.69% as compared to last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB125.09 million, representing an increase of approximately 17.93% as compared to last year.
- The payment of final dividends of RMB0.054 per share for the year ended 31 December 2018 is recommended by the Board.

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the "**Company**") is pleased to release the annual results for the year ended 31 December 2018 of the Company and its subsidiaries (collectively, the "**Group**"), along with comparative figures from the year ended 31 December 2017, which should be read in conjunction with the following management discussion and analysis.

(All amounts in RMB thousands unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2018
(Expressed in RMB'000)

	Note	**2018** **RMB'000**	2017 RMB'000
Guarantee fee income		**166,125**	141,584
Guarantee cost		**(1,785)**	(3,672)
Net guarantee fee income		**164,340**	137,912
Interest income		**91,557**	98,409
Interest expenses		**(13,322)**	(12,006)
Net interest income		**78,235**	86,403
Service fee from consulting services		**32,450**	39,923
Revenue	3	**275,025**	264,238
Other revenue	4	**52,560**	10,574
Share of losses of associates		**(503)**	(528)
Provision written back for guarantee losses		**5,064**	19,944
Impairment losses	5(a)	**(17,711)**	(20,538)
Operating expenses	5(b)/(c)	**(120,093)**	(105,702)
Profit before taxation		**194,342**	167,988
Income tax	6	**(50,005)**	(44,784)
Profit for the year		**144,337**	123,204
Attributable to:			
Equity shareholders of the Company		**125,092**	106,069
Non-controlling interests		**19,245**	17,135
Profit for the year		**144,337**	123,204
Earnings per share			
Basic and diluted *(RMB per share)*	7	**0.09**	0.10

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018
(Expressed in RMB'000)

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**144,337**	123,204
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
Financial assets measured at FVOCI:		
net movement in fair value	**(3,083)**	—
Available-for-sale financial assets:		
net movement in fair value	**—**	1,480
Income tax arises from financial assets measured at FVOCI	**771**	—
Income tax arises from available-for-sale financial assets	**—**	(370)
Other comprehensive income for the year	**(2,312)**	1,110
Total comprehensive income for the year	**142,025**	124,314
Attributable to:		
Equity shareholders of the Company	**122,780**	107,179
Non-controlling interests	**19,245**	17,135
Total comprehensive income for the year	**142,025**	124,314

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB'000)

	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Assets			
Cash and bank deposits	8	**1,125,712**	611,520
Pledged bank deposits		**372,277**	185,474
Trade and other receivables	9	**486,848**	578,465
Loans and advances to customers	10	**576,599**	666,790
Factoring receivables		**86,134**	—
Financial assets measured at FVOCI		**56,112**	—
Financial assets measured at FVPL		**33,840**	—
Available-for-sale financial assets		—	58,655
Receivable investments		**198,317**	23,000
Interest in associates		**22,863**	52,517
Fixed assets		**11,234**	11,688
Investment property		**8,636**	876
Intangible assets		**2,999**	2,842
Goodwill		**419**	419
Deferred tax assets		**52,393**	46,713
Total assets		**3,034,383**	2,238,959
Liabilities			
Interest-bearing borrowings	14	**112,404**	74,750
Liabilities from guarantees	11	**180,728**	172,614
Customer pledged deposits	12(a)	**170,100**	39,911
Accruals and other payables	12(b)	**131,276**	66,630
Current tax liabilities		**15,778**	31,898
Other financial instrument-liability component		**62,483**	69,193
Financial institution bonds	15	—	48,208
Total liabilities		**672,769**	503,204
NET ASSETS		**2,361,614**	1,735,755
CAPITAL AND RESERVES	13		
Share capital		**1,560,793**	1,066,667
Reserves		**461,687**	394,466
Total equity attributable to equity shareholders of the Company		**2,022,480**	1,461,133
Non-controlling interests		**339,134**	274,622
TOTAL EQUITY		**2,361,614**	1,735,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets measured at FVOCI, financial assets measured at FVPL and available-for-sale financial assets that are stated at their fair value.

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

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

(c) Changes in accounting policies

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:

(i) HKFRS 9, *Financial instruments*

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

(iii) 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.

(i) 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.

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 31 December 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:

a. *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. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets 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)	—	—

(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. The carrying amounts for all financial liabilities (including 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.

b. *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (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 bank deposits, trade and other receivables, loans and advances to customers, factoring receivables and receivable investments);

— receivables from guarantee customers;

— receivables for default guarantee payments; and

— financial guarantee contracts issued.

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

c. 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.

(ii) 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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.

(iii) 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.

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.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

(b) Sources of estimation uncertainty

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

(i) Impairment of trade and other receivables, loans and advances to customers, factoring receivables, receivable investments and financial assets measured at FVOCI

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

The impairment loss for trade and other receivables, loans and advances to customers, factoring receivables, receivable investments and financial assets measured at FVOCI (debt) using the expected credit loss model is subjected to a number of key parameters and assumptions, including the identification of credit-impaired stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. The expected credit losses for trade and other receivables, loans and advances to customers, factoring receivables, receivable investments and financial assets measured at FVOCI (debt) are derived from estimates whereby management takes into consideration historical data, the historical loss experience and other adjustment factors. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgment based on management's historical experience. Management reviews the selection of those parameters and the application of the assumptions regularly to reduce any difference between loss estimates and actual loss.

No impairment loss is recognised on equity investments.

(ii) Impairment of non-financial assets

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

(c) Depreciation and amortisation

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

(d) Provisions for guarantee losses

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as of the balance sheet date and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data.

(e) Deferred tax assets

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

(f) Measurement of fair values

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

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

(g) Judgement on the degree of control of investment

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

3 REVENUE

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

	2018	2017
	RMB'000	*RMB'000*
Guarantee fee income		
Financing guarantee fee income	**109,025**	107,729
Performance guarantee fee income	**57,092**	33,855
Litigation guarantee fee income	**8**	—
Subtotal	**166,125**	141,584
Guarantee cost		
Re-guarantee expenses	**(1,690)**	(3,672)
Risk management service expense	**(95)**	—
Net guarantee fee income	**164,340**	137,912
Interest income		
— Loans and advances to customers	**75,700**	93,086
— Cash at banks and pledged bank deposits	**9,831**	5,323
— Factoring services	**6,026**	—
Subtotal	**91,557**	98,409
Interest expenses		
— Borrowings from banks	**(5,656)**	(2,796)
— Interest expenses from other financial instrument liability component	**(4,290)**	(4,866)
— Interest expenses from financial institution bonds	**(3,321)**	(4,344)
— Others	**(55)**	—
Subtotal	**(13,322)**	(12,006)
Net interest income	**78,235**	86,403
Service fee from consulting services	**32,450**	39,923
Revenue	**275,025**	264,238

4 OTHER REVENUE

	2018	2017
	RMB'000	*RMB'000*
Foreign exchange gains	**26,496**	—
Investment income of receivable investments	**17,045**	4,866
Government grant	**2,625**	2,635
Investment income from financial assets measured at FVOCI	**1,556**	—
Investment income from financial assets measured at FVPL	**228**	—
Investment income from available-for-sale financial assets	**—**	2,788
Others	**4,610**	285
Total	**52,560**	10,574

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

	2018	2017
	RMB'000	*RMB'000*
Receivables for default guarantee payments	**13,004**	(3,838)
Receivables from guarantee customers	**502**	17,869
Loans and advances to customers	**204**	6,081
Factoring receivables	**1,866**	—
Receivable investments	**1,816**	—
Others	**319**	426
	17,711	20,538

(b) Staff costs

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages, bonuses and other benefits	**63,331**	52,596
Contributions to retirement schemes	**4,870**	4,077
	68,201	56,673

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

(c) Other items

	2018 *RMB'000*	2017 *RMB'000*
Foreign exchange losses	—	5,559
Depreciation and amortisation	**5,390**	4,631
Operating lease charges: minimum lease payments	**9,397**	5,393
Auditors' remuneration		
— annual audit	**1,755**	2,130
— others	**710**	600

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018 *RMB'000*	2017 *RMB'000*
Current tax		
Provision for PRC income tax for the year	**40,407**	44,956
Deferred tax		
Origination and reversal of temporary differences	**9,598**	(172)
Income tax expense	**50,005**	44,784

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

	Note	2018 *RMB'000*	2017 *RMB'000*
Profit before taxation		**194,342**	167,988
Notional tax on profit before taxation, calculated at 25%	(i)/(ii)	**48,586**	41,997
Effect of non-deductible expenses		**1,385**	1,481
Unrealised temporary differences		**34**	68
Others		—	1,238
Actual income tax expense		**50,005**	44,784

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

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

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 and the weighted average of ordinary shares in issue during the year, calculated as follows:

	2018	2017
Profit attributable to the equity shareholders of the Company *(RMB'000)*	**125,092**	106,069
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share *('000)*	**1,413,232**	1,066,667
Basic earnings per share *(RMB per share)*	**0.09**	0.10

(b) Weighted average number of ordinary shares

	2018	2017
Issued ordinary shares at 1 January *('000)*	**1,066,667**	1,066,667
Weighted average number of new issue *('000)*	**346,565**	—
Weighted average number of ordinary shares at 31 December *('000)*	**1,413,232**	1,066,667

(c) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2018 and 2017, and therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND BANK DEPOSITS

Cash and cash equivalents comprise:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Cash in hand	**30**	23
Cash at banks	**592,447**	406,723
Cash and cash equivalents in the consolidated cash flow statement	**592,477**	406,746
Term deposits with banks	**532,868**	202,409
Restricted bank deposits	**—**	2,365
	1,125,345	611,520
Accrued interest	**367**	—
	1,125,712	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 deposits for bank borrowings, and deposits received for the Group's guarantee business in accordance with tripartite custodian agreement among lending banks, guarantee customers and the Group. For the purpose of the consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

9 TRADE AND OTHER RECEIVABLES

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Receivables for default guarantee payments	(i)	**206,796**	257,458
Less: Allowance for doubtful debts		**(56,715)**	(43,332)
		150,081	214,126
Receivables from guarantee customers	(ii)	**248,351**	313,131
Less: Allowance for doubtful debts		**(47,171)**	(29,126)
		201,180	284,005
Interest receivables		**13,361**	18,950
Less: Allowance for interest receivables		**(384)**	—
		12,977	18,950
Receivables from debt purchased		**42,094**	—
Amounts due from related parties		**20,514**	—
Receivables from disposal of default guarantee payments and receivables from guarantee customers		**23,791**	32,898
Other receivables		**21,174**	9,708
		120,550	61,556
Deposits and prepayments		**9,885**	4,645
Repossessed assets		**5,152**	14,133
		15,037	18,778
		486,848	578,465

As at 31 December 2018, receivables from guarantee customers, other receivables, deposits and prepayments and repossessed assets expected to be recovered or recognised as expense after more than one year is RMB66.88 million (2017: RMB34.58 million). All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

(i) During the year ended 31 December 2018, the Group disposed of receivables for default guarantee payments amounted to RMB23,300,000 (2017: RMB33,753,000) with no allowances for doubtful debts(2017: RMB905,000), without recourse to other parties at considerations amounted to RMB23,300,000 (2017: RMB32,848,000).

(ii) During the year ended 31 December 2018, the Group disposed of receivables from guarantee customers amounted to RMB4,600,000 (2017: RMB4,900,000) with no allowance for doubtful debts without recourse at considerations amounted to RMB4,600,000 (2017: RMB4,900,000).

(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, is as follows:

(i) Receivables for default guarantee payments

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Within 1 year	**18,478**	27,620
Over 1 year but less than 2 years	**24,830**	70,854
Over 2 years but less than 3 years	**45,226**	37,429
Over 3 years	**118,262**	121,555
Subtotal	**206,796**	257,458
Less: allowance for doubtful debts	**(56,715)**	(43,332)
	150,081	214,126

Receivables for default guarantee payments are due from the date of payment.

(ii) Receivables from guarantee customers

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Within 1 year	**84,459**	209,854
Over 1 year but less than 2 years	**78,090**	66,424
Over 2 years but less than 3 years	**57,698**	36,853
Over 3 years	**28,104**	—
Subtotal	**248,351**	313,131
Less: allowance for doubtful debts	**(47,171)**	(29,126)
	201,180	284,005

The aging of receivables from guarantee customers is from the date of payment.

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

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

The movement in the allowance for receivables for default guarantee payments and receivables from guarantee customers during the years ended 31 December 2018 and 2017, are as follows:

(i) Receivables for default guarantee payments

	2018	2017
	RMB'000	*RMB'000*
As at 1 January	**43,332**	55,898
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss	**13,004**	(3,838)
Amounts written off	**(10,355)**	(9,876)
Disposal of the year	**—**	(905)
Amounts recovered	**10,734**	2,053
As at 31 December	**56,715**	43,332

(ii) Receivables from guarantee customers

	31 December 2018			
	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 credit-impaired	—	**(959)**	**959**	**—**
Net re-measurement of loss allowance	—	**(20,589)**	**4,216**	**(16,373)**
Receivables from guarantee customers newly originated	—	**16,654**	**221**	**16,875**
Uncollectible amounts write off	—	**—**	**(200)**	**(200)**
As at 31 December	—	**22,536**	**24,635**	**47,171**

	31 December 2017		
	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

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Entrusted loans	**275,770**	331,098
Micro-lending	**350,080**	371,220
Gross loans and advances to customers	**625,850**	702,318
Accrued interest	**3,459**	—
Total allowances for impairment losses	**(52,710)**	(35,528)
Net loans and advances to customers	**576,599**	666,790

(b) Analysed by industry sector

	31 December 2018		31 December 2017	
	RMB'000	*%*	*RMB'000*	*%*
Wholesale and Retail	**283,714**	**45%**	248,190	35%
Service Sector	**257,461**	**41%**	316,573	45%
Manufacturing	**81,675**	**13%**	120,055	17%
Others	**3,000**	**1%**	17,500	3%
Gross loans and advances to customers	**625,850**	**100%**	702,318	100%

(c) Analysed by type of collateral

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Secured loans	**253,946**	249,360
Unsecured loans	**32,380**	45,644
Others	**339,524**	407,314
Gross loans and advances to customers	**625,850**	702,318

— Secured loans: Secured loans refer to the loan and advances which are secured by collateral that meets the following standards: (i) such collateral has been registered with the relevant governmental authorities; (ii) the market value of such collateral can be easily observed; and (iii) the Group has priorities over other beneficiaries on such collateral. Such collateral mainly includes real estates and land use rights.

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

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

(d) Overdue loans analysed by overdue period

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Overdue within 3 months (inclusive)	**3,140**	49,740
Overdue more than 3 months to 6 months (inclusive)	**—**	26,018
Overdue more than 6 months to one year (inclusive)	**2,100**	6,700
Overdue more than one year	**150,265**	151,109
	155,505	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

	31 December 2018			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Entrusted loans	**101,402**	**25,000**	**149,368**	**275,770**
Micro-lending	**343,944**	**1,560**	**4,576**	**350,080**
Gross loans and advances to customers	**445,346**	**26,560**	**153,944**	**625,850**
Less: Allowances for impairment losses	**(19,421)**	**(6,605)**	**(26,684)**	**(52,710)**
Net loans and advances to customers (excluding accrued interest)	**425,925**	**19,955**	**127,260**	**573,140**

	31 December 2017		
	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

(f) Movements of allowances for impairment losses

	31 December 2018			
	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	**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 lifetime ECL not credit-impaired	**(35)**	**35**	**—**	**—**
Transfer to lifetime ECL credit-impaired	**(906)**	**(1,260)**	**2,166**	**—**
Net re-measurement of loss allowance	**(20,271)**	**(11,988)**	**13,595**	**(18,664)**
Loans and advances newly originated	**18,747**	**121**	**—**	**18,868**
Recoveries	**—**	**—**	**5**	**5**
Write-offs	**—**	**—**	**(4,533)**	**(4,533)**
As at 31 December	**19,421**	**6,605**	**26,684**	**52,710**

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

11 LIABILITIES FROM GUARANTEES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Deferred income	**120,934**	124,074
Provisions for guarantee losses	**59,794**	48,540
	180,728	172,614

Provisions written back for guarantee losses

	2018 *RMB'000*	2017 *RMB'000*
As at 1 January	**48,540**	68,484
Impact of adopting HKFRS 9	**16,001**	—
Addition through acquisition of a subsidiary	**317**	—
Written back for the year	**(5,064)**	(19,944)
As at 31 December	**59,794**	48,540

12 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

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

According to Interim Measures for the Administration of Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》), jointly formulated and issued by China Banking Regulatory Commission, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China and the State Administration for Industry and Commerce on 8 March 2010, and the Notice of Inter-ministries Joint Meeting of Financing Guarantee Business Supervision Concerning the Regulation of the Management of Customer Deposits by Financing Guarantee Institutions (《融資性擔保業務監管部際聯席會議關於規範融資性擔保機構客戶擔保保證金管理的通知》) promulgated by the Inter-ministerial Joint Meeting of Financing Guarantee Business Supervision on 5 April 2012, if a financing guarantee company accepts customer pledged deposits from its guarantee customers, the outstanding customer pledged deposits should be kept in a restricted account under tripartite custody. For those cooperated banks agreeing to coordinate, the Group has kept part of the received customer pledged deposits in a restricted bank account under tripartite custody.

(b) Accruals and other payables

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Accrued staff cost	**36,214**	32,878
Principal payable for other financial instrument-liability component	**20,000**	14,160
Receipts in advance	**14,191**	9,981
Dividends payable	**1,240**	1,931
Interest payable	**—**	149
Withholding income tax	**114**	445
Other payables	**59,517**	7,086
Total	**131,276**	66,630

13 CAPITAL, RESERVES AND DIVIDEND

(a) Movements in components of equity

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

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

	Share capital ***RMB'000***	**Share premium** ***RMB'000***	**Surplus reserve** ***RMB'000***	**General reserve** ***RMB'000***	**Retained earnings** ***RMB'000***	**Total** ***RMB'000***
Balance at 31 December 2017	**1,066,667**	**43,107**	**88,131**	**88,265**	**131,885**	**1,418,055**
Impact of adopting HKFRS 9	**—**	**—**	**—**	**—**	**(25,261)**	**(25,261)**
Restated balance at 1 January 2018	**1,066,667**	**43,107**	**88,131**	**88,265**	**106,624**	**1,392,794**
Change in equity for 2018:						
Profit for the year	**—**	**—**	**—**	**—**	**110,340**	**110,340**
Total comprehensive income	**—**	**—**	**—**	**—**	**110,340**	**110,340**
Issue of ordinary shares	**494,126**	**90,666**	**—**	**—**	**—**	**584,792**
Appropriation to surplus reserve	**—**	**—**	**11,034**	**—**	**(11,034)**	**—**
Appropriation to general reserve	**—**	**—**	**—**	**11,034**	**(11,034)**	**—**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**—**	**(110,143)**	**(110,143)**
Balance at 31 December 2018	**1,560,793**	**133,773**	**99,165**	**99,299**	**84,753**	**1,977,783**

(b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 18 March 2019, the proposed dividends appropriations for the year ended 31 December 2018 are as follows:

— Declare cash dividends to all shareholders of RMB84,282,805 (2017: RMB110,142,595) representing RMB0.054 (2017: RMB0.076) per share before tax.

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

14 INTEREST-BEARING BORROWINGS

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

	At 31 December 2018	At 31 December 2017
	RMB'000	*RMB'000*
Bank loans		
— Guaranteed	**112,150**	—
— Unsecured	**—**	50,000
— Secured	**—**	24,750
	112,150	74,750
Accrued interest payable	**254**	—
	112,404	74,750

At 31 December 2018, loans bear interest at a range from 6.00% to 8.00% per annum and are guaranteed. At 31 December 2017, the secured bank loans of the Group were secured by bank deposits.

15 FINANCIAL INSTITUTION BONDS

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Financial institution bonds	**—**	48,208

Foshan Micro Credit issued financial institution bonds with par value of RMB25 million and RMB25 million on 26 September 2016 and 18 October 2016, respectively, at the exchange center of Guangzhou Equity Exchange Co., Ltd. (廣州股權交易中心). At 31 December 2018, the financial institution bonds had matured.

16 GUARANTEES ISSUED

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

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Financing guarantee	**2,584,811**	2,741,411
Performance guarantee	**8,885,121**	6,933,344
Litigation guarantee	**240,000**	340,512
Subtotal	**11,709,932**	10,015,267
Less: Customer pledged deposits	**(170,100)**	(39,911)
Total	**11,539,832**	9,975,356

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During the year ended 31 December 2018, China's economy remained at the important stage of structural adjustment and economic transformation, resulting in a slowing growth. In this regard, the development of real economy in China relies on the financial industry, and small-and-medium-sized enterprises (the "**SMEs**") will, subject to risk management, maintain a stable development in line with the overall national economic growth. As credit guarantee can bring opportunities of stable development and resolve the predicament of demanding and costly financing for SMEs, the demands from SMEs for the financing guarantee and lending markets will continue to increase. In the background of the aforesaid, the Company, as a leading financing guarantee company, will continue to benefit from such development.

In 2018, the Company actively seized the development opportunities, and faced the new situations and opportunities under control, and achieved its annual growth targets by constantly promoting strategic transformation and upgrade. As compared to the year ended 31 December 2017, the Group's total revenue has increased by approximately 19.21% to approximately RMB327.59 million for the year ended 31 December 2018.

During the reporting period, the Company was awarded the "Industry Contribution Award" (行業貢獻獎) and the "Best Innovation Award" (最佳創新獎) at the 1st General Meeting of Guangdong Financing Guarantee Association (廣東省融資擔保業協會第一屆會員大會), as well as the "Top 10 Excellent Local Financial Institutions" (十優地方金融機構獎) under the 2018 Top 100 Financial Enterprises in Guangdong (廣東金融百優獎). Because of the innovation model of our Company, the Company became the only qualified guarantee institution being selected into the 2018 Blue Book on Financial Development in Guangdong (2018廣東金融發展藍皮書) compiled by the Financial Work Office of the People's Government of Guangdong Province (廣東省人民政府金融工作辦公室) for promotion. Further, Mr. Wu Liejin, the chairman of the Board, was elected as a deputy at the 13th National People's Congress (十三屆全國人民代表大會), the standing vice-president of the Finance City Chamber of Commerce in Guangdong (廣東金融城商會會員大會) and a senior consultant of the Guangdong Financing Guarantee Association (廣東省融資擔保業協會).

Business Overview

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

(1) Guarantees: We provide guarantees on behalf of SMEs and individual business proprietors to guarantee their repayment of loans or performance of their contractual obligations. The main products and services we provide are set out below:

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

As of 31 December 2018, the net balance of our outstanding guarantee was approximately RMB11,709.93 million. For the year ended 31 December 2018, our net guarantee fee income was approximately RMB164.34 million.

(2) SME lendings: We provide entrusted loans to SMEs and individual business proprietors, where we deposit our own funds into intermediary banks, which on-lend the funds to ultimate borrowers selected by us. Our entrusted loan business allows us to provide loans of relatively large amount through banks, usually ranging from approximately RMB1.00 million to approximately RMB40.00 million, and is not subject to geographical restriction. As of 31 December 2018, the balance of our entrusted loans was approximately RMB275.77 million.

We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Chancheng Join-Share Micro Credit Co., Ltd. (佛山禪城中盈盛達小額貸款有限公司) ("**Foshan Micro Credit**"), a subsidiary of the Company. Foshan Micro Credit is permitted to conduct its operations in Foshan, Guangdong province, the People's Republic of China ("**PRC**"). Due to limits imposed by certain laws and regulations, the amount of micro-lending that we may provide is up to RMB5.00 million. In general, the micro-lending that we provide has a term within one year. As of 31 December 2018, the balance of our micro-lending was approximately RMB350.08 million.

As of 31 December 2018, the net interest income from our SME lending business was approximately RMB78.24 million.

Major business activities undertaken by the Group during the year

During the year ended 31 December 2018, with an aim to strengthen the Group's overall market position, the major business activities undertaken by the Group during the year are set out as follows:

(1) On 12 February 2018, the Board agreed to increase the registered capital of Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司) ("**Yunfu Company**") from RMB90.00 million to RMB110.00 million.

For the year ended 31 December 2018, revenue of Yunfu Company was approximately RMB6.65 million with a net profit of RMB2.59 million.

(2) On 30 May 2018, the Company and Shenzhen Lichengxing Investment Consulting Co., Ltd.* (深圳市利誠興投資諮詢有限公司) jointly established a subsidiary, namely Shenzhen Join-Share Engineering Guarantee Co., Ltd.* (深圳市中盈盛達工程擔保有限公司)("**Shenzhen Engineering Guarantee**"), to provide engineering guarantees to a large number of enterprises.

(3) On 22 November 2018, the Company established a wholly-owned subsidiary, Join-Share Financial Holdings Co., Limited (中盈盛達金融控股有限公司) ("**Join-Share Financial**"), which intends to inject a total of approximately RMB112.57 million into Guangdong Yaoda Financial Leasing Company Limited* (廣東耀達融資租賃有限公司) ("**Guangdong Yaoda**") together with the Company. The Group will have an aggregate 21.76% interest in Guangdong Yaoda following the completion of capital injection and capital contribution of the two other existing shareholders of Guangdong Yaoda. For details, please refer to the announcement of the Company dated 22 February 2019 (the "**Feb 2019 Announcement**").

(4) On 30 December 2018, the Board agreed to increase the registered capital of Foshan Join-Share Investment and Financing Consultancy Co., Ltd. (佛山中盈盛達投融資諮詢服務有限公司) ("**Foshan Investment and Financing**") from RMB3.00 million to RMB10.00 million.

During the year ended 31 December 2018, revenue from Foshan Investment and Financing was approximately RMB8.08 million with a net profit of approximately RMB2.44 million.

Financial Review

Net Guarantee Fee Income

Our net guarantee fee income increased by approximately RMB26.43 million, or approximately 19.16%, to approximately RMB164.34 million in 2018 from approximately RMB137.91 million in 2017. Our total guarantee fee income increased by approximately RMB24.55 million, or approximately 17.34%, to approximately RMB166.13 million in 2018 from approximately RMB141.58 million in 2017. Such increase was mainly because (i) we offered diversified financing guarantee business products, resulting in an increase in the financing guarantee fee income by approximately RMB1.30 million or approximately 1.21%. These newly individuals financing guarantee products includes auction guarantee, small credit guarantee, and advance commission guarantee; (ii) we developed new business varieties and cooperated with a number of well-known domestic financial platforms to launch retail financial guarantee business. As of 31 December 2018, our retail financial guarantee fee income was approximately RMB3.11 million; (iii) we pursued product innovation in the non-financial guarantee business by collaboration with banks on launching a credit enhancement business with general guarantee liability; and (iv) we combined our existing business varieties by launching special services such as factoring plus guarantee, and micro-lending plus guarantee.

Net Interest Income

Our net interest income decreased by approximately RMB8.16 million, or approximately 9.44%, to approximately RMB78.24 million in 2018 from approximately RMB86.40 million in 2017, primarily due to a decrease of approximately 6.96% in the interest income and an increase of approximately 10.91% in the interest expense, respectively.

For the year ended 31 December 2018, interest income from bank deposits and deposits increased by approximately RMB4.51 million or approximately 84.77% from approximately RMB5.32 million in 2017 to approximately RMB9.83 million in 2018, mainly due to the increase in interest income from the issuance of raised funds.

The interest income from our entrusted loan business for the year ended 31 December 2018 decreased by approximately RMB15.15 million or approximately 35.61% to approximately RMB27.40 million in 2018 from approximately RMB42.55 million in 2017, which was attributable to (i) the decrease in the business volume due to the bank's increasingly tightened entrusted loan business; and (ii) an increasing proportion of entrusted loans with greater amounts that generally have a lower interest rate over our entrusted loan portfolio for the year ended 31 December 2018.

The interest income from our micro-lending business for the year ended 31 December 2018 decreased by approximately RMB2.23 million or approximately 4.41% to approximately RMB48.30 million in 2018 from approximately RMB50.53 million in 2017. Such decrease was mainly attribute to (i) the decrease by approximately 1.22% in the annualised average interest rate of our loans of our micro-lending as compared to 2017; (ii) our increase in the amount of low-risk business varieties with a slightly lower yield rate; and (iii) an increasingly intensified competition in the industry, and the fact that a portion of the market share taken by banks that are required by national policies to increase lending to SMEs for assessment indicators.

For the year ended 31 December 2018, the factoring business income increased from zero in 2017 to approximately RMB6.03 million in 2018.

Service Fee from Consulting Services

Our service fee from consulting services decreased by approximately RMB7.47 million, or approximately 18.71%, to approximately RMB32.45 million in 2018 from approximately RMB39.92 million in 2017, primarily due to the decrease in financing available to our customers caused by the tightened credit policies of China's commercial banks.

Other Revenue

Our other revenue increased by approximately RMB41.99 million, or approximately 397.26%, to approximately RMB52.56 million in 2018 from approximately RMB10.57 million in 2017, primarily because (i) foreign exchange gains increased from zero in 2017 to approximately RMB26.50 million as of 31 December 2018, which was due to the conversion from Hong Kong dollars to US dollars in regards to the proceeds raised from our issue of shares in 2018 and the sharp rise in the US dollar exchange rate; (ii) the investment income of receivable investments increased by approximately RMB12.18 million or approximately 250.10% to approximately RMB17.05 million in 2018 from approximately RMB4.87 million as of 31 December 2017; and (iii) other revenues increased by approximately RMB4.32 million from approximately RMB0.29 million in 2017 to approximately RMB4.61 million in 2018, mainly due to the development of diversified businesses such as supply chain financing.

Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect our management's estimate on the level of provisions that is adequate for our guarantee business. We made provision written back for guarantee losses of approximately RMB5.06 million in 2018 compared to approximately RMB19.94 million in 2017, primarily due to a decrease of RMB156.60 million or approximately 5.71% of the balance of outstanding financing guarantee from approximately RMB2,741.41 million as of 31 December 2017 to approximately RMB2,584.81 million as of 31 December 2018.

Impairment Losses

Impairment losses mainly include (i) default guarantee receivables which reflect the net amount of the default guarantee that are unable to be recovered; (ii) loans and advances to customers primarily in the entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to the customers that are unable to be recovered; (iii) factoring receivables which mainly reflect the net amount of factoring financing services provided to our customers that are unable to be recovered; and (iv) receivable investments, which mainly reflect the net amount of wealth management or bond products purchased through the financing platform that are unable to be recovered. Our impairment losses decreased by approximately RMB2.83 million, or approximately 13.78%, to approximately RMB17.71 million as of 31 December 2018 from approximately RMB20.54 million in 2017, primarily due to a decrease of impairment losses for loans and advances to customers by approximately RMB5.88 million, or approximately 96.71%, from approximately RMB6.08 million in 2017 to approximately RMB0.20 million in 2018, which was partially offset by an increase of impairment losses for the factoring receivables and receivable investments by approximately RMB1.87 million and RMB1.82 million, respectively, in 2018 from zero in 2017.

Operating expenses

Our operating expenses increased by approximately RMB14.39 million, or approximately 13.61%, to approximately RMB120.09 million in 2018 from approximately RMB105.70 million in 2017, mainly attributable to (i) an increase of staff costs and rental fees, respectively, by approximately RMB11.53 million and RMB4.01 million to approximately RMB68.20 million and RMB9.40 million in 2018, arising from our business expansion by establishing new wholly-owned subsidiaries; (ii) an increase of advertising and promotion expenses by approximately RMB0.71 million or approximately 57.26% from approximately RMB1.24 million in 2017 to approximately RMB1.95 million in 2018 to promote the Join-Share brand; (iii) an increase of approximately RMB0.49 million or 188.46% from approximately RMB0.26 million in 2017 to approximately RMB0.75 million in taxes due to our disposal of a repossessed asset in 2018; and (iv) an increase of cost of trade contracts with our supply chain company by approximately RMB1.90 million to approximately RMB3.47 million in 2018 from approximately RMB1.57 million in 2017.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by approximately RMB26.35 million, or approximately 15.69%, to approximately RMB194.34 million in 2018 from approximately RMB167.99 million in 2017. Our profit before taxation accounted for approximately 63.57% and 70.66% of our revenue in 2017 and 2018, respectively.

Income Tax

Our income tax increased by approximately RMB5.23 million, or approximately 11.68%, to approximately RMB50.01 million in 2018 from approximately RMB44.78 million in 2017, primarily due to the increase of our taxable profits.

Profit for the Year

As a result of the foregoing, our profit for the year increased by approximately RMB21.14 million, or approximately 17.16%, to approximately RMB144.34 million in 2018 from approximately RMB123.20 million in 2017, and our net profit margin increased to approximately 52.48% in 2018 from approximately 46.62% in 2017.

Capital Expenditure

Our capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipments, office decorations and software. For the year ended 31 December 2018, our capital expenditures amounted to approximately RMB4.11 million, primarily due to the expenditures on leased office space decorations for our business expansion.

Capital Commitments and Contingent Liabilities

As at 31 December 2018, our outstanding capital commitments relating to the total maximum guarantee issued to our customers in relation to our guarantee business and the leases of our office premises amounted to approximately RMB11,709.93 million and RMB12.86 million, respectively.

As at 31 December 2018, the Group did not have any contingent liabilities.

Charge on assets

As at 31 December 2018, the Group did not pledge any of its assets to secure any banking facility or bank loan.

Prospects and future developments in the business of the Group

(I) Development trend of the industry:

1. At the end of July 2018, the State Financing Guarantee Fund (國家融資擔保基金) was officially established. By pursuing the principle of maintaining a dominant position in domestic market with supporting policies, this fund will accelerate the development of the financing guarantee industry in a target-oriented manner so that financial reforms will be deepened to address the difficulties faced by SMEs.

2. The Central Committee of the Communist Party of China and the State Council have been attaching great importance to the development of SMEs and the private economy, evidenced by the fact that a series of policies to support the development of inclusive finance have been introduced successively.

3. Faced with the new era of strict regulation and risk prevention, financial institutions in the financial sector of the PRC are subject to more strict compliance requirements for business operation and licensing, causing the banks in general to tighten their credit lines.

The Board is of view that the financing guarantee industry in the PRC will embrace a sustainable and stable growth in line with the continual economic development in the PRC and the ongoing government support for SMEs.

(II) Development strategy of the Company:

Looking into 2019, the Company will continue to support SMEs and accelerate its strategic arrangements for the industry chain. By focusing on and seizing the development opportunities in Great Bay Area, we aim at cooperating with core enterprises to establish a strategic partnership platform for industrial integration, while upgrading and promoting its supply chain finance and industrial finance cooperation model. Meanwhile, the Company will advance its regional distribution by virtue of the development opportunities in the Pearl River Delta region, and strive to complete the distribution in major cities in the PRC such as Beijing and Shanghai. The Company will also actively seek connection with the State Financing Guarantee Fund (國家融資擔保基金), with an aim to cooperate with it to expand our business.

Moving forward under the business model of “guarantee plus”, the Company will gradually switch to a customer-centered business model through transformation, and enhance its marketing capacity and customer service quality. Besides maintaining a well-built organisation structure, the Company will continue to comprehensively assess the business risks, establish a systematic talent training mechanism, and greatly enhance its internet infrastructure development. Amid the rapid economic and financial development supported by local development blueprints, the Company is expected to achieve better results in 2019.

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 Group's shareholders of the Company (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 before the higher equity holders/shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Foreign Exchange Risks

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

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

Liquidity and Capital Resources

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

As of 31 December 2018, our cash and cash equivalents was approximately RMB1,125.71 million.

The gearing ratios of the Group as at 31 December 2017 and 31 December 2018 were 22.47% and 22.17%, respectively. Such gearing ratio was computed by dividing total liabilities by total assets.

Indebtedness

As of 31 December 2018, the interest-bearing borrowings amounted to approximately RMB112.40 million.

In addition, we had other financial instrument — liability component of approximately RMB62.48 million.

Off-Balance Sheet Arrangements

We enter into guarantee contracts with off-balance-sheet risk in the ordinary course of our business. The contract amount reflects the extent of our involvement in the financing guarantee business and also represents our maximum exposure to credit loss. As of 31 December 2018, our outstanding guarantee totaled approximately RMB11,709.93 million. Save as disclosed above, we have no other off-balance-sheet arrangements.

Significant investments

Save as disclosed under the paragraph headed "Major business activities undertaken by the Group during the year" in this announcement, the Group had no significant investment for the year ended 31 December 2018.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2018.

EVENT AFTER REPORTING PERIOD

Increase of registered capital of subsidiary

On 31 January 2019, the Board agreed to increase the registered capital of Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司), a subsidiary of the Company, from RMB110.00 million to RMB130.00 million. For details, please refer to the announcement of the Company dated 31 January 2019.

The Capital Injection

On 22 February 2019 (after trading hours), the Company, Join-Share Financial and Guangdong Yaoda entered into a capital injection agreement pursuant to which the Group has conditionally agreed to make a capital injection (the "**Capital Injection**") of RMB112,572,500 (equivalent to HK$132,835,550) into Guangdong Yaoda, among which RMB92,500,000 (equivalent to HK$109,150,000) will be contributed to the registered capital of Guangdong Yaoda, and the remaining RMB20,072,500 (equivalent to HK$23,685,550) will be contributed to the capital reserve of Guangdong Yaoda, subject to approval by the Shareholders. Immediately upon completion of the Capital Injection and capital contribution by two other existing shareholders of Guangdong Yaoda (including but not limited to Foshan Financial), Guangdong Yaoda will be owned as to 21.76% by the Group.

Change in Use of Proceeds

The Board has resolved to change the intended use of proceeds from previous issue of H shares to fund the payment for the Capital Injection, development of other financial-related services business and/or potential investment in company(ies) principally engaged in financing guarantee business, subject to approval by the Shareholders.

For details of the proposed Capital Injection and change in use of proceeds , please refer to the Feb 2019 Announcement.

HUMAN RESOURCES

The total number of staff within the Group as at 31 December 2018 and 31 December 2017 was 298 and 265 respectively. The Directors believe that employees' quality is the most important factor in maintaining the sustained development and growth of the Group and in raising its profitability. We offer a base salary with bonuses based on our employees' performance and benefits and allowances to all our employees as an incentive. For the year ended 31 December 2018, we paid approximately RMB68.20 million to our employees as remuneration. We also offer trainings to our new employees twice a year. We believe both the performance-based salary and staff training play an important role in recruiting and retaining talent as well as enhancing employee loyalty.

The Group is required to participate in pension schemes organised by the respective local governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has complied with the relevant requirements during the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 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

The Company has established an audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises five members, namely, Mr. Wu Xiangneng (chairman), Mr. Leung Hon Man, Mr. Luo Zhenqing, Mr. Liu Heng and Mr. Huang Guoshen, three of whom are independent non- executive Directors. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2018. The Audit Committee has also reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of Shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2018, the Company had complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the directors and supervisors of the Company. Having made specific enquiry with the Directors and supervisors of the Company, they have confirmed their compliance with the relevant standards stipulated in the Model Code during the year ended 31 December 2018.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.054 (before considering any tax effect) per share for the year ended 31 December 2018, amounting to RMB84,282,805.10 (the "**2018 Final Dividend**") in aggregate.

According to the Articles of Association of the Company, dividend payable to holders of domestic shares will be paid in Renminbi, whereas dividend payable to holders of the H shares will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate of which will be calculated in accordance with the related national regulations on foreign exchange control. The 2018 Final Dividend will be subject to approval at the forthcoming 2018 annual general meeting (the "**AGM**") and is expected to be paid on or about 30 July 2019, Tuesday.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Administrative Measures of the State Administration of Taxation on Tax Convention Treatment for Non-resident Taxpayers (No. 60 of the Announcement of the State Administration of Taxation for 2016) (《國家稅務總局非居民納稅人享受稅收協定待遇管理辦法》) (國家稅務總局公告2016 年第60 號), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045 號文件廢止後有關個人所得稅徵管問題的通知》 (國稅函[2011]348 號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

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

Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in the PRC, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

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

ANNUAL GENERAL MEETING

The AGM will be held on 6 June 2019, Thursday, while the notice of the AGM will be published and dispatched to Shareholders in the manner as stipulated under the Listing Rules when appropriate.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from 7 May 2019, Tuesday to 6 June 2019, Thursday, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on 6 June 2019, Thursday or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on 6 May 2019, Monday.

In order to determine the Shareholders entitled to the 2018 Final Dividend, the register of members of the Company will be closed from 14 June 2019, Friday to 19 June 2019, Wednesday, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on 19 June 2019, Wednesday are entitled to the 2018 Final Dividend. In order to qualify for receiving the 2018 Final Dividend which is still subject to approval of the Shareholders at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on 13 June 2019, Thursday.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2018 will be dispatched to Shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.join-share.com) in April 2019.

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

Foshan, the PRC, 18 March 2019

As of the date of this announcement, the executive director of the Company is Mr. Wu Liejin (Chairman); the non-executive directors of the Company are Mr. Zhang Minming, Ms. Gu Lidan, Mr. Luo Zhenqing, Mr. Huang Guoshen and Mr. Zhang Deben; and the independent non-executive directors of the Company are Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng.

* *for identification purpose only*