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

ANNUAL REPORT 2018

* For identification purpose only

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CORPORATE PROFILE

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

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

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

The H shares of the Company (the "**H Shares**") were successfully listed (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 December 2015 (the "**Listing Date**"), laying a solid foundation for the Group's future development.

* *For identification purpose only*

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) *(Chairman)*
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

Mr. Wu Liejin (吳列進)
Mr. Lau Kwok Yin (劉國賢)

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN PRC

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

H SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

LEGAL ADVISORS AS TO HONG KONG LAW

King & Wood Mallesons

AUDITORS

KPMG
Certified Public Accountants

COMPANY'S WEBSITE

www.join-share.com

STOCK CODE

1543

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the Group's operating results were as follows:

- 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 approximately 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 (as defined below).

	Consolidated P&L				
	2018	2017	2016	2015	2014
(RMB'000)					
Operating Results					
Revenue	**275,025**	264,238	253,008	285,634	307,343
— Net guarantee fee income	**164,340**	137,912	128,860	131,206	163,374
— Net interest income	**78,235**	86,403	88,699	121,076	102,155
— Service fee from consulting services	**32,450**	39,923	35,449	33,352	41,814
Other revenue	**52,560**	10,574	41,465	28,800	20,992
Share of (losses)/profits of associates	**(503)**	(528)	545	–	–
Provisions written back for guarantee losses	**5,064**	19,944	10,497	(2,533)	(8,146)
Impairment losses	**(17,711)**	(20,538)	(22,905)	(27,358)	(29,361)
Operating expenses	**(120,093)**	(105,702)	(88,718)	(91,928)	(82,035)
Profit for the year	**144,337**	123,204	143,901	142,830	156,754
— Attributable to equity shareholders of the Company	**125,092**	106,069	114,333	112,104	145,258
Key Financial Ratios					
Return on net assets	**7.0%**	7.1%	8.4%	9.4%	12.6%
Return on assets	**5.5%**	5.6%	6.7%	7.1%	9.5%
Net profit margin	**52.5%**	46.6%	56.9%	50.0%	51.0%
Scale Indicators					
Total assets	**3,034,383**	2,238,959	2,143,780	2,171,054	1,852,328
Total liabilities	**672,769**	503,204	431,578	449,011	528,311
Net assets	**2,361,614**	1,735,755	1,712,202	1,722,043	1,324,017

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board (the "**Board**") of directors (the "**Director(s)**"), I am pleased to present the annual report of the Company for the year ended 31 December 2018.

In retrospect of 2018, the Central Committee of the Communist Party of China and the State Council was stressing the importance of the development of the SMEs in the private sector, in which case, the State Council convened various executive meetings to address the predicament of demanding and costing financing, which had been troubling the SMEs and the "agriculture, rural area and farmers". The relevant ministries and committees also introduced a series of policies to support the inclusive finance development. According to the "Guideline Opinions Concerning Effective Implementation of Government-back Financing Guarantee Funds to Support the Development of SMEs and Agriculture, Rural Area and Farmers" (Guo Ban Fa [2019] No. 6) (《關於有效發揮政府性融資擔保基金作用切實支持小微企業和"三農"發展的指導意見》(國辦發[2019]6號)) promulgated in February 2018, financing guarantee institutions would be further instructed to focus on the principal operations and business sustainability as their healthy development. It is noteworthy that the government work report in March officially proposed the establishment of a national financing guarantee fund, which took place in July. This represents a significant milestone for various aspects, including the establishment of risk-sharing mechanism for the government, banking, and guarantee institutions to minimize industrial risks and promote the industry sustainability, as well as the solutions to the SMEs' predicament of demanding and costing financing.

MR. WU LIEJIN
Chairman

Over the past year, Guangdong Join-Share has successfully captured opportunities and strived to enhance the business and management efficiency through active expansion and innovation. On the one hand, we continued to deepen the reform of our business division and streamline our business management structure so that the Company would advance and deepen its overall business transformation, while pursuing its lean business management. On the other hand, by utilising opportunities arising from local industry transformations in line with the economic development, we proactively promoted the innovative integration of financial businesses with local industries, replenishing the capital strength of supply chain companies and factoring service companies. Furthermore, we took tremendous efforts to develop the supply chain finance sector by establishing strategic collaboration with comprehensive health and medical treatment, import and export trades, and other platforms. These initiatives have achieved initial encouraging results.

Guangdong Join-Share has achieved significant progress in enhancing its brand awareness and industrial influence, owing to its explicit strategic positioning, innovative business model, and efficient corporate governance. In June 2018, because of our innovation model, Guangdong Join-Share 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. In addition, our subsidiary, Yunfu Puhui Financing Guarantee Co., Ltd* (雲浮市普惠融資擔保股份有限公司) ("**Yunfu Company**") was also included by the Ministry of Industry and Information Technology of the People's Republic of China to the "National Successful Cases on Alleviation of Financing Difficulties of SMEs" and promoted nationwide for learning purposes. Furthermore, the Company was rated by the Guangdong Government as "Top Ten Local Financial Institutions" (十優地方金融機構). These facts indicate that the Company is highly recognised among the government, business partners, investors, media, and other parties for its model and brand.

During a private business conference convened on 16 December 2018, the General Party Secretary, Mr. Xi Jinping, fully acknowledged the importance and role of the private sector in the People's Republic of China (the "**PRC**"), and emphasised that, financing difficulties, particularly inaccessibility to financing, should be resolved for private businesses such as the SMEs. During the 13th Plenary Meeting of the Politburo of the CPC Central Committee chaired by the General Party Secretary, Mr. Xi Jinping, on 22 February 2019, he delivered an important speech regarding "Deepening the Structural Reform of Financing Supply Side, while Strengthening the Economic Strength of Financial Service Entities". Meanwhile, the 2019 Government Work Report also mentions the "More Efforts to Alleviate Businesses' Predicament of Demanding and Costing Financing" on various occasions, and proposes a series of supportive policies to reduce business development costs of the SMEs, including "implementation of tax cuts in a larger scale", all of which have fully underscored the resolute of the central government to render tremendous support to the development of the SMEs and related financial services in the private sector. Looking forward to the forthcoming year, driven by a series of national policies, particularly the favorable conditions arising from the development of Guangdong-Hong Kong-Macao Greater Bay Area, our industry and the Company will embrace brand new development opportunities in the history. While exerting strict control over risks, we will continue to strengthen strategic cooperation with local governments and large financial institutions in allusion to satisfy various financing demands of SMEs. Meanwhile, we will accelerate the industrial layout expansion and further advance the integration of finance with industries and technologies so as to boost the operating results of the Company.

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to governments at all levels, the shareholders of the Company, business partners and corporate customers for their continuous care for and support to the Company's development and show our high respect to all the staff of the Company for their hard work in the past year. In 2019, the management team and I will continue our mission and strive to achieve our vision.

Mr. Wu Liejin
Chairman
Foshan, the PRC
18 March 2019

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 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 (the "**Chairman**") and president of the Company (the "**President**"), 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 Micro Credit, a subsidiary of the Company. Foshan Micro Credit is permitted to conduct its operations in Foshan, Guangdong province, the PRC. Due to limits imposed by certain laws and regulations, the amount of micro-lending that we may provide is up to RMB5.00 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 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 (currently known as 深圳市國信科技服務有限公司) 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), to provide engineering guarantees to a large number of enterprises.

(3) On 3 July 2018, the Board approved further capital injection into Foshan Join-Share Supply Chain Services Co., Ltd.* (佛山中盈盛達供應鏈服務有限公司) ("**Supply Chain Company**") by changing the registered capital of RMB1.00 million to RMB10.00 million. On 3 August 2018, Supply Chain Company 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).

(4) 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 announcements of the Company dated 22 February 2019, 15 March 2019 and 8 April 2019 respectively (the "**2019 Announcements**").

(5) 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 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 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 approximately 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 to 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 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 RMB12.81 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 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, the currency of the borrowings was RMB and all were at floating interest rates.

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 report, 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 Company, 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 Investment Holdings Co., Ltd.* (佛山市金融投資控股有限公司) ("**Foshan Financial**"), a substantial Shareholder), 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 2019 Announcements.

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.

DIRECTORS

Executive Directors

Mr. Wu Liejin (吳列進), aged 58, is an executive Director, the Chairman and the President. He was appointed as a Director on 23 May 2003 and was re-designated as an executive Director on 6 June 2014. Mr. Wu joined our Group on 23 May 2003. Mr. Wu is responsible for the overall development planning and business operation of the Group. Mr. Wu is also the chairman of each of Foshan Chancheng Join-Share Micro Credit Co., Ltd (佛山禪城中盈盛達小額貸款有限公司), Anhui Join-Share Financing Guarantee Co., Ltd. (安徽中盈盛達融資擔保有限公司), Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. (中山中盈盛達科技融資擔保投資有限公司) as well as a director of each 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 Join-Share Industrial Investment Co., Ltd. (佛山中盈興業投資有限公司), Guangdong Join-Share Capital Management Limited (廣東中盈盛達資本管理有限公司), Guangdong Join-Share Supply Chain Management Co.,Ltd(廣東中盈盛達供應鏈管理有限公司), Shenzhen Join-Share Commercial Factoring Co., Ltd. (深圳中盈盛達商業保理有限公司) Yunfu Puhui Financing Guarantee Co., Ltd.(雲浮市普惠融資擔保股份有限公司) and Shenzhen Join-Share Engineering Guarantee Co., Ltd (深圳市中盈盛達工程擔保有限公司). Apart from his duty in the Group, Mr. Wu holds or has previously held positions in various associations since 2008.

Organization, programme and university	Position
13th National People's Congress (十三屆全國人民代表大會)	Representative
11th and 12th Guangdong Provincial People's Congress (廣東省第11屆、12屆人民代表大會)	Representative
China Financing Guarantee Association (中國融資擔保業協會)	Vice-chairman
Guangdong Credit Association (廣東省信用協會)	Chairman
Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會)	Executive vice-chairman
Guangdong Financing Guarantee Association (廣東省融資擔保業協會)	Chief supervisor
Guangdong Association for Promotion of Science & Technology and Finance (廣東省科技金融促進會)	Vice-chairman
Guangdong Financial Think Tank Association (廣東省金融智庫聯合會)	Vice-chairman
Foshan Guarantee Association (佛山市信用擔保行業協會)	Honorary chairman
General Chamber of Commerce of Foshan Industry & Commerce Federation (佛山市工商業聯合會總商會)	Vice-chairman

In the earlier period of his career, Mr. Wu worked at Tongling Finance and Economics College (銅陵財務專科學校) (now known as Tongling University (銅陵學院)) in the PRC from July 1983 to May 1993, and was primarily responsible for teaching courses and school administration management. He had been a Party committee member of the college, director of accounting department (with professional lecturer title) during that period. He had also concurrently been appointed as a vice director of Tongling municipal youth league committee through September 1985 to October 1988. Then from May 1993 to May 1994, Mr. Wu served as the manager of the general manager(s) office at Hainan Jialing Group (海南嘉陵集團), a company principally engaged in industry, trade, real estate development, where he was primarily responsible for system establishment and branch management. Mr. Wu has about 21 years of experience in finance industry. From May 1994 to May 2001, he served as the vice general manager and then general manager at Guangzhou Yinye Development Group Co., Ltd. (廣州銀業發展集團有限公司), a company principally engaged in materials supply and sales, investment, properties development and consulting service, where Mr. Wu was primarily in charge of operation management of the company. From May 2001 to May 2003, Mr. Wu served as the general manager at Guangdong Yinda Financing Guaranty Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司), a company principally engaged in providing financing guarantee, guarantee-related consulting service and doing investment, where he was primarily responsible for business operations.

In July 1983, Mr. Wu received his bachelor's degree of economics from Anhui Finance and Trading College (安徽財貿學院) (now known as Anhui University of Finance and Economics (安徽財經大學)) in the PRC, majoring in business accounting. In July 2010, he obtained a certificate of completion for a "Foshan 2010 Advanced Workshop of Enterprises Leaders" (佛山市2010年企業領導人高級研修班) granted by Fudan University (復旦大學) in the PRC. In April 1990, Mr. Wu obtained a lecturer eligibility qualification certificate (講師任職資格證書) of the PRC granted by Teachers Qualification Evaluation Committee of Tongling Finance and Economics College (銅陵財經專科學校教師職務評審委員會). In September 2007, he obtained a certificate from a training course on eligibility of independent directors of listed companies of Shanghai Stock Exchange (上海證券交易所上市公司獨立董事任職資格培訓班) granted by Shanghai Stock Exchange in the PRC. In December 2013, Mr. Wu obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong Province. In December 2016 and January 2017, Mr. Wu was successively awarded 2016 Guangdong Economic Influential Individuals (2016年度廣東經濟風雲人物) and Huishang Leader of the 4th Huishang Oscar (第四屆徽商奥斯卡徽商領袖). In September 2017, Mr. Wu was selected as one of the 2016 Senior Financial Management Talents of Foshan (2016年度佛山市金融高級管理人才). In October 2017, Mr. Wu was recognized as Senior Financial Professional Talent of Chancheng District by the government of Chancheng District of Foshan. In December 2018, Mr. Wu received the "Second Fengyun Huishang Award" from Guangdong Province of Anhui Chamber of Commerce and Yangcheng Evening News.

As 12 April 2019, being latest practicable date prior to the printing of this report for ascertaining certain information in this report (the "**Latest Practicable Date**"), Mr. Wu was beneficially interested in 32,110,351 Domestic Shares in the Company.

Non-Executive Directors

Mr. Zhang Minming (張敏明), aged 39, is a non-executive Director and vice chairman of the Board. Mr. Zhang was appointed as a non-executive Director on 21 April 2015. Mr. Zhang joined the Group on 21 April 2015.

Mr. Zhang has about 11 years of experience in enterprise operations and management industry. From August 2008 to May 2009, Mr. Zhang served as the manager of purchasing department at concretes branch of Guangdong Formanda Group Co., Ltd. (廣東科明達集團有限公司), a company principally engaged in property development and the commodity concretes production, where he was primarily responsible for coordinating daily purchase work of concretes company and controlling procurement cost. From May 2009 to May 2010, Mr. Zhang served as the general manager of Guangdong Formanda Group Co., Ltd. and primarily responsible for daily operational management, establishing and improving management system, and implementing and realizing management objectives and development goals. Since May 2010, Mr. Zhang has been the president of Guangdong Formanda Group Co., Ltd. (廣東科明達集團有限公司) and primarily responsible for formulating and implementing the overall strategy and annual operational plan of the group establishing and improving the management system and organizational structure of the group.

Mr. Zhang received his bachelor's degree of science from Saint Peter's College in the USA in May 2003, majoring in computer. Mr. Zhang received his master of business administration degree from Saint Peter's College in the USA in May 2005.

Currently, Mr. Zhang is the vice-chairman of Guangdong Credit Association (廣東省信用協會) and Foshan Industry & Commerce Federation (General Chamber of Commerce) (佛山市工商聯 (總商會)), member of Foshan Political Consultative Committee.

Ms. Gu Lidan (顧李丹), aged 42, is a non-executive Director. Ms. Gu joined the Group as a Director on 28 March 2014 and was re-designated as a non-executive Director on 6 June 2014.

Ms. Gu has about 20 years of experience in management of state-owned assets and enterprises. From July 1996 to April 2003, Ms. Gu worked as a clerk at Jiangxi Branch of China National Exported Goods Bases Development Corporation Co., Ltd. (中國出口商品基地建設江西公司), a company principally engaged in international commercial trade of goods, where Ms. Gu was primarily responsible for import and export trade of commodity. From April 2003 to October 2009, she was a governmental officer at enterprises division (企業處) of State-owned Assets Supervision and Administration Commission of Jiangxi province (江西省人民政府國有資產監督管理委員會), where she successively served as the junior member and then senior member and was primarily responsible for state-owned enterprise restructuring and capital operation. From December 2004 to October 2009, Ms. Gu served as a director of Jiangxi Guoxing Assets Management Co., Ltd. (江西省國興資產管理有限公司), a company principally engaged in assets managements and other investment, where she was primarily responsible for asset management and other investments. Between October 2009 to July 2012, Ms. Gu served as the deputy director of evaluation and assignment division (考核分配處) of the State-owned Assets Supervision and Administration Commission of Jiangxi province, where she was mainly responsible for operation performance appraisal and remuneration review of leaders in state-owned enterprises. Since July 2012, Ms. Gu works in Foshan Investment Holdings Co., Ltd. (佛山市投資控股有限公司) (now known as Foshan Financial), a company principally engaged in property management and investment and finance related business, where she served as a director, deputy general manager, member of Party committee, general manager and deputy Party secretary and was primarily responsible for strategic development department, finance department and financial management department, and successively in charge of production operational management, work safety, enterprise resource planning. From July 2012 to January 2013, she has also concurrently served as the assistant to the director of State-owned Assets Supervision and Administration Commission of Foshan city (佛山市人民政府國有資產監督管理委員會) under secondment. From May 2013 to August 2017, Ms. Gu had been the chairwoman of board of directors and general manager at Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司), where she was primarily in charge of overall management. Since June 2017, Ms. Gu has served as the Party Committee Secretary and Chairwoman (Legal Representative) of Foshan Torch Innovation Entrepreneur Park Co., Ltd. (佛山火炬創新創業園有限公司), she was mainly in charge of overall management and operation.

Ms. Gu received her bachelor's degree of economics from Jiangxi Agricultural University (江西農業大學) in the PRC in July 1996, majoring in agricultural economics management. Ms. Gu obtained a certificate of completion on advanced corporate management workshop from Tsinghua University (清華大學) in the PRC in April 2007. In May 2005, she received a certificate of international business engineer of the PRC re-issued by Jiangxi provincial title affairs office. In March 2006, she received a certificate of enterprise legal advisor (企業法律顧問) of the PRC issued by Jiangxi provincial title affairs office. She obtained a master's degree from South China University of Technology (華南理工大學) in June 2017, majoring in management science and engineering.

Mr. Luo Zhenqing (羅振清), aged 42, is a proposed non-executive Director. He is an accountant and has about 22 years of experience in state-owned assets and enterprises management. Mr. Luo served as the accountant and the chief financial officer of Foshan Expressway and Industry Company Limited (佛山市公路實業發展公司) from July 1995 to April 2003, the manager of the finance and audit department of Foshan Chancheng Road and Bridge Construction Co., Ltd. (佛山市禪城區路橋建設有限公司) from April 2003 to July 2009, the chief financial officer of Foshan Railway Investment and Construction Co., Ltd. (佛山市鐵路投資建設集團有限公司) from August 2009 to May 2012 and the deputy general manager of Foshan Torch Innovation Entrepreneur Park Co., Ltd. (佛山火炬創新創業園有限公司) from May 2012 to November 2013. Mr. Luo has been a member of the Communist Party Committee, a director and a deputy general manager of Foshan Investment Holdings Co., Ltd. (佛山市投資控股有限公司) (now known as Foshan Financial), since December 2013.

Mr. Luo obtained a college diploma from Foshan University (佛山科學技術學院) majoring in business administration by means of in-service education in January 2008.

Mr. Huang Guoshen (黃國深), aged 55, is a non-executive Director. Mr. Huang joined our Group as a Director on 23 May 2003 and was re-designated as a non-executive Director on 6 June 2014.

Mr. Huang has about 23 years of experience in enterprises operation and management. From August 1994 to September 2010, he worked at Guangdong Chigo Air Conditioning Co., Ltd. (廣東志高空調有限公司), a company listed on the Stock Exchange (stock code: 449) and primarily engaged in designing, development, manufacturing and sales of air conditioners products, where he served successively as a technician, manager, vice general manager, director of costs center, director of infrastructure center and director and was primarily responsible for operational management of the pipeline valves and copper pipe plant, costs control, management of infrastructure and power equipments. From August 2007 to January 2018, he has been the general manager at Yangjiang Zhigao Lidao Real Estate Development Co., Ltd. (陽江市志高麗島房地產開發有限公司), a company principally engaged in real estate development, hotel management service and property management, where he was primarily responsible for overall operation. Since June 2007, Mr. Huang has served as the general manager at Sihui Zhigao Huamei Investment Co., Ltd. (四會市志高華美投資有限公司), a company principally engaged in investment in tourism, industry, construction and services projects, where he was primarily in charge of overall operation. Apart his duty in these companies, Mr. Huang was also a member of Zhaoqing municipal ninth committee of Chinese People's Political Consultative Conference (肇慶市第九屆政協委員).

As at the Latest Practicable Date, Mr. Huang was beneficially interested in 41,760,000 Domestic Shares of the Company.

Mr. Zhang Deben (張德本), aged 57, is a proposed non-executive Director. He joined the Group on 6 July 2009 as the vice president. He is currently the general vice president of the Company, responsible for the corporate guarantee letter business of the Group. Mr. Zhang also serves as a director of the following companies, including Anhui Join-Share Financing Guarantee Co., Ltd., Hefei Join-Share Consultancy Service Co., Ltd, Yunfu Puhui Financing Guarantee Co., Ltd., and Shenzhen Join-Share Engineering Guarantee Co., Ltd., respectively.

Mr. Zhang graduated from Anhui Chemical Engineering School (安徽化工學校) majoring in automation in 1984. Mr. Zhang received his bachelor's degree of economics from Anhui Finance and Trading College (安徽財貿學院) in the PRC in 1992, majoring in statistics through self-study education. In April 1994, he also obtained an intermediate qualification certificate of industrial economist granted by the Ministry of Personnel of the PRC. Mr. Zhang participated in the examination and acquired the qualification certificate of PRC certified public accountant in 1997. In 2003, he obtained a master's degree on business administration from Anhui Institute of Business Administration (安徽工商管理學院) in the PRC.

In July 1984, Mr. Zhang graduated from school and was assigned by the State to work in the Anhui Tongling Economy and Trade Committee (安徽省銅陵市經濟貿易委員會), and served as the section chief of the integrated planning section till May 1993. From May 1993 to August 1997, he was the deputy head of Tongling Jiaoqu District Government of Anhui Province, the PRC (安徽省銅陵市郊區政府), taking charge of the industrial economy. He successively worked as the deputy head of Tongling State- Owned Assets Administration Bureau of Anhui Province, the PRC (安徽省銅陵市國有資產管理局) and the chief accountant of Tongling Municipal Finance Bureau (安徽省銅陵市財政局) from August 1997 to June 2003, and concurrently served as a general manager of Anhui Tongling Jinyu Small and Medium- Sized Enterprises Guarantee Center (安徽銅陵金譽中小企業擔保中心) from March 1999 to June 2003. Mr. Zhang was the vice president of Guangdong Yinda Financing Guaranty Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司) from June 2003 to June 2004, the secretary-general of Guangdong Provincial Guarantee Association (廣東省擔保協會) from June 2004 to July 2008 and acted as the president of Guanghui Sci-Tech Financing Guarantee Co., Ltd. (廣匯科技融資擔保股份有限公司) from July 2008 to July 2009.

Mr. Zhang has participated in the pilot project of the construction of the national SME credit guarantee system since 1998. He has 20 years of working experience drawing from the works of corporate business operation, industry management and policy research in the guarantee industry. Mr. Zhang is concurrently the deputy chief editor of China Guarantee (《中國擔保》), an expert member of the admission approval committee for bonding companies under the Guangdong Finance and Guarantee Co., Ltd. (廣東省金融辦), an expert advisor of Guangdong SME Management Bureau (廣東省中小企業局) and the deputy director of the expert committee of Guangdong Credit Guarantee Association (廣東省信用擔保協會). He was once the head of the accounting research group of the Ministry of Finance, and regularly teaching the professional courses in relation to guarantee in Zhejiang University, Sun Yat-Sen University, South China University of Technology and other universities throughout the country. The Risk Management system for SME Credit Guarantee developed under his guidance was awarded the second prize in the Eighth Accreditation of the Modernization Corporate Management and Innovation Achievements (全國第八屆企業現代化管理創新成果二等獎).

As at the Latest Practicable Date, Mr. Zhang was beneficially interested in 212,000 Domestic Shares.

Independent Non-Executive Directors

Mr. Wu Xiangneng (吳向能), aged 44, was appointed as an independent non-executive Director on 7 August 2013.

Mr. Wu has about 20 years of experience in finance and financial management. He holds or has held positions in various organizations.

Entities	Principal business	Position	Duration	Responsibilities
Jiangsu Zhangjiagang Industrial and Commercial School (江蘇省張家港市工貿學校)	Education	Finance and accounting teacher	August 1996–July 1999	Accounting teaching and research
Jiangsu Xingzhong Accounting Firm (江蘇興中會計師事務所)	Accounting	Part-time charted accountant	May 1997–August 1999	Accounting and auditing practice
Xiada Accounting Firm (廈大會計師事務所)	Accounting	Part-time project manager	October 1999–May 2002	Accounting and auditing practice
Guangdong Electronic Power Development Co., Ltd. (廣東電力發展股份有限公司) (listed on Shenzhen Stock Exchange, stock codes: 000539, 200539)	Investment, construction and management of electronic power projects	Financial and budget director	July 2002–January 2006	Financial management
Guangdong Supervision Division of China Securities Regulatory Commission (中國證券監督管理委員會廣東監管局)	—	Supervisor of listed company (上市公司監管員)	January 2006–January 2009	Supervising listed companies
Secondment Supervisors Committee of the State-owned Assets Supervision and Administration Commission of Guangdong Province (廣東省人民政府國有資產監督管理委員會外派監督會)	—	Full-time supervisor	January 2009–December 2011	Supervising state-owned enterprises
Guangdong Nanhai Holding Investment Co., Ltd. (廣東南海控股投資有限公司) (a wholly state- owned company)	Projects investment, shareholding and management	Vice general manager	January 2012–November 2015	Equity investment
Guangzhou Nengdi Asset Management Co., Ltd. (廣州能迪資產管理有限公司)	—	General Manager	December 2015–present	Equity investment and acquisition planning

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

Mr. Wu currently serves as an adjunct professor of the School of Management of Sun Yat-sen University (中山大學), an external MPACC tutor of Guangzhou University (廣州大學) and a member of Guangdong accounting experts pool.

Mr. Leung Hon Man (梁漢文), aged 53, was appointed as an independent non-executive Director on 23 June 2014.

Mr. Leung has over 21 years of experience in company management, accounting and company secretarial matters. From June 1990 to May 1994, he served as a senior officer in the loans department of the Hong Kong Branch of the Kwangtung Provincial Bank (廣東省銀行香港分行) (now known as Bank of China (Hong Kong) Limited (中國銀行 (香港) 有限公司)). From May 1994 to August 2000, he served as the finance manager in Soundwill Holdings Limited (金朝陽集團有限公司), a company listed on the Stock Exchange (stock code: 878) and primarily engaged in property consolidation, development and leasing, where he was principally responsible for financial management. From August 2000 to December 2007, Mr. Leung was employed by Sanyuan Group Limited (三元集團有限公司), a company formerly listed on the Stock Exchange and primarily engaged in property investment, medical care and healthcare etc., where he held various positions including the company secretary, financial controller and executive director and primarily responsible for financial management. Mr. Leung has served as the chief financial officer since December 2007 and served concurrently as the company secretary since August 2008 in Chigo Holding Limited, a company listed on the Stock Exchange (stock code: 449) and primarily engaged in designing, development, manufacturing and sales of air-conditioning products, where he is responsible for financial management and compliance.

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

Mr. Liu Heng (劉恒), aged 55, was appointed as an independent non-executive Director on 23 June 2014.

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

Company name	Listed stock exchange	Stock code	Principal business	Duration
Gangjianggang Co., Ltd. (港江港股份有限公司)	N/A	N/A	Port and related businesses	September 2001–August 2006
Dongguan Development (Holdings) Co., Ltd. (東莞發展控股有限公司)	Shenzhen Stock Exchange	000828	Investment, construction and management on Dongguan highway	October 2002–June 2008
Shenzhen Yantian Port Holdings Co., Ltd. (深圳鹽田港股份有限公司)	Shenzhen Stock Exchange	000088	Port development and management, goods loading and unloading, port ancillary facilities construction and management, container reparation, entrepot trade, importation and exportation of goods and technique	September 2003–April 2008
Fenghua Advanced Technology Holding Co., Ltd. (廣東風華高新科技股份有限公司)	Shenzhen Stock Exchange	000636	Electronic information basic products including new types of components, electronic materials and special equipments	August 2003–July 2010
Guangdong Kaiping Chunhui Co., Ltd. (廣東開平春暉股份有限公司)	Shenzhen Stock Exchange	000976	Chemical fiber products manufacturing	September 2008–September 2014
Guangzhou Pharmaceutical Group Co., Ltd. (廣州醫藥集團有限公司)	N/A	N/A	Pharmaceutics	April 2007 to the present
Dongguan Securities Co., Ltd. (東莞證券股份有限公司)	N/A	N/A	Securities	August 2010–August 2016
Guangzhou Rural Commercial Bank Co., Ltd. (廣州農村商業銀行股份有限公司)	Hong Kong Stock Exchange	1551	Finance	May 2014 to the present
BY-HEALTH Co., Ltd. (湯臣倍健股份有限公司)	Shenzhen Stock Exchange	300146	Dietary supplements and related businesses	September 2014 to the present
Hunan Xiangtea Co., Ltd. (湖南湘茶股份有限公司)	N/A	N/A	Tea and related businesses	November 2017 to August 2018

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

SUPERVISORS

Mr. Li Qi (李琦), aged 42, was appointed as the chairman of the board (the "**Board of Supervisors**") of supervisors (the "**Supervisors**") on 21 April 2015. Mr. Li joined our Group on 11 May 2012.

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

Mr. Li received his college diploma from Hebei University of Economics and Business (河北經貿大學) in the PRC in June 1995 through self-study higher education examination (高等教育自學考試), majoring in business economy management. In December 2004, he obtained a certificate for the forty-eighth business administration training course (第48期工商管理培訓班) granted by School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in the PRC. Mr. Li obtained an executive master of business administration degree from Renmin University in January 2017 and a qualification certificate of accountant (會計師資格證書) granted by MOF in May 1998.

Ms. Feng Qunying (馮群英), aged 44, was appointed as a Supervisor on 21 April 2015. Ms. Feng joined our Group on 21 April 2015.

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

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

Mr. Liao Zhenliang (廖振亮), aged 67, was appointed as an independent Supervisor on 21 April 2015.

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

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

Mr. Zhong Jian (鍾堅), aged 57, was appointed as an independent Supervisor on 21 April 2015.

From December 1979 to August 1982, Mr. Zhong worked at the credit section of the central sub-branch of the Peoples' Bank of China in Foshan. From January 1988 to April 1995, he worked at Foshan Chengqu Law Firm (佛山市城區律師事務所), where he successively served as a lawyer and deputy director. From April 1995 to December 1997, Mr. Zhong worked as the director of Foshan Huayang Law Firm (佛山市華洋律師事務所). From December 1997 to November 2005, he worked as the director of Guangdong Tongfa Law Firm (廣東通法律師事務所). From November 2005 to May 2018, Mr. Zhong worked as the director of Guangdong T & Z Law Firm (廣東通法正承律師事務所). Since May 2018, Mr. Zhong has been serving as the director of Guangdong T&J Law Firm.

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

Since 2006, Mr. Zhong successively served as the president of the fifth session of Foshan Bar Association (佛山市律師協會), the vice president of the sixth session of Foshan Bar Association and the president of the ninth session of Foshan Bar Association. He also served as the legal consultant of the People's Government of Foshan City (佛山市人民政府), the People's Government of Chancheng District, Foshan (佛山市禪城區人民政府), the People's Government of Nanhai District, Foshan (佛山市南海區人民政府), Bureau of Housing and Urban-Rural Development of Foshan (佛山市住建局), Bureau of Commerce of Foshan City (佛山市商務局), Urban Construction Bureau of Land & Water of Chancheng District (禪城區國土城建和水務局), Office of Public Assets Management of Chancheng District (禪城區公資辦), China Citic Bank Foshan Branch (中信銀行佛山分行), Guangdong Dongpeng Ceramics Co., Ltd. (廣東東鵬陶瓷股份有限公司), Guangdong Hanford Investment Group Holding Co., Ltd. (廣東恒福投資集團控股有限公司) and other entities. In addition, he was a representative to the Fourteenth and Fifteenth People's Congress of Foshan City.

Mr. Liang Yi (梁毅), aged 54, was appointed as an employee representative Supervisor on 21 April 2015. Mr. Liang joined our Group as a project manager and was primarily responsible for business marketing and project operation management on 1 June 2006. From March 2007 to December 2010, Mr. Liang successively served as the vice general manager and general manager of Zhaoqing branch of our Company, where he was primarily responsible for business marketing, project management and risk control of first-line business of Zhaoqing branch. Since January 2011, he has served as the general manager of Nanhai branch of our Company, where he was primarily responsible for business marketing and team management of Nanhai branch.

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

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

As at the Latest Practicable Date, Mr. Liang was beneficially interested in 80,000 Domestic Shares.

Ms. Huang Yuzhen (黃瑜珍), aged 41, received her bachelor's degree by in-service education from the Zhejiang Gongshang University in 2004, majoring in accounting. She is a member of the Communist Party of China. From July 1996 to February 2006, Ms. Huang served as the deputy director of the business department of Fengshun sub-branch, Meizhou branch of the Bank of China and held various positions in international-domestic settlement, accounting, the office and the business department. Ms. Huang joined the Company in May 2006 and currently serves as the vice general manager of the audit department of the Company. Ms. Huang obtained a certificate of corporate human resources manager in October 2008 and a certificate of intermediate credit manager (guarantee) in March 2014.

As at the Latest Practicable Date, according to the service contract entered into between Ms. Huang and the Company, the remuneration of Ms. Huang shall be determined in accordance with the requirements under the relevant laws, regulations and corporate governance. The general meeting will be responsible for approving the remuneration of the Supervisors based on the recommendations from the Remuneration and Appraisal Committee of the Company.

As at the Latest Practicable Date, Ms. Huang was beneficially interested in 50,000 Domestic Shares.

Save as disclosed in this report, as at the Latest Practicable Date, to the best knowledge, information and belief of the Supervisors after having made all reasonable enquiries, there are no other matters that need to be brought to the attention of the Shareholders pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") nor is there other information to be disclosed in relation to the re-election of the proposed Supervisors.

SENIOR MANAGEMENT

Mr. Zhang Deben (張德本), aged 57, details about Mr. Zhang Deben's biography are set out in pages 20 and 21 of this Annual Report.

Mr. Ou Weiming (歐偉明), aged 52, is a vice president of our Group and managing director of Foshan Micro Credit. Mr. Zhang joined our Group on 25 April 2005. He is responsible for day-to-day operational management of Foshan Micro Credit.

Mr. Ou has about 24 years of experience in finance industry. Prior to joining our Group, he served as a clerk, manager, deputy manager and deputy general manager successively at credit sector of Foshan Branch of Agricultural Bank of China from July 1993 to April 2005, a commercial bank listed on Stock Exchange (stock code: 1288) and Shanghai Stock Exchange (stock code: 601288), where Mr. Ou was primarily responsible for marketing, credit business investigation and assessment work successively.

Mr. Ou received his master's degree of science from Huazhong University of Science and Technology (華中理工大學) in the PRC in June 1993, majoring in applied mathematics. In September 1996, he obtained an engineer certificate granted by Professional and Technical Title Evaluation Committee of Foshan Branch of Agricultural Bank of China (中國農業銀行佛山市分行專業技術職務評審委員會). In November 2000, he also obtained an advanced professional certificate of finance granted by MOP. In May 2011, he obtained a certificate of completion for an "EMBA Advanced Workshop of CEOs in Guangdong Credit Guarantee Industry" (廣東省信用擔保行業總裁EMBA研修班), granted by South China University of Technology (華南理工大學). In December 2013, Mr. Ou was awarded as a China Guarantee Elite (中國擔保英才) by China Guarantee magazine (《中國擔保》雜誌社) and China Guarantee Pioneer & China Guarantee Elite Committee (中國擔保先鋒中國擔保英才評委會).

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

Ms. Lu Haoming (陸皓明), aged 52, is the chief financial officer and general manager of finance management department (財務管理部) of our Company and director of both Foshan Chancheng Join-Share Micro Credit Co., Ltd. and Shenzhen Join-Share Engineering Guarantee Co., Ltd, respectively. Ms. Lu joined our Group on 8 July 2003. She is responsible for the overall financial management of our Group.

Ms. Lu has about 29 years of experience in finance industry. Prior to joining our Group, she worked as a department vice manager at Foshan International Trust Investment Co., Ltd. (佛山國際信託投資公司) from July 1988 to March 2001, a company principally engaged in trust products and investment, where she was primarily responsible for accounting and financial management of foreign exchange business, financing and fund management of foreign exchange fund, and accounting and financial management of the Hong Kong subsidiary of that company. From April 2001 to September 2001, Ms. Lu served as the chief financial officer at Guangdong Fotao Group Co., Ltd. (廣東佛陶集團), a company principally engaged in manufacturing and distribution of ceramic hardware accessories and functional ceramic materials, where she was primarily responsible for supervising the operations and finance of Guangdong Fotao Group Materials Industry & Trade Co., Ltd. (廣東佛陶集團物資工貿有限公司) and Guangdong Fotao Group Import and Export Branch Company (廣東佛陶集團進出口分公司), two subsidiaries of Guangdong Fotao Group Co., Ltd. From September 2001 to January 2002, Ms. Lu served as a director deputy general manager and the manager of the financial management department in Sanitaryware Co., Ltd. (潔具有限公司), a subsidiary of Guangdong Fotao Group Co., Ltd., where she was primarily responsible for financial management. From July 2002 to August 2003, she was the manager of auditing and financing department (計財部) at the central branch company in Foshan of Huatai Property & Casualty Insurance Co., Ltd. (華泰財產保險股份有限公司), a company principally engaged in property and casualty insurance as well related insurance service and investment, where she was primarily responsible for accounting, financial management, and ensuring the implementation of financial policy of the head office in branches.

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

Ms. Huang Biwen (黃碧汶), aged 44, is the chief risk officer of our Group. Ms. Huang joined our Group on 5 June 2003 and has 15 years' working experience in our Group. She is responsible for risk management of our Group.

Ms. Huang has about 20 years of experience in finance industry. Prior to joining our Group, she worked as a clients manager at Foshan Branch of Industrial and Commercial Bank of China from August 2000 to June 2003, a commercial bank listed on Stock Exchange (stock code: 1398) and Shanghai Stock Exchange (stock code: 601398), where Ms. Huang was primarily responsible for credit customers management, including investigating customer credit status, credit rating, credit management, post-loan inspection, credit risk classification, loan recovery, managing non-performing customers, and collaborating with law firms to take actions against non-performing clients. The rich practical experience at Foshan Branch of Industrial and Commercial Bank of China enabled Ms. Huang to have a deep understanding of risk management mechanism in a financial institution and provided solid experience basis for her implementing of a comprehensive risk management.

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

Mr. Zheng Zhengqiang (鄭正強), aged 42, is the secretary to the Board and head of office of the Board of our Company and director of Foshan Chancheng Join-Share Micro Credit Co., Ltd., Shenzhen Join-Share Engineering Guarantee Co., Ltd, and Yunfu Puhui Financing Guarantee Co., Ltd, respectively. Mr. Zheng joined our Group on 13 April 2005 with past positions of the assistant general manager of development and planning department, assistant general manager of guarantee department, deputy general manager of Guangzhou Branch, deputy general manager of development and planning department. He is responsible for management of the office of the board and development planning.

Mr. Zheng has about 20 years of experience in finance, guarantee and corporate management. Prior to joining our Group, he worked as an employee at Guangzhou Municipal Postal Office (廣州市郵政局) from July 1998 to June 2002, where he was primarily responsible for economy operation analysis and business management. From August 2002 to March 2005, Mr. Zheng served as the general manager at Guangzhou Baofu Auto Beauty Co., Ltd. (廣州市 保夫汽車美容有限公司), a company primarily engaged in automobile beautifying and maintenance service, where he was primarily responsible for overall operational management.

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

CORPORATE GOVERNANCE REPORT

The Board currently comprises one executive Director, five non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange. The Board is committed to maintaining statutory and regulatory standards and adherence to the principle of CG Code with emphasis on transparency, independence, accountability and responsibility.

During the year ended 31 December 2018, the Company had complied with the code provisions set out in the CG Code, except for the deviation from the CG Codes provision A.2.1 relating to the separation roles of chairman and chief executive officer, which is explained in the paragraph headed "Chairman of the Board and Chief Executive Officer" below. The Board will continue to review and improve the Company's corporate governance system to ensure its compliance with the CG Code.

THE BOARD

Duties and Division of Responsibility

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

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

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

Chairman of the Board and Chief Executive Officer

The Company does not have the position of chief executive officer, the duties of which are performed by the president.

Provision A.2.1 of the CG Code provides that the responsibilities between the chairman and chief executive officer should be divided. Mr. Wu Liejin, the Chairman, has been performing the role as the President since the resignation of Mr. Xie Yongdong as the President with effect from 19 April 2018. The Board believes that vesting the roles of both Chairman and President in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board, which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

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

Composition of the Board

As at the Latest Practicable Date, the Board comprised nine Directors, including one executive Director namely, Mr. Wu Liejin (Chairman of the Board and President), five non-executive Directors namely, Mr. Zhang Minming, Ms. Gu Lidan, Mr. Luo Zhenqing, Mr. Huang Guoshen and Mr. Zhang Deben, and three independent non-executive Directors namely, Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Liu Heng. Particulars of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this report.

During the year ended 31 December 2018, the Board has complied with the requirement of Rules 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive Directors, including at least an independent non-executive Director who has the relevant professional qualification or accounting or related financial management expertise. In accordance with Rule 3.10A of the Listing Rules, at least one-third of the Directors shall be independent non-executive directors. The Company had three independent non-executive Directors during the year, representing one-third of the total number of Directors and was in compliance with the relevant requirement. In accordance with the Articles of Association, the Directors (including non-executive Directors) are elected by Shareholders at a general meeting for a term of three years, which is renewable upon re-election and re-appointment.

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

Positions in other Listed Companies Held by Directors

Other than those disclosed in the section headed "Directors, Supervisors and Senior Management" in this report, none of the Directors holds any directorship in other listed companies.

BOARD MEETINGS

In accordance with the Articles of Association, the Board should hold at least four meetings a year at approximately quarterly intervals, to be convened by the chairman of the Board. Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with the opportunities to attend and include matters in the agenda for a regular meeting.

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

During the year ended 31 December 2018, the Board held 12 meetings in total, with details of the attendance of Directors specified as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director, Chairman and president	12	100%
Mr. Xie Yongdong (resigned on 19 April 2018)	Executive Director and president	6	100% (note)
Mr. Zhang Minming	Non-executive Director and vice chairman	12	100%
Ms. Gu Lidan	Non-executive Director	12	100%
Mr. Luo Zhenqing (appointed on 6 June 2018)	Non-executive Director	5	100% (note)
Mr. Huang Guoshen	Non-executive Director	12	100%
Mr. Zhang Deben (appointed on 6 June 2018)	Non-executive Director	5	100% (note)
Ms. Wu Yanfen (retired on 6 June 2018)	Non-executive Director	7	100% (note)
Mr. Wu Xiangneng	Independent non-executive Director	12	100%
Mr. Leung Hon Man	Independent non-executive Director	12	100%
Mr. Liu Heng	Independent non-executive Director	12	100%

Note: The attendance rate is calculated based on the ratio of the Director's attendance at the meetings during the term of his/her directorship.

During the year ended 31 December 2018, the Chairman held meetings with the non-executive Directors (including independent non-executive Directors) without any executive Directors present.

ELECTION OF DIRECTORS AND SUPERVISORS

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

After approval by the Shareholders at the 2017 annual general meeting (the "**2017 AGM**") of the Company held on 6 June 2018, the term of each of the fourth session of the Board and the fourth session of the Board of Supervisors commenced on 6 June 2018 is three years till the date of expiry of each session, which is expected to be 5 June 2021.

At the 2017 AGM, Mr. Zhang Deben and Mr. Luo Zhenqing were both elected as new non-executive Directors. Mr. Zhang Deben acts as a member of the Strategy Committee, the Risk Management Committee as well as Remuneration and Appraisal Committee, while Mr. Luo Zhenqing acts as a member of the Audit Committee as well as the Remuneration and Appraisal Committee.

Details of results of election of Directors and Supervisors are set out in the paragraph headed "General Meetings" in this section.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

TRAINING AND PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year ended 31 December 2018, the Company arranged two in-house trainings on corporate management, governance and law compliance (企業管理、管治及法律遵守) and on disclosure of inside information and other information (內幕消息及其他資料的披露) for the Directors and senior management of the Group. According to the records provided by the Directors, the Directors received the following training during the year 2018:

Directors	Training on corporate management, governance and law compliance, disclosure of inside information and other information and other relevant topics	
	Training attended	**Attendance Rate**
Executive Director		
Mr. Wu Liejin	2	100%
Mr. Xie Yongdong (resigned on 19 April 2018)	0	N/A (note)
Non-executive Directors		
Mr. Zhang Minming	2	100%
Ms. Gu Lidan	2	100%
Mr. Luo Zhenqing (appointed on 6 June 2018)	2	100%
Mr. Huang Guoshen	2	100%
Mr. Zhang Deben (appointed on 6 June 2018)	2	100%
Ms. Wu Yanfen (retired on 6 June 2018)	0	N/A (note)
Independent non-executive Directors		
Mr. Wu Xiangneng	2	100%
Mr. Leung Hon Man	2	100%
Mr. Liu Heng	2	100%

Note: These trainings were provided after the Director left his/her office.

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

INSURANCE FOR DIRECTORS

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

During the year ended 31 December 2018, the Audit Committee held two meetings. Details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Xiangneng	Independent non-executive Director	2	100%
Mr. Leung Hon Man	Independent non-executive Director	2	100%
Mr. Liu Heng (appointed on 6 June 2018)	Independent non-executive Director	2	100%
Mr. Huang Guoshen	Non-executive Director	2	100%
Mr. Luo Zhenqing (appointed on 6 June 2018)	Non-executive Director	2	100%

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

During the period after 31 December 2018 and up to the Latest Practicable Date, the Audit Committee held two meetings. During the meeting, the Audit Committee reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2018 as set out in this annual report.

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

REMUNERATION AND APPRAISAL COMMITTEE

The Remuneration and Appraisal Committee consists of five members, being Mr. Leung Hon Man, Mr. Liu Heng, Mr. Wu Xiangneng, Mr. Luo Zhenqing and Mr. Zhang Deben, three of whom are independent non-executive Directors. The Remuneration and Appraisal Committee is chaired by Mr. Leung Hon Man. The primary duties of the Remuneration and Appraisal committee include but are not limited to (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to the Board on the remuneration packages of the Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration and Appraisal Committee have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2018, the Remuneration and Appraisal Committee held two meetings. Details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Leung Hon Man	Independent non-executive Director	2	100%
Mr. Liu Heng	Independent non-executive Director	2	100%
Mr. Wu Xiangneng	Independent non-executive Director	2	100%
Mr. Luo Zhenqing (appointed on 6 June 2018)	Non-executive Director	0	N/A (note)
Mr. Zhang Deben (appointed on 6 June 2018)	Non-executive Director	0	N/A (note)
Mr. Xie Yongdong (resigned on 19 April 2018)	Executive Director	2	100%
Mr. Zhang Minming (no longer acted as member since 6 June 2018)	Non-executive Director	2	100%

Note: Such meetings were held before the appointment of such Director.

During the year ended 31 December 2018, the Remuneration and Appraisal Committee proactively discharged its duties in 2018 and completed the work within its terms of reference. During the year ended 31 December 2018, the Remuneration and Appraisal Committee, under the leadership of the Board of the Company, proactively carried out work in accordance with relevant provisions under the Articles of Association and the Rules of Procedures of the Remuneration and Appraisal Committee. It examined the performance assessment mechanism and remuneration distribution plan for Directors and senior management through study and examination of the Company's remuneration distribution system, and proposed advisory opinions on relevant circumstances and problems in the execution of remuneration management of the Company. The committee practically fulfilled its obligations of due diligence, ensured the Board' effective control and supervision over the Company's operation and management and safeguarded the interests of all Shareholders and the Company as a whole.

Remuneration of the senior management for the year ended 31 December 2018 is as follows:

Remuneration range *(RMB)*	Number of people
Above 1,000,000	1
600,000 to 1,000,000	3
Below 600,000	1

NOMINATION COMMITTEE

The Nomination Committee consists of five members, being Mr. Wu Liejin, Ms. Gu Lidan, Mr. Leung Hon Man, Mr. Liu Heng and Mr. Wu Xiangneng, three of whom are our independent non-executive Directors. The Nomination Committee is chaired by Mr. Wu Liejin. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment of members of the Board. The terms of reference of the Nomination Committee have been published on the websites of the Company and the Stock Exchange. For internal policies, processes and criteria of nomination, please refer to the terms of reference of the Nomination Committee.

During the year ended 31 December 2018, the Nomination Committee held two meetings. Details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	2	100%
Mr. Leung Hon Man	Independent non-executive Director	2	100%
Mr. Liu Heng	Independent non-executive Director	2	100%
Mr. Wu Xiangneng	Independent non-executive Director	2	100%
Ms. Gu Lidan (appointed on 6 June 2018)	Non-executive Director	1	100% (note)
Ms. Wu Yanfen (retired on 6 June 2018)	Non-executive Director	1	100% (note)

Note: The attendance rate is calculated based on the ratio of the Director's attendance at the meetings during the term of his/her directorship.

Board Diversity Policy

The following measurable objectives (the "**Measurable Objectives**") for the purpose of implementation of the board diversity policy are adopted:

(A) at least 40% of the members of the Board shall be non-executive Directors or independent non-executive Directors;

(B) at least 65% of the members of the Board shall have attained bachelor's degree or above;

(C) at least 30% of the members of the Board shall have obtained accounting or other professional qualifications;

(D) at least 75% of the members of the Board shall have more than seven years of experience in the industry he is specialised in; and

(E) at least 50% of the members of the Board shall have China-related working experience.

The Nomination Committee is responsible for reviewing the size, structure and composition of the Board, developing and formulating relevant policies and procedures for nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence and appropriateness of the independent non-executive Directors based on the criteria such as reputation for integrity, accomplishment and experience in the relevant sectors, professional and educational background, and potential time commitments.

During the year ended 31 December 2018, the Nomination Committee examined the structure, number of members and composition of the Board. The Measurable Objectives set out above for the purpose of implementation of the board diversity policy are achieved.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee consists of five members, being Mr. Zhang Minming, Mr. Wu Liejin, Mr. Huang Guoshen, Mr Wu Xiangneng and Mr. Zhang Deben. The Risk Management Committee is chaired by Mr. Zhang Minming. The primary duties of the Risk Management Committee include but are not limited to (i) identifying and managing all of the material risks, including credit risks, operational risks, liquidity risks, market risks, legal and compliance risks and reputation risks, that our Company may encounter in our business operations; (ii) determining our important management strategies and policies with respect to risk management; (iii) establishing and improving credit evaluation standards and risk management measures and procedures; and (iv) coordinating with the relevant commercial banks and financial institutes relating to risk sharing. The terms of reference of the Risk Management Committee have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2018, the Risk Management Committee held two meetings. The details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Zhang Minming	Non-executive Director and vice chairman	2	100%
Mr. Wu Liejin	Executive Director and Chairman	2	100%
Mr. Huang Guoshen	Non-executive Director	2	100%
Mr. Zhang Deben (appointed on 6 June 2018)	Non-executive Director	1	100% (note)
Mr. Wu Xiangneng	Independent non-executive Director	2	100%
Mr. Xie Yongdong (resigned on 19 April 2018)	Executive Director	1	100% (note)

Note: The attendance rate is calculated based on the ratio of the Director's attendance at the meetings during the term of his/her directorship.

During the year ended 31 December 2018, the Risk Management Committee earnestly reviewed the Company's risk management work plan, urged the Company's internal audit department to strictly execute the audit plan, and proposed instructional opinions on the problems identified in internal audit. In 2018, the Risk Management Committee fulfilled its duties in compliance with the professional standards of independence, objectiveness and fairness, and completed relevant work in a better way.

STRATEGY COMMITTEE

The Strategy Committee consists of five members, being Mr. Wu Liejin, Mr. Zhang Minming, Ms. Gu Lidan, Mr. Liu Heng and Mr. Zhang Deben. The Strategy Committee is chaired by Mr. Wu Liejin. The primary duties of the Strategy Committee include but are not limited to (i) studying and advising on long-term development strategy; (ii) studying and advising on material investment plans and capital operation plans subject to the approval of Board as required by the Articles of Association; (iii) studying and advising on other material matters that may impact on company development; (iv) assessing and inspecting the implementation of the above issues; and (v) handling other matters as authorized by the Board. The terms of reference of the Strategy Committee have been published on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2018, the Strategy Committee held two meetings. Details of the attendance of the members are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	2	100%
Mr. Zhang Minming	Non-executive Director and vice chairman	2	100%
Ms. Gu Lidan	Non-executive Director	2	100%
Mr. Zhang Deben (appointed on 6 June 2018)	Non-executive Director	1	100% (note)
Mr. Liu Heng	Independent non-executive Director	2	100%
Mr. Xie Yongdong (resigned on 19 April 2018)	Executive Director	1	100% (note)

Note: The attendance rate is calculated based on the ratio of the Director's attendance at the meetings during the term of his/her directorship.

During the year ended 31 December 2018, the Strategy Committee proactively fulfilled its duties and conducted systematic study on and adjustment to strategic plan based on the industry environment and market situation in a prompt manner. In addition, given the actual conditions of the Company, the committee put forward reasonable suggestions on adjustments to the implementation of development strategy. Relevant strategic suggestions gave rise to satisfactory effects upon implementation by the management.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018, which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

JOINT COMPANY SECRETARIES

To maintain good corporate governance practices and compliance with the Listing Rules and applicable laws, the Company has appointed Mr. Zheng Zhengqiang and Mr. Lau Kwok Yin as the joint company secretaries. Mr. Lau Kwok Yin, as an external service provider, assists Mr. Zheng Zhengqiang, who is the primary corporate contact person of Mr. Lau at the Company, in performing his duties as company secretary of the Company. Each of Mr. Zheng Zhengqiang and Mr. Lau Kwok Yin has confirmed that he received not less than 15 hours of relevant professional training during the year ended 31 December 2018.

On 30 May 2018, Mr. Wong Yat Tung resigned as a joint company secretary of the Company, and Mr. Lau Kwok Yin has been appointed as the joint company secretary to replace Mr. Wong Yat Tung.

The Stock Exchange has granted an updated waiver to the Company from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a period from the date of appointment of Mr. Lau Kwok Yin as a joint company secretary (i.e. 30 May 2018) to 22 December 2018 in relation to the eligibility of Mr. Zheng Zhengqiang to act as a joint company secretary of the Company. For details, please refer to the announcement of the Company dated 30 May 2018.

The Company has sought confirmation from and the Stock Exchange has agreed that Mr. Zheng Zhengqiang is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules after the three-year waiver period from 23 December 2015 to 22 December 2018 and further waiver will not be necessary.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

During the year ended 31 December 2018, the internal control procedures mentioned above were effectively implemented by the Company, which considered them effective and adequate. We have also been endeavoring to strengthen the risk prevention and internal control capabilities. Further, the Audit Committee continues to review and evaluate the effectiveness of the internal control system of the Group and to report the findings to the Board. The Board continues to review and evaluate the internal control system at least once a year to ensure that no material internal control loophole exists.

INFORMATION DISCLOSURE

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

INTERNAL AUDIT

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

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

AUDITORS' REMUNERATION

For the year ended 31 December 2018, the total remuneration paid or payable to the Company's auditors, KPMG, for audit and audit related services amounted to a total of RMB2.385 million. There is no non-audit related services provided by KPMG.

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

Services by the Auditors	Amount (RMB)
Annual auditing services:	
2018 interim reviewing service	630,000
2018 annual auditing service	1,755,000
Total	2,385,000

GENERAL MEETINGS

During the year ended 31 December 2018, the Company held one general meeting. The details of the attendance of the Directors are as follows:

Name	Position	Meetings attended	Attendance rate
Mr. Wu Liejin	Executive Director and Chairman	1	100%
Mr. Xie Yongdong (resigned on 19 April 2018)	Executive Director	0	N/A (note)
Mr. Zhang Minming	Non-executive Director and vice chairman	1	100%
Ms. Gu Lidan	Non-executive Director	1	100%
Mr. Luo Zhenqing (appointed on 6 June 2018)	Non-executive Director	1	100%
Mr. Huang Guoshen	Non-executive Director	1	100%
Mr. Zhang Deben (appointed on 6 June 2018)	Non-executive Director	1	100%
Ms. Wu Yanfen (retired on 6 June 2018)	Non-executive Director	0	N/A (note)
Mr. Wu Xiangneng	Independent non-executive Director	1	100%
Mr. Leung Hon Man	Independent non-executive Director	1	100%
Mr. Liu Heng	Independent non-executive Director	1	100%

Note: The general meeting was held after the Director left his/her office.

The 2017 AGM of the Company was held at 5/F, Building D, Sino-European Service Center, South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC on Wednesday, 6 June 2018 at 3 p.m.

At the 2017 annual general meeting, the following resolutions were considered and passed by way of poll by Shareholders and their proxies. The poll results are set out as follows:

Ordinary Resolutions	Number of votes and percentage of the total voting shares at the 2017 AGM (%)		
	For	Against	Abstain
1. To consider and approve the report of the Board for the year ended 31 December 2017.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
2. To consider and approve the report of the Board of Supervisors for the year ended 31 December 2017.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
3. To consider and approve the audited financial statements and the report of the auditors of the Company for the year ended 31 December 2017.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
4. To consider and approve the profit distribution plan and the dividend distribution plan for the year ended 31 December 2017.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
5. To consider and approve the proposal for the budget of the Company for the year ending 31 December 2018.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
6. To consider and approve the re-election (where applicable) and appointment of each of the following Directors for a term of three years commencing on 6 June 2018 till the date of expiry of the 4th session of the Board, which is expected to be 5 June 2021:			
(a) To elect and appoint Mr. Wu Liejin as an executive Director.	1,101,924,304 (100.000000%)	0 (0.000000%)	0 (0.000000%)
(b) To elect and appoint Mr. Zhang Minming as a non-executive Director.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
(c) To elect and appoint Ms. Gu Lidan as a non-executive Director.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
(d) To elect and appoint Mr. Huang Guoshen as a non-executive Director.	1,092,274,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
(e) To elect and appoint Mr. Zhang Deben as a non-executive Director.	1,133,822,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
(f) To elect and appoint Mr. Luo Zhenqing as a non-executive Director.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)

Ordinary Resolutions		Number of votes and percentage of the total voting shares at the 2017 AGM (%) For	Against	Abstain
	(g) To elect and appoint Mr. Wu Xiangneng as an independent non-executive Director.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
	(h) To elect and appoint Mr. Leung Hon Man as an independent non-executive Director.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
	(i) To elect and appoint Mr. Liu Heng as an independent non-executive Director.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
7.	To consider and approve the re-election (where applicable) and appointment of each of the following Supervisors for a term of three years commencing on 6 June 2018 till the date of the expiry of the 4th session of the Board of Supervisors, which is expected to be 5 June 2021:			
	(a) To elect and appoint Mr. Li Qi as a Supervisor.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
	(b) To elect and appoint Ms. Feng Qunying as a Supervisor.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
	(c) To elect and appoint Mr. Liao Zhenliang as an independent Supervisor.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
	(d) To elect and appoint Mr. Zhong Jian as an independent Supervisor.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)
8.	To consider and approve the reappointment of KPMG as the Company's auditor and to authorise the Board to fix its remuneration for the year ending 31 December 2018.	1,134,034,655 (100.000000%)	0 (0.000000%)	0 (0.000000%)

The annual general meeting of the Company for the year ended 31 December 2018 is scheduled to be held on Thursday, 6 June 2019.

COMMUNICATIONS WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

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

For details of shares held by Directors, Supervisors and the President and details of public float at the end of 2018, please refer to pages 87–88 and page 91 of the section headed "Report of the Board of Directors" in this annual report respectively.

CONVENING AND PUTTING FORWARD PROPOSALS AT AN EXTRAORDINARY GENERAL MEETING

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

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

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to zysd@join-share.com or mail their enquiries in writing to the Company's office at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC.

AMENDMENT OF CONSTITUTIONAL DOCUMENTS

The Articles of Association took effect on 23 December 2015 and was modified by the Shareholders at the extraordinary general meeting and class meetings of the Company convened on 17 November 2017. The Articles of Association are available on the websites of the Stock Exchange and the Company for information disclosure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the third Environmental, Social and Governance Report (the "**ESG Report**") published by the Group, with an aim to outline the specific strategies and challenges faced by the Group in sustainable development in 2018.

Reporting Standards

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

Scope of Report

This ESG Report mainly focuses on the overall performance of the Company's core business in respect of practicing sustainable development and fulfilling corporate social responsibility from 1 January 2018 to 31 December 2018 (the "**Year**" or the "**Reporting Period**"). Unless otherwise specified, this ESG Report covers the operations directly controlled by the Company.

Preparation of the ESG Report

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

Feedback

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

Official Website of Join-Share

Official WeChat of Join-Share

SUSTAINABLE DEVELOPMENT STRATEGY

Since its establishment, the Group has been adhering to the principle of "Government Guidance, Social Participation, Professional Management and Market-oriented Operation". Leveraging on its creditworthiness, with the support of industry and under the driving force of finance, the Group has maintained its foothold in Guangdong province with its business coverage of the systematic investment and financing service platform for the SMEs and the benchmarking enterprises in the guarantee industry across the country. Meanwhile, we are committed to regarding sustainable development as a priority in our overall business operations, and have communicated and exchanged with our stakeholders via various channels to formulate the Group's sustainable development strategy. During the Year, we focused on creating value in four subject areas, including "Regulated Operation", "Cultivating Career Dedicators", "Green Corporate Culture" and "Supporting Community Engagement".

Stakeholders' Engagement

In order to assist the establishment and improvement of the existing sustainable strategies, we determined the reporting scope based on the engagement with our stakeholders in different sectors, including customers, employees, investors, shareholders, government and regulatory authorities, suppliers and the general public. Through our regular communications with such stakeholders in various ways, we listen to them and understand their areas of concern. Set out below are the major channels of communication between the Company and our stakeholders:

Major stakeholders	Main participation channels
Customers	Activities to improve customer loyalty, visits by customer relationship managers, daily operation/communication, online service platform, customer hotlines, and email
Employees	Employee opinion survey, performance appraisal, group discussions, face-to-face interviews, performance discussions, business briefings, volunteer activities, advisory committee/panel discussions and staff intranet
Investors and shareholders	Annual general meeting and other general meetings, Interim Report and annual report, corporate communications, results announcement, shareholders visits, investor conferences and environmental, social and governance ("**ESG**") meetings
Suppliers	Supplier management programs, supplier evaluation systems and site inspections
Peers in the financial industry	Strategic cooperation projects, Group notice and Group 'town hall' meetings
Regulatory authorities	Meetings, written responses to public inquiries and compliance reports
Media	Press conferences, press releases, interviews with senior management, results announcement and media gatherings
Communities	Volunteer activities, donation and investment plans, community activities, seminars/lectures/workshops and meetings

Environmental Ideas and Policy of the Group

Under the principal guideline of finance leading green development, serving the real economy, supporting green reform and transformation of traditional industries, Guangdong Join-Share adheres to the concept of sustainable development throughout its business operations. For example, the Group will absolutely abandon the enterprises which adopt extensive economic growth pattern with the characteristics of great investment, high energy consumption, high pollution and low efficiency. We choose to invest into environmental-friendly technological enterprises based on the innovative business pattern of combining investments with loans, which will bring "Financial Liquidity" (金融活水) to strategic emerging industries and achieve a win-win situation of efficiency growth and environmental protection.

In order to improve our environmental management system, we formulated the "Environmental Ideas and Policy of the Group (集團環保理念及政策)" in the Year, setting out our objective and strategic approach on ESG aspects by integrating the concept of sustainable development with our operations. We hope to demonstrate the corporate spirit of "synergy and excellence" through the establishment of a highly-efficient business model to reduce consumption of energy and other resources in our business operations, and networking with the communities where we operate in.

Environmental, Social and Governance Committee

In 2017, the Company established an environmental, social and governance committee (the "**ESG Committee**") responsible for assessing the environmental impacts of the Company's business operations and setting goal for each task to continuously improve our ESG performance. The ESG Committee comprised of the secretary to the Board and representatives of major departments of the Company. The Board takes an overall responsibility for the Company's ESG strategy and reporting, assesses and determines the Company's risk management and internal control systems on ESG aspects to ensure compliance with the relevant legal and regulatory requirements, and monitors and responds to the latest ESG issues. In addition, the ESG committee coordinates the relevant personnel to monitor the implementation of the ESG policies and the progress of implementation of environmental protection measures and makes recommendations to the Board in due course to enhance the Group's ESG performance.

REGULATED OPERATION

The Company adheres to regulated operation and strictly follows the relevant laws and regulations such as the Company Law of the PRC (中華人民共和國公司法), the Guarantee Law of the PRC (中華人民共和國擔保法), the Contract Law of the PRC (中華人民共和國合同法), and the Interim Measures for the Administration of Financing Guarantee Companies (融資性擔保公司管理暫行辦法) issued by the State Administration for Industry and Commerce of the People's Republic of China (SAAIC) (currently known as State Administration for Market Regulation), with an aim to offer considerate services to customers on a continuing basis.

In order to get closer to the market and improve the efficiency of serving SMEs, we actively promoted product innovation for certain sectors, such as consumer finance, technology, supply chain, and the Internet. Furthermore, the Company initiated a new attempt in the Internet finance sector through cooperation with banks, financial technology companies, Internet micro-lending companies and other third parties to provide retail guarantee in batches on a small and diverse basis in relation to SMEs, "three rural" (三農) and personal loans. Currently, Guangdong Join-Share pays more attention to establish standardised mode in its product research and development, sets up standardised operation procedures, further improves the approval efficiency, and strengthens its marketing promotion.

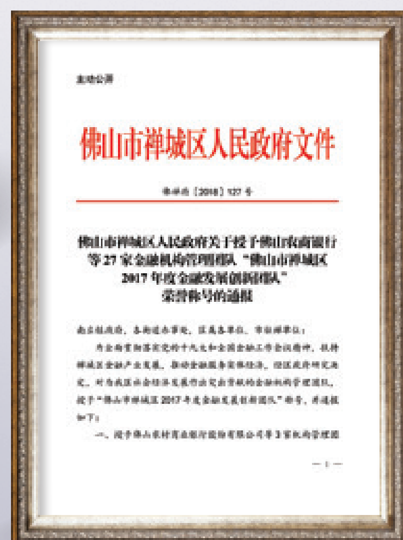
Honours and Awards of the Group

In 2018, Guangdong Join-Share provided services to 1,362 customers, and its headquarter served accumulated 6,960 customers (including SMEs and individuals). The Company was honoured as the Vice-president Unit of China Financing Guarantee Association (中國融資擔保行業協會副會長單位), Chairman Unit of Guangdong Province Credit Association (廣東省信用協會會長單位), the Executive Vice-chairman Unit of Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會常務副會長單位), Chief supervisor Unit of Guangdong Financing Guarantee Association (廣東省融資擔保業協會監事長單位), Vice-chairman Unit of Guangdong Financial Think Tank Association (廣東省金融智庫聯合會副理事長單位), Vice-chairman Unit of Guangdong Association for Promotion of Science & Technology and Finance (廣東省科技金融促進會副會長單位), Vice-chairman Unit of Guangdong Province Anhui Chamber of Commerce (廣東省安徽商會副會長單位), Executive Vice-chairman Unit of Anhui Province Chamber of Commerce in Foshan (佛山市安徽商會常務副會長單位) and Vice-chairman Unit of Foshan City Federation of Industry and Commerce (佛山市工商聯（總商會）副會長單位).

In recent years, the Company has been successively granted numerous honorary titles and awards, including the Most Potential Listed Company Award and Best Innovative Listed Company Award (最具潛力上市公司獎與最佳創新上市公司獎), Financing Guarantee Company with Highest Growth Rate on the Golden Medal List for PRC Financial Institutions (中國金融機構金牌榜最具成長性融資擔保公司), Top 10 Most Influential SME Credit Guarantee Institutions in the PRC (全國十大最具影響力中小企業信用擔保機構), Model Entity of SME Credit Guarantee Institutions in Guangdong Province (廣東省中小企業信用擔保機構示範單位), Guangdong Finance Innovation Award (廣東省金融創新獎), and Top 10 Local Financial Institutions in Guangdong (廣東十優地方金融機構), which have manifested the contribution and position of the Group in the industry. Other awards received in the Year are set out below:

▲ Most Potential Listed Company Award (最具潛力上市公司獎) granted by China Financial Market (《中國融資》)

◀ Class A Micro-lending Company (A類小貸公司) in Foshan City granted to Foshan Chancheng Join-Share Micro Credit Co., Ltd (佛山禪城中盈盛達小額貸款有限公司) again



Honorary title of "2017 A-level Team in Financial Development and Innovation in Chancheng District, Foshan City" (佛山市禪城區2017年度金融發展創新A級團隊) granted to the management team of Join-Share and Foshan Chancheng Join-Share Micro Credit Co., Ltd (佛山禪城中盈盛達小額貸款有限公司) ▶

Award for Outstanding Companies in Sino-European Service Center (中歐中心最佳貢獻企業) ▶

▲ Industry Contribution Award (行業貢獻獎) and Best Innovation Award (最佳創新獎) granted by Guangdong Financing Guarantee Association (廣東省融資擔保業協會)

▲ Award for Top 10 Local Financial Institutions (十優地方金融機構獎) of Top 100 Excellent Financial Enterprises in Guangdong (廣東金融百優獎) in 2018

Risk Management System

Since incorporation, the Group has been adhering to regulated operation and steady development, strictly complying with the Measures for the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》), and constantly following and strengthening legal and compliance management pursuant to regulatory requirements. Upholding the risk control philosophy of "Full Coverage Without Omission", we strive to manage risks in all aspects during all processes by all staff, being "Three-All Risk Management" to establish various risk control models suitable for the Company's business features.

"Three-All Risk Management"

All aspects

- Credit risk management, operational risk management, market risk management, liquidity risk management, legal risk management, reputation risk management, etc.

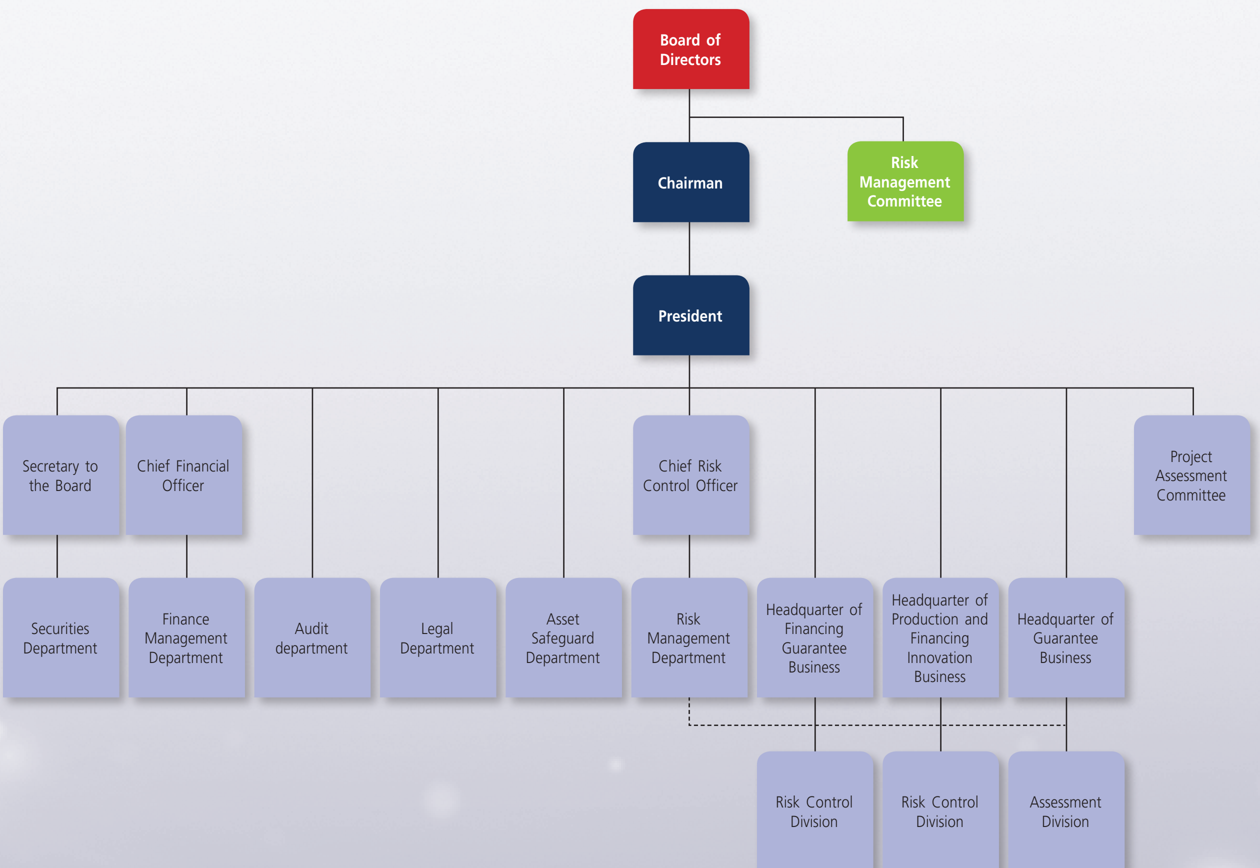
All staff

- Double due diligence by "Specific Staff with Specific Responsibilities" and project manager and risk control manager working in parallel; independent review of financial and legal departments, scientific and democratic decision-making by Risk Management Committee, post-transaction supervision and auditing supervision in the management system

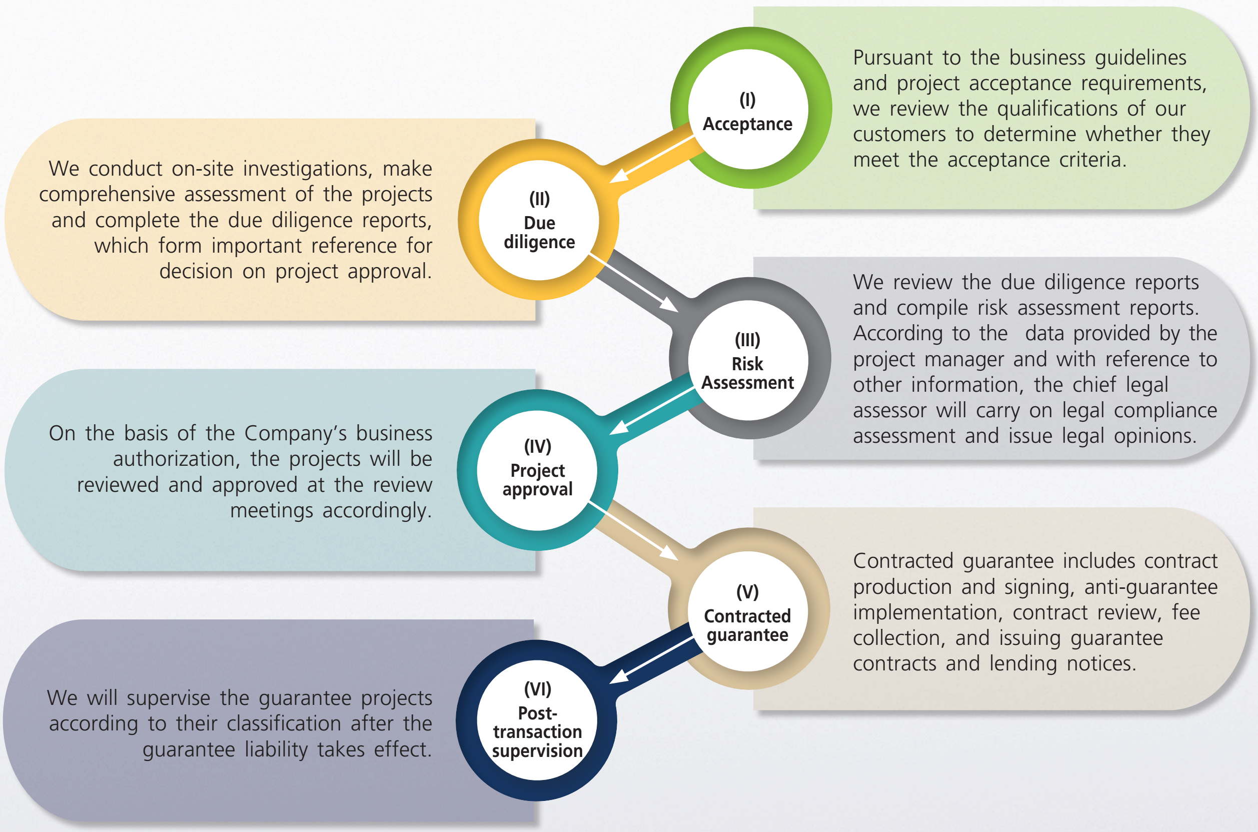
All processes

- Risk identification, risk assessment, risk testing, risk diversification, risk control, risk pricing, risk management and risk compensation to achieve the risk management objective of "Full Coverage Without Omission"

The structure of the Group's risk management system follows the principle of comprehensiveness, concentration and independence to divide the responsibilities in respect of risk management at each level. Therefore, each management and employee should perform different obligations in risk management according to their respective responsibilities. The main structure chart of the Company's risk management system is as follows:



In the Year, we revised the Operation Manual on Financing Guarantee Business (融資擔保業務操作手冊) and the Operation Manual on Risk Assessment of Financing Guarantee Projects (融資擔保項目風險評審操作手冊), and issued a more comprehensive Operation Manual on Financing Guarantee Business to improve and strengthen the risk management system. We formulated the Measures for Project Risk Classification (項目風險分類管理辦法), Guidelines for Project Supervision (項目監管操作指引) and Measures for Reputation Risk Management (聲譽風險管理辦法) to normalise the work of various positions in the financing guarantee business, clarify the specific requirements of each operation process in the financing guarantee business, strengthen the control of the Company's operational risks, ensure the quality and improve the efficiency of our work. The financing guarantee business operation is divided into the following six steps:



Anti-Fraud Management

Join-Share strictly complies with the Law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法), the Guidelines for Risk Assessment of Money Laundering and Terrorist Financing and for Client Classification Management in Financial Institutions (金融機構洗錢和恐怖融資風險評估及客戶分類管理指引), and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (打擊洗錢條例), the Drug Trafficking (Recovery Of Proceeds) Ordinance (販毒(追討得益)條例) and the Organized and Serious Crimes Ordinance (有組織及嚴重罪行條例) of Hong Kong Special Administrative Region and the United Nations (Anti-Terrorism Measures) Ordinance (聯合國(反恐怖主義措施)條例) and other related laws and regulations, and has developed its Anti-Money Laundering Management Measures (反洗錢管理辦法) and Anti-Fraud Management Measures (反舞弊管理辦法) to guide its efforts in combating money laundering and fraud. The Group has a zero tolerance policy for any behavior that violates the national laws, regulations and company systems for improper personal interests by fraudulent means and damages legitimate corporate economic interests.

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

Protecting Customer Privacy

The Group strictly complies with the Regulations on Safety Protection of Computer Information Systems in the PRC (中華人民共和國計算機信息系統安全保護條例), the Measures for Security Protection Administration of the International Networking of Computer Information Networks (計算機信息網絡國際聯網安全保護管理辦法), the Provisions on the Technical Measures for the Protection of the Security of the Internet (互聯網安全保護技術措施規定), the Requirements on the Internet Interactive Service Security Protection (互聯網交互式服務安全保護要求), the Basic Procedures and Requirements on the Internet Service Security Assessment (互聯網服務安全評估基本程序及要求) and other related laws and regulations.

In order to ensure the security of information assets and ensure the continuous and stable operation of information systems and services, the Group has formulated the Information Security Management Rules (信息保密管理制度) and the Manual on Employee Information Security (員工信息安全手冊). We require our employees to immediately lock their computer screens or logout the current information system page when they leave their computers to prevent information assets from being stolen or inadvertently damaged. Only officers at department chief or above levels and relevant personnel are allowed to access customer information. If any employee needs access to customer information to perform his/her job tasks, he/she must seek approval from the chief of his/her department. No one is allowed to disclose or reveal relevant information to third parties without necessary permission.

The Group has also formulated the Measures for Server Room and Network Security (機房及網絡安全管理辦法) to ensure the security of the server room, server and network. All data and service centers are stored in the server room and no one is allowed to enter without permission. At the same time, we have also set up an informatization committee to review and resolve the information security matters of the Company.

Valuing Customer Opinions

The Group highly values customers' opinions and strives to satisfy our customers with high-quality and professional services with a view to achieving win-win cooperation with customers in a sincere, transparent and positive manner. We have standard procedures for customer inquiries and complaints in place to ensure that all their opinions and complaints would get appropriate responses in due course. On the customer service principle of "Considerate Services, Exceeding Expectations", we can establish a service industry chain integrating financing guarantee, non-financial guarantee, micro-credit and consulting services.

Supplier Management

Join-Share places much emphasis on supplier management and conducts survey and evaluation on suppliers' social responsibility performance, aiming at influencing suppliers and enhancing their sense of corporate responsibility, and establishing a sustainable supply chain with our suppliers. The types of products provided by our suppliers mainly include daily office supplies, office electronics, stationery, and office equipment. We have 18 major suppliers, all of whom are from Foshan, Guangzhou. In selecting suppliers, we would conduct market research, quality comparison, double procurement. Apart from product or service quality, goodwill, cost and other factors, we would also assess their performance in corporate governance, environmental standards, labor conditions and ethical standards. We would give priority to suppliers who meet the ethical standards and have commitments to corporate social responsibility. We also review our suppliers' code of conduct and ethical expectation regularly and strive to build strong business relationships with high-quality suppliers who are committed to maintaining the ethical standards.

Consistent Discharge of Responsibilities

Join-Share adheres to the belief of "Winning Trust with Integrity, Honoring all Commitments" to ensure that all product information given to the public in its brand promotion and advertisements are complete, true and accurate. It also prohibits all behaviors that defraud customers with false and misleading product descriptions.

Protecting the Intellectual Property Rights

We also abide by the laws and regulations relating to intellectual property to protect the intellectual property rights of the Company and third parties. Our software systems are developed by independent teams for internal use of the Company in full compliance with local laws and regulations. We purchase the genuine hardware through long-term cooperation with regular suppliers, ensure that our employees' computer systems are installed with safe genuine computer software, office software and database system of the Company, and prohibit any illegal use of third-party intellectual property.

CULTIVATING CAREER DEDICATORS

Adhering to the concept of "Cultivating Career Dedicators" in human resources management, the Group provides its employees a platform to develop their careers, so that its employees can" Join Hands to Achieve More" with the Group. In this regard, we compiled the "Measures on Recruitment and Employment (招聘與錄用管理辦法)", "Administrative Measures for Staff Attendance (員工考勤管理辦法)", "Remuneration Management Measures (薪酬管理辦法)", "Detailed Operation Rules for Staff Promotion and Management (員工晉升管理操作細則)" and "Notice on Position Promotion and Adjustment for Some Personnel (關於部分人員職務晉升、調整的通知)", which describe the relevant policies, standards, procedures, remuneration, welfare benefits and training programs.

EMPLOYMENT STANDARDS

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

The Group analyzes and proposes the estimated needs for personnel based on the existing human resources annually, and prepares the "2018 Recruitment Plan of Join-Share (2018年度中盈盛達人員招聘計劃)" according to its strategy and development requirements. After determining the number of employees to be recruited, we would assess the academic qualifications, working experience and skills of the candidates in accordance with an equal and unified candidate selection criteria and recruitment procedures, including resume screening, first interview, written examination and assessment, second interview and background check, under the Measures on Recruitment and Employment (招聘與錄用管理辦法), to ensure equal employment with no discrimination based on gender, age, nationality and race as well as a full play of everyone's talents. The Group is dedicated to creating a harmonious, fair and inclusive workplace and non-discriminatory job promotion opportunities for all employees.

The following are the KPIs of the headquarters of Join-Share in the aspects of employment and labour practices:

Total number of employees		
Total number of employees	Number of people	298
Total number of female employees	Number of people	138
Total number of male employees	Number of people	160

Directly employed workers (by employee category)		
Junior staff	Number of people	277
Middle management	Number of people	58
Senior management	Number of people	13

Directly employed workers (by age groups)		
Below 30 years old	Number of people	101
30–50 years old	Number of people	181
Above 50 years old	Number of people	16

Directly employed workers (by geographical region)		
Southern China	Number of people	273
Eastern China	Number of people	25

Total number of employee turnover		
Total staff turnover	Number of people	55
Total male staff turnover	Number of people	37
Total female staff turnover	Number of people	18

Total number of employee turnover (by age group)		
Below 30 years old	Number of people	18
30–50 years old	Number of people	37
Above 50 years old	Number of people	0

Total number of employee turnover (by geographical region)		
Southern China	Number of people	49
Eastern China	Number of people	6

Employee turnover rate		
Total staff turnover	%	18.46%
Total male staff turnover	%	23.13%
Total female staff turnover	%	13.04%

Employee turnover rate (by age groups)		
Below 30 years old	%	17.82%
30–50 years old	%	20.44%
Above 50 years old	%	0.00%

Employee turnover rate (by geographical region)		
Southern China	%	17.95%
Eastern China	%	24.00%

Occupational health and safety Work-related fatalities		Male	Female
Number of work-related injuries	Number of people	0	0
Number of work-related fatalities	Number of people	0	0

Employee Benefits

In order to establish a remuneration management system in line with our development strategy, we have formulated the Remuneration Management Measures (薪酬管理辦法). Since remuneration is a significant investment in human resources by the Group, the policies on salaries and benefits shall be reviewed on a regular basis to attract and retain talents. Employee remuneration consists of four parts, which are fixed salary, performance commission, performance bonus, and welfare subsidy. An overall adjustment to employee remuneration shall be made annually with reference to the economic situation, price index, industry development and changes as well as employee performance assessment results.

In addition to paid annual leave, statutory paid sick leave, personal leave and maternity leave provided according to the Labor Law of the PRC (勞動法), our employees also enjoy marriage leave, paternity leave, personal leave and bereavement leave. They are also entitled to pension insurance, unemployment insurance, employment injury insurance, medical insurance, maternity insurance and commercial insurance as well as housing provident fund. In addition, we also provide a variety of allowances for meals, telecommunications, traffic, festival consolations and staff solatia.

Join-Share is, in adherence to the core value of "Co-creation, Sharing and Joint Growth", committed to creating a family-like corporate environment with warmth. The collective birthday party for employees held on a quarter basis has become a traditional activity that stands for our corporate culture. We have arranged a lot of fun and teamwork activities for our employees, in which the employees not only have a birthday in a warm and pleasant atmosphere, but also gain friendship.

▲ The first quarter birthday party for employees

◄ The fourth quarter birthday party for employees

We carried out an activity for celebrating Women's Day on 8 March 2018, at which the management of the Company sent their holiday greetings and beautiful flowers to each female employee and provided holiday benefits for all female employees, including nursing kits, massage coupons, and buffet dinner coupons.

▲ Sending holiday greetings to each female employee

◀ Providing holiday benefits for all female employees

Training and Development

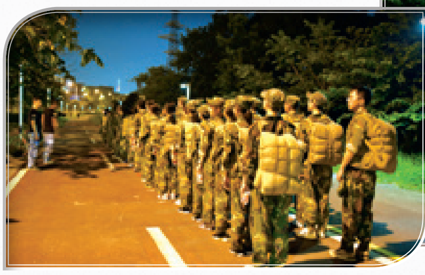
Adhering to the concept of "Cultivating Career Dedicators" in human resources management, the Company endeavors to improve its talent training mechanism to build an outstanding team. In line with our corporate culture, the Human Resources Department has set up the training programs. Trainings are given to the employees to broaden their knowledge and build up their skills, thus improving their performance and maintaining the competitiveness of the Group. The training programs and performance for the Year are set out below:

Type of training		Objectives	Number of training sessions	Hours	Total number of staff participated
Internal trainings	**Middle and senior management training**	To improve the management capabilities of our middle and senior management, enhance the execution ability of our middle and senior management in reporting and communicating through courses that integrate both theory and practice and help our middle-level management get a better understanding of our strategies and policies.	2	10.5	68
	New staff training	To acquaint the new staff with the Company's history and culture, business, relevant laws and regulations and business philosophy.	6	60.3	104

Type of training		Objectives	Number of training sessions	Hours	Total number of staff participated
	Business skills training	To offer targeted trainings based on different products and improve the professional skills of staff at each business department, thereby promoting business innovation as well as research and development to drive the Company's continuous growth and create new competitive edges.	17	33	624
	Risk control training	To create a learning platform for internal risk management, ensure strict execution of risk management procedures and enhance staff's awareness of the importance of risk management.	10	18.25	439
	Other training	To help staff define their career paths and offer comprehensive business skills trainings to staff, thereby building a talent pool of junior management and developing new blood for our management teams.	11	18.25	609
External training	**Training courses**		42	408.5	63
	Reimbursement of fees for education promotion		—	—	2
	Reimbursement of fees for qualification tests		—	—	2
	Total		88	548.8	1,911

We also attach great importance to the team training of our risk control managers to strengthen the supervision on business operation compliance. We regularly organize professional team building activities for our risk control managers to improve the comprehensive level of the risk control team by means of system promotion, salon sharing, product training and skill learning, and incorporate learning improvement into the quarterly assessment of the risk control managers.

In September 2018, Join-Share held a four-day military training activity for new employees at the Huangpu Military Academy. More than 80 new employees from various departments, branches and subsidiaries participated in the training.



Held a four-day military training activity for new employees at the Huangpu Military Academy

Health and Safety

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

For the physical and psychological health of our employees, the Group provides free medical examinations to all employees every year. We also organize a variety of ball games and community walks. On 13 December 2018, the "Golden Promotion Association (金促會)" badminton competition was held, and the badminton team of Join-Share won the champion after several rounds of fierce competition. In addition, we also won the runner-up in the 2018 "Golden Fair Cup (金交會杯)" badminton competition in the financial industry of Guangdong. Furthermore, we regularly hold seminars on safe work environment training, like fire safety training, with a view to improving employees' fire safety awareness and also preventing and reducing the fire hazards.

▲ Champion in the 2018"Golden Promotion Association (金促會)" badminton competition

◀ Runner-up in the 2018 "Golden Fair Cup (金交會杯)" badminton competition in the financial industry of Guangdong

GREEN CORPORATE CULTURE

Upholding the idea of "Starting in Details and Success Depending on Seconds", on the basis of the Environmental Ideas and Policy (環保理念及政策) developed in 2017, Join-Share keeps a close eye on the effects of its operation on environment and natural resources. We strictly abide by local environmental protection laws of each business location, conduct regular environmental examination, review environmental performance, and make appropriate adjustments or revisions to environmental policies. There were no violations against the environmental protection laws or major accidents which affected the environment and natural resources in the Year.

Greenhouse Gas Emissions Management

The Chinese government attaches great importance to cope with climate changes and has put forward higher requirements for the work in response to climate changes in the report of the 19th National Congress and the National Ecological Environmental Protection Conference (全國生態環境保護大會) held in 2018. In November 2018, the 2018 Annual Report on China's Policies and Actions for Coping with Climate Changes was released, with an aim to mitigate and adapt to climate changes, improve the institutional mechanisms, strengthen capacity building, encourage local actions and raise public awareness. In line with the national climate change strategies, the Group makes active efforts to mitigate climate change through low carbon operations.

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

GHG Emission Performance	Unit	2017	2018	Decrease (%)
GHG emissions				
Direct GHG emissions (Scope 1)	tonnes CO_2 equivalent (tCO_2e)	25.76	20.59	20.05%
Indirect GHG emissions (Scope 2)	tCO_2e	25.67	25.45	0.84%
Other indirect GHG emissions (Scope 3)	tCO_2e	39.02	16.02	58.93%
Total GHG emissions (Scope 1, 2 & 3)	tCO_2e	90.45	62.07	31.37%
GHG emission intensity				
Per m^2 floor area (Scope 1, 2 & 3)	tCO_2e/m^2 floor area	0.04	0.03	31.37%
Per employee (Scope 1, 2 & 3)	tCO_2e/employee	0.72	0.34	52.23%

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

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

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

The inspection indicates that the Company's GHG emissions can be divided into direct GHG emissions (scope 1) and indirect GHG emissions (scope 2 and scope 3). The GHG emissions in all scopes were originated from the fuel (scope 1) used by vehicles of the Company, energy consumptions (scope 2), waste disposal at landfill and paper consumption (scope 3) during operation, etc. In 2018, the total GHG emissions of the Company was 90.45 tCO_2e, representing a significant decrease as compared with last year. GHG emission intensity per employee and GHG emission intensity per m^2 floor area were 0.03 and 0.34 respectively, representing a decrease of 31.37% and 52.23% respectively as compared with last year.

Low Carbon Operations

In the Year, the Group's GHG emissions were significantly reduced, mainly due to our active implementation of low-carbon offices. We have developed the Detailed Rules on Management of Administrative Office Affairs (《行政辦公事務管理細則》), which aims to enhance our contributions on energy conservation, water management, waste management and paperless office. By understanding the current GHG emissions, we can formulate measures to improve energy efficiency more effectively.

Fuel Consumption

We regularly maintain the vehicles of the Company, check and keep tires inflated to ensure correct tire pressure, so as to avoid inefficient motor vehicles from using more fuel and discharging more pollutants. In addition, we encourage our employees to take or share public transport vehicles to reduce fuel consumption. The fuel consumption of our vehicles was reduced from 8.6 tonnes in the previous year to 6.9 tonnes in the Year, representing a decrease of 19.77% in total.

Fuel Consumption		2017	2018
Fuel consumption by vehicles	tonne	8.6	6.9

Energy Conservation

Although the Group's businesses are mainly conducted in offices without production project of high energy consumption, we still actively reduce the energy consumption. The lamps of high energy efficiency are comprehensively applied in offices. We install a lighting system to independently control the switches in a number of different lighting areas, which allows employees to flexibly turn off the unnecessary lighting system. In addition, we apply anti-UV heat-insulating film on windows to reduce heat absorption, adopt the split type air-conditioner of level 1 energy efficiency, supplemented by regular clean of filter screen/coil fan. In hot weather or every Friday, employees are allowed to wear casual outfits at work, provided that no appointment is made with their clients, to minimize the reliance on air conditioning system for energy conservation. In the Year, our electricity consumption was 48,288 kWh in total, and the total energy consumption intensity per employee was reduced by 30.97% as compared to last year.

Energy Consumption		2017	2018
Total energy consumption	kWh	48,698	48,288
Total energy consumption intensity (per m^2 floor area)	kWh/m^2 floor area	19.75	19.58
Total energy consumption intensity (per employee)	kWh/employee	386.49	266.78

Water Conservation

In the Year, our water consumption was 17,100 m^3 in total, and the total water consumption intensity per employee was reduced by 31.59% as compared to last year. In order to encourage employees to save water, we use faucets with water conservation labels or automatic faucets and minimize the water pressure. To reduce wastage of water resources, the Company regularly conducts leakage test for hidden water pipes and inspects overflowing water vats and periodically checks readings of water meter to see if there is any hidden water leakage, and recycles grey water for cleaning or irrigation.

Water Consumption		2017	2018
Total water consumption	m^3	17,400	17,100
Total water consumption intensity (per m^2 floor area)	m^3	7.06	6.93
Total water consumption intensity (per employee)	m^3	138.10	94.48

Waste Management

The Company strictly complies with the laws and regulations in relation to waste and encourages the employees to reduce waste through recovery and recycling. We encourage our employees to give priority to the products available for recycling or refill in purchase, re-use envelops, spring binders, recyclable toner cartridge/ink cartridge and use refills for reuse of pens to reduce consumption of disposable and unrecoverable products. We set waste classification guidance in office, so that our employees can collect recyclable materials according to the classification for recovery. We avoid using disposable appliances and purchase the products with fewer packaging in the organization and management of some events. In terms of diet, we prefer low-carbon ingredients and food locally grown or produced to reduce energy consumption and carbon emissions during food delivery. Our waste is mainly generated in the daily operations in office and mainly includes waste paper, solid waste in office, waste electric appliance and electronic products (electronic waste), etc.

		2017	2018
Hazardous waste			
Amount of hazardous waste	tonne	0.35	0.2
Non-hazardous waste			
Amount of solid waste consumption	tonne	6.1	1.34
Solid waste consumption intensity	tonne/employee	0.05	0.01

Paper Conservation

In order to improve work efficiency, reduce administrative costs and establish ourselves as an information-based and economical enterprise, we have promulgated the Notice on the Implementation of Paperless Approval of Lending and Sealing in the Financing Guarantee Business (關於推行融資擔保業務放款及用章審批無紙化的通知). Since 1 October 2016, we have implemented paperless approval of lending and sealing in the financing guarantee business. We have cancelled various offline paper approvals and adopted online approval through information system. Offline paper approval is still applicable for product individual business, extension projects, special projects and early loan applications.

Non-hazardous waste		2017	2018
A4 paper	piece	470,000	465,000
A3 paper	piece	1,500	1,510

Business Travel

In order to reduce GHG emissions, we hold video conferences with foreign customers or colleagues as far as possible to replace unnecessary overseas business. When a business trip is required, we would also prefer to take a direct flight to reduce unnecessary GHG emissions.

SUPPORTING COMMUNITY ENGAGEMENT

Adhering to the philosophy of "Facilitating Profitability and Sharing Prosperity", Join-Share placed its focus on promoting the development of inclusive finance, supporting local education, and caring about vulnerable groups in 2018 and was devoted to contributing to the social harmony, ecological civilization and youth development.

Promoting the Development of Inclusive Finance

Mr. Wu Liejin, the chairman of the Board of Join-Share, attended the convention of the Finance City Chamber of Commerce in Guangdong (廣東金融城商會會員大會) and was elected as the standing vice-president

On 20 November 2018, the convention of the Finance City Chamber of Commerce in Guangdong (廣東金融城商會會員大會) and the celebration of the 40th anniversary of reform and opening up was held at Sun Yat-sen University Xueren Hall, at which new members of the board of directors was appointed, and Mr. Wu Liejin, the chairman of the Board of Join-Share, was elected as the standing vice-president. At the celebration of the 40th anniversary of reform and opening up, Mr. Wu Liejin delivered a keynote speech entitled "Reform and Opening and Inclusive Finance (改革開放與普惠金融)". He believes that finance has played an important role in supporting the rapid growth of the economy during the 40 years of reform and opening up. China's financial system has also undergone significant changes. For example, the modern financial system, regulatory system, capital market and opening up have been well-established. Under such new condition, especially with the increasing importance attached by the Central Committee of the Communist Party of China and the State Council to the development of the private economy and the predicament of demanding and costly financing for SMEs, the inclusive finance would play an increasingly important role.

Supporting Local Education

Cooperation Agreements with Anhui University of Finance and Economics

On 25 October 2018, the Party committee members, Secretary of Commission for Discipline Inspection and the management and teachers of the Accounting School of Anhui University of Finance and Economics, paid a visit to Join-Share. Mr. Wu Liejin, the president of Guangdong Alumni Association of Anhui University of Finance and Economics and the chairman of the Board of Join-Share, received the guests. At the colloquium, Mr. Wu Liejin introduced the development of Join-Share in recent years to the guests, and the management of Anhui University of Finance and Economics highly recognized the development model and talent training concept of Join-Share. After the colloquium, Join-Share entered into cooperation agreements with the representatives of the Accounting School and the university management. Both parties indicated that they would strengthen cooperation in respect of personnel training, off-campus practices and employment.

▲ Photo with the Representatives of Anhui University of Finance and Economics

◄ Agreement signing ceremony

Education Assistance Activity

In the afternoon of 24 May 2018, the members of the second Party branch of Join-Share initiated the "Inheritance of Love, Assistance in the Sunshine" activity for education assistance to the straitened students of Hebei Primary School in Taishan, Jiangmen. They provided voluntary teaching, scholarships and holiday gifts to the students. This is the fifth visit of the Party branch to the school.

Providing holiday gifts to the students ▲

Visiting the Hebei Primary School in Taishan, Jiangmen ►

Poverty Alleviation and Education Assistance in a Primary School

On 15 June 2018, the members of the third Party branch of Join-Share initiated the poverty alleviation and education assistance activity at the Second Primary School in Lvtian Town, Guangzhou City. Such school is located in the remote mountainous area of northern Guangzhou, and a considerable number of students are left-behind children. Although the government has increased investment in school education in recent years, family economy of some students remains relatively difficult. The members of the third Party branch gave their assistance to 22 students in difficult families. In particular, 5 students who were excellent in learning but lived in poor families were granted scholarships and encouraged to change their destiny with knowledge.

Introducing the Group and encouraging ▲ students to study hard

Photo with the students of the Second ▶ Primary School in Lvtian Town

Caring about Vulnerable Groups

On 30 June 2018, Join-Share made a donation of RMB70,000 at the donation activity with the theme of "Guangdong Poverty Alleviation Day" held by Guangdong Provincial Financial Office. Since its establishment, Join-Share has continued to grow and develop with the strong support from the government departments and the communities. Over the years, Join-Share has never forgotten to repay society through active participation in social welfare, and fulfill its corporate social responsibility with practical actions. This is the third consecutive year that the Company has participated in the donation activity.

▲ Participating in the donation activity, "Guangdong Poverty Alleviation Day"

◀ Making a donation of RMB70,000

Helping Disabled Children

Under the leadership of Mr. Wu Liejin, the Party secretary of the Guarantee Industry Association, the first Party branch of Join-Share launched a charity support activity with the theme of "Love Gathering with Happiness" in a rehabilitation institution for disabled children in Duanzhou District, Zhaoqing City. All the Party members visited the rehabilitation institution for disabled children, deeply understood the children's learning and living conditions, watched the performances well-prepared by the children, interacted with the children, and presented them with loving gifts.

▲ Interacting with the children

◄ Launched a charity support activity with the theme of "Love Gathering with Happiness"

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

Indicator			Relevant section
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	Management of Greenhouse Gas Emissions Low Carbon Operations
	A1.1	The types of emissions and respective emissions data.	Management of Greenhouse Gas Emissions
	A1.2	Greenhouse gas emissions in total and intensity.	Management of Greenhouse Gas Emissions
	A1.3	Total hazardous waste produced and intensity.	Low Carbon Operations
	A1.4	Total non-hazardous waste produced and intensity.	Low Carbon Operations
	A1.5	Description of measures to mitigate emissions and results achieved.	Low Carbon Operations
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Low Carbon Operations
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Low Carbon Operations
	A2.1	Direct or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Low Carbon Operations
	A2.2	Water consumption in total and intensity.	Low Carbon Operations
	A2.3	Description of energy use efficiency initiatives and results achieved.	Low Carbon Operations
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Low Carbon Operations
	A2.5	Total packaging material used for finished products and, with reference to per unit produced.	Not applicable as the Company's business does not involve packaging materials

Indicator			Relevant section
A3: Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Management of Greenhouse Gas Emissions Low Carbon Operations
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Management of Greenhouse Gas Emissions Low Carbon Operations
B. Social			
B1: Employment	General Disclosure	Information on: (a) the policies and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment standards Employee Benefits Training and Development Health and Safety
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment standards
	B1.2	Employee turnover rate by gender, age group and geographical region.	Employment standards
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
	B2.1	Number and rate of work-related fatalities.	Health and Safety
	B2.2	Lost days due to work injury.	Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
	B3.2	The average training hours completed per employee by gender and employee category.	Training and Development

Indicator			Relevant section
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment standards
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Employment standards
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supplier Management
	B5.1	Number of suppliers by geographical region.	Supplier Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier Management
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Consistent Discharge of Responsibilities
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Consistent Discharge of Responsibilities
	B6.2	Number of products and service related complaints received and how they are dealt with.	Valuing Customer Opinions
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Consistent Discharge of Responsibilities
	B6.4	Description of quality assurance process and recall procedures.	Not applicable as the Company's business does not involve product manufacturing
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protecting Customer Privacy

Indicator			Relevant section
B7: Anticorruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Risk Management System Anti-Fraud Management
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Risk Management System Anti-Fraud Management
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Risk Management System Anti-Fraud Management
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Promoting the Development of Inclusive Finance Supporting Local Education Caring about Vulnerable Groups
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Promoting the Development of Inclusive Finance Supporting Local Education Caring about Vulnerable Groups
	B8.2	Resources contributed to the focus area.	Promoting the Development of Inclusive Finance Supporting Local Education Caring about Vulnerable Groups

REPORT OF THE BOARD OF DIRECTORS

The Board is pleased to present the annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2018 are set out on pages 93 to 216 of this annual report.

BUSINESS REVIEW

A review of the business of the Group as at 31 December 2018, and a discussion on the Group's future business development are set out in the paragraphs headed "Business Review" and "Prospects and Future Developments of the Business of the Group" under the section headed "Management Discussion and Analysis" in this annual report respectively. Descriptions of principal risks and uncertainties that the Group may be facing are provided in this Report of the Board of Directors on page 85. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2018 can be found in the paragraph headed "Event after Reporting Period" under the section headed "Management Discussion and Analysis" in this annual report. An analysis of the Group's performance during the year ended 31 December 2018 using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" in this annual report. Discussions on the environmental policies and performance, and the account of the key relationships of the Group with its stakeholders are contained in the "Environmental, Social and Governance Report" on pages 46 to 47 in this annual report. In addition, discussions on the Group's compliance with relevant laws and regulations are contained and available in this Report of the Board of Directors on page 91 and in the "Environmental, Social and Governance Report" on pages 48 to 60 in this annual report, respectively. The above discussions constitute part of this report of the Board. Discussion and analysis of the Group's performance and an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivery of the Company's objectives are set out on page 8 to page 16 of the section headed "Management Discussion and Analysis" in this annual report.

DIVIDEND POLICY

The Board will determine the level of dividends after considering the factors of the Company including (i) the results of operations; (ii) cash flows; (iii) financial condition; (iv) statutory and regulatory restrictions on the payment of dividends; and (v) other factors that the Board deems relevant.

Under normal circumstances, the Board would consider to declare interim and special dividends when announcing the Company's interim and final results. The Board may also recommend a final dividend for approval by Shareholders at the annual general meeting of the Company.

Pursuant to the Articles of Association, the Company may distribute dividends in the manners of (i) cash; (ii) shares; and (iii) other means permitted by laws, administrative rules, regulations of competent authorities and regulatory provisions in the place where the Company's shares are listed.

Dividends may be paid only out of distributable profits as determined under PRC Generally Accepted Accounting Principles or Hong Kong Financial Reporting Standards according to the Articles of Association. The Company may distribute not less than 30% of the Company's distributable profits (excluding the impact of related deferred tax) to Shareholders for each financial year, subject to the Company's dividend payment criteria stated above.

The Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

The Board will review the dividend policy annually, as appropriate, to ensure its continued effectiveness.

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, in aggregate, RMB84,282,805.10 (the "**2018 Final Dividend**"). No shareholder has waived or agreed to waive the 2018 Final Dividend.

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

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

For non-resident enterprise holders of H shares, i.e., any Shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organisations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues. Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897)《(國家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.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders' eligibility to attend the 2018 AGM, the register of members of the Company will be closed from Tuesday, 7 May 2019 to Thursday, 6 June 2019, 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 Thursday, 6 June 2019 or their proxies or duly authorised corporate representatives are entitled to attend the 2018 AGM. In order to qualify for attending and voting at the 2018 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 of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Monday, 6 May 2019.

In order to determine the Shareholders' entitlement to the 2018 Final Dividend, the register of members of the Company will be closed from Friday, 14 June 2019 to Wednesday, 19 June 2019, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Wednesday, 19 June 2019 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 2018 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 of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Thursday, 13 June 2019.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years are set out in the section headed "Financial Highlights" in this annual report. This summary does not form part of the audited consolidated financial statements.

PROCEEDS FROM THE LISTING, PROCEEDS FROM ISSUE OF INVESTORS SUBSCRIPTION SHARES, MANAGEMENT SUBSCRIPTION SHARES AND PLACEMENT OF NEW H SHARES

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

(I) Proceeds from the Listing

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 the Latest Practicable Date, 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

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$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
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, 18 April 2018 and 22 February 2019, 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; (iii) the Placing; (iv) Connected and Discloseable Transaction in relation to the Capital Injection into Guangdong Yaoda; and (v) change in Use of Proceeds. 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 (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) ("**Fojin HK**"), 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.

For the reasons and benefits of issue of Investor Subscription Shares and the Management Subscription Shares, please refer to the Circular.

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 the Latest Practicable Date, 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 the Latest Practicable Date, 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 the Latest Practicable Date, 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 Board has resolved to change the intended use of Proceeds 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. The proposed changes of use of Proceeds are subject to the approval by the Shareholders in the extraordinary general meeting and the respective class meetings of the Company to be convened in a timely manner. For details, please refer to the announcement of the Company dated 22 February 2019.

MAJOR BANKING PARTNERS

Cooperation with commercial banks are essential to the Group's financing guarantee business, as the Group depends on its relationships with commercial banks for acceptance of guarantees and for customer referrals. Most of these commercial banks are state-owned commercial banks or major joint-stock commercial banks. The relevant member of the Group generally enters into cooperative agreement with these banks which sets out the term of cooperation, the maximum amount of liability in respect of which the relevant member of the Group could guarantee, the requirement for the relevant member of the Group making security deposits with these banks, various operative covenants the relevant member of the Group may need to comply with and the default payment arrangements. In 2018, our five largest cooperative banks accounted for approximately 71.92% of the total net balance of our outstanding indirect financing guarantees, while the largest cooperative bank accounted for approximately 30.37% of the total net balance of our outstanding indirect financing guarantees. As of 31 December 2018, the Group guaranteed a total financing of approximately RMB2,327.55 million provided by the Group's top five cooperative banks. In addition to banks, various other stakeholders may be involved in the provision of different products and services by the Group, including re-guarantee institutions, other guarantee companies, trust companies, securities companies, finance lease companies and local governments. The relevant member of the Group has entered into re-guarantee arrangements with several re-guarantee institutions, which will pay the default amount for the relevant member of the Group to settle with the lenders in the event that such member of the Group is insolvent and cannot settle such default amount for the customers. The relevant member of the Group has entered into joint-guarantee arrangements with other guarantee institutions, which will pay a certain portion of the default amount to such member of the Group in the event that such member of the Group settles the full default amount for the customers. The relevant member of the Group has also entered into cooperative agreements with several local governments to better manage the Group's credit risks through allocating the risks between the local government and the Group.

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

MAJOR CUSTOMERS

Our customers primarily include SMEs and individual business proprietors. The Group charges mainly guarantee fee and interest fee in return for the guarantee and lending services provided by it, respectively, to its customers. For the year ended 31 December 2018, revenue derived from our five largest customers accounted for 5.84% of our total income and revenue derived from our largest customer accounted for 1.56% of our total income.

To the best knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders, which to the best knowledge of the Company, owning more than 5% of the Company's issued share capital had any interests in the Group's five largest customers for the year ended 31 December 2018.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2018 are set out in note 21 of the notes to financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2018 are set out in note 30 of the notes to financial statements in this annual report.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year ended 31 December 2018 are set out in note 30 of the notes to the audited consolidated financial statements, and details of movement in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on pages 107 to 108 of this annual report.

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the PRC, amounted to approximately RMB84.75 million. Please refer to note 30 to the consolidated financial statements in this annual reports for calculation of reserves available.

OTHER BORROWINGS

Particulars of other borrowings of the Company and the Group as at 31 December 2018 are set out in note 27 of the notes to financial statements in this annual report.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Company are set out in note 33 to the consolidated financial statements. None of the related party transactions constitutes a connected transaction that should be disclosed under Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors entered into a service contract with the Company on 6 June 2018 for a term of three years commencing from 6 June 2018, all of which will expire on 5 June 2021.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as the material related party transactions entered into by the Company and the relevant related parties as set out in note 33 to the consolidated financial statements in this annual report, no material transactions, arrangements or contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries was a party and in which the Directors or the Supervisors has any material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Except as disclosed in this annual report, during the year ended 31 December 2018, none of the Directors and their respective close associates (as defined in the Listing Rules) had an interest in a business which causes or may cause any significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

REMUNERATION POLICY

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

Please refer to page 16 of the section headed "Management Discussion and Analysis" for general emolument policy. Other than the general emolument policy, currently the Group does not have long-term incentive schemes. For remuneration of our members of senior management, please refer to page 35 of the section headed "Corporate Governance Report" for details.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

PERMITTED INDEMNITY

For the year ended 31 December 2018, the Company has purchased liability insurance for Directors and Supervisors which provides proper insurance for the Directors and Supervisors in respect of liabilities from legal actions against them arising from corporate activities.

RETIREMENT BENEFITS SCHEME

The Group is required to participate in pension schemes organised by the respective municipal governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above. Please refer to notes 1(p) and 4(b) for details of our retirement benefits scheme.

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND SUPERVISORS

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director and Supervisor pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the year ended 31 December 2018.

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

As at 31 December 2018, the interests or short positions of Directors, Supervisors, or the chief executive of the Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (b) to be recorded in the register required to be kept under Section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Interest in Shares of our Company

Name of Shareholder	Position	Nature of Interest	Number and class of Shares[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
Mr. 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. Zhang Deben	Director	Beneficial owner	212,000 Domestic Shares (L)	0.02%	0.01%
Mr. Liang Yi	Supervisor	Beneficial owner	80,000 Domestic Shares (L)	0.01%	0.01%
Ms. Huang Yuzhen	Supervisor	Beneficial owner	50,000 Domestic Shares (L)	0.01%	0.01%

Notes:

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

(2) As at 31 December 2018, the issued Domestic Shares and the H Shares of the Company were 1,006,429,353 Shares and 554,363,334 Shares, respectively.

(3) As at 31 December 2018, there were a total of 1,560,792,687 Shares of the Company in issue.

Save as disclosed above, as at 31 December 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 annual report, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

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

As at 31 December 2018, the persons, (not being the Directors, Supervisors or the chief executive of the Company) or corporations having short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO and who were directly and/or indirectly deem to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Shareholders	Nature of Interest	Number and class of Shares[(1)]	Approximate percentage of shareholding in the relevant class of Shares[(2)]	Approximate percentage of shareholding in the total share capital of the Company[(3)]
佛金香港有限公司[(5)] (i.e. Fojin HK)	Beneficial owner	164,164,000 H Shares (L)	29.61%	10.52%
佛山市金融投資控股有限公司 (i.e. Foshan Financial)	Interest of controlled corporation[(5)]	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[(6)]	33,002,680 Domestic Shares (L)	3.28%	2.11%
Hong Kong Wellknown Development Limited ("**Hong Kong Wellknown**")[(7)]	Beneficial owner	55,292,000 H Shares (L)	9.97%	3.54%
Dragon Pearl Hong Kong Investment Development Limited ("**Dragon Pearl**")[(7)]	Beneficial owner	66,064,000 H Shares (L)	11.92%	4.23%
Wu Zhi Jian[(7)]	Interest of controlled corporation	89,436,000 H Shares (L)	16.13%	5.73%
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%

Notes:

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

(2) As at 31 December 2018, the issued Domestic Shares and the H Shares of the Company were 1,006,429,353 Shares and 554,363,334 Shares, respectively.

(3) As at 31 December 2018, there were 1,560,792,687 Shares of the Company in issue.

(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 Financial holds 100% of Fojin HK and is deemed to be interested in 164,164,000 H Shares of the Company held by the latter.

(6) Foshan Fuside Infrastructure Investment Co., Ltd.* (佛山市富思德基礎設施投資有限公司) ("**Fuside**") is wholly owned by Foshan Financial. Foshan Financial is deemed to be interested in 33,002,680 Domestic Shares held by Fuside.

(7) Based on the disclosure of interests form submitted by Hong Kong Wellknown on 3 January 2019, Hong Kong Wellknown is wholly-owned by Dragon Pearl, which is in turn wholly-owned by Mr. Wu Zhi Jian on 31 December 2018. Based on the disclosure of interests form submitted by Mr. Wu on 3 January 2019, Mr. Wu is interested in 89,436,000 H Shares in aggregate through corporation(s) controlled by him as at 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

For details of charitable donations in 2018 by the Group, please refer to pages 66 to 68 of the "Environmental, Social and Governance Report".

POST-BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 38 to the audited consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee had held 2 meetings during the year ended 31 December 2018. During the meetings, the Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group carries out internal recycling measures in terms of its consumables (e.g. toner cartridge and paper) in order to lessen its impact on consumption of resources and impact on environment resulting from the operating activities. The Group implements energy saving measures in the offices and branches and encourages its employees to reduce unnecessary use of light and air-conditioning. Further details on the environmental policies adopted by the Group and the implementation related thereto are set out under the section headed "Environmental, Social and Governance Report" of this annual report.

COMPANY'S COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

CORPORATE GOVERNANCE

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

During the year ended 31 December 2018, the Company has complied with all the code provisions under the CG Code. The Board will continue to review and improve the Company's corporate governance system to ensure its compliance with the CG Code.

SUFFICIENCY OF PUBLIC FLOAT

As at the Latest Practicable Date and based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by KPMG. And there has been no change in the auditor of the Company in any of the preceding three years. KPMG shall retire in the forthcoming 2018 AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming 2018 AGM.

By order of the Board of
Guangdong Join-Share Financing Guarantee Investment Co., Ltd.*
Wu Liejin
Chairman of the Board
18 March 2019

* *For identification purposes only*

REPORT OF THE BOARD OF SUPERVISORS

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

During the year ended 31 December 2018, the Board of Supervisors reviewed cautiously the operation and development plans of the Company and put forward reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the significant policies and specific decisions made by the management of the Company to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association, and in the interests of the Company's Shareholders.

The Board of Supervisors have reviewed earnestly and approved the report of the Board, audited financial statements and the dividend payment proposal to be presented by the Board at the forthcoming 2018 AGM. We are of the opinion that the Board, chief executive and other senior management of the Company have strictly complied with the principle of good faith, and have worked diligently, exercised their authority faithfully in the best interests of the Company, and executed various tasks pursuant to the Articles of Association. Up till now, none of the directors, chief executive nor senior management of the Company has been found to have been in breach of any laws or regulations or the Articles of Association and damaged the interests of the Company or the Shareholders of the Company.

The Board of Supervisors is satisfied with the various tasks carried out by the Company in 2018 and the economic benefits generated therefrom. It has full confidence in the future development outlook of the Company.

By order of the Board of Supervisors
Li Qi
Chairman of the Board of Supervisors
18 March 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 103 to 216, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT OF RECEIVABLES AND PROVISIONS FOR GUARANTEE LOSSES

Refer to Notes 12, 13, 14 and 18 to the consolidated financial statements and the accounting policies in Notes 1(k) and (s).

The Key Audit Matter

The Group has applied Hong Kong Financial Reporting Standard No. 9 — Financial Instruments ("HKFRS 9") since 1 January 2018 and developed a new impairment model for financial assets.

The determination of loss allowances using the expected credit loss model ("ECL model") is subject to a number of key parameters and assumptions, including the identification of credit-impaired stage, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowances and provisions for guarantee losses is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The Group's expected credit losses and provisions for guarantee losses are derived from estimates including the Group's historical losses, internal and external credit grading and other adjustment factors.

How the matter was addressed in our audit

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

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of receivables and financial guarantees issued, the identification of the three stages of ECL model and the measurement of impairment losses for receivables and provisions for financial guarantees issued;

- assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of credit-impaired stage, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments.

IMPAIRMENT OF RECEIVABLES AND PROVISIONS FOR GUARANTEE LOSSES (Continued)

Refer to Notes 12, 13, 14 and 18 to the consolidated financial statements and the accounting policies in Notes 1(k) and (s).

The Key Audit Matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the debtors, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors.

Whilst the Group appoints external valuers for the valuation of certain properties and other illiquid collateral, the enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of impairment losses and provisions for guarantee losses as at the end of the reporting period.

We identified the impairment of receivables and provisions for guarantee losses as a key audit matter because of the inherent uncertainty and management judgment involved and because of their significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original receivables or guarantees agreements, we compared the total balance of the receivables grading report and guarantee list, which contain information used by management to assess impairment losses and provisions for guarantee losses with the general ledger, selecting samples and comparing individual receivables and guarantee information with the underlying receivables and guarantee agreements and other related documentation to assess the accuracy of compilation of the receivables grading report and of the guarantee list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources.

IMPAIRMENT OF RECEIVABLES AND PROVISIONS FOR GUARANTEE LOSSES (Continued)

Refer to Notes 12, 13, 14 and 18 to the consolidated financial statements and the accounting policies in Notes 1(k) and (s).

The Key Audit Matter	How the matter was addressed in our audit
	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. • evaluating the validity of management's assessment on whether the credit risk of the receivables and guarantees have, or have not, increased significantly since initial recognition and whether the receivables and guarantees are credit-impaired by selecting samples in industries more vulnerable to the current economic situation with reference to other debtors with potential credit risk. We checked the overdue information, making enquiries of the credit managers about the debtors' business operations, checking debtors' financial information and researching market information about debtors' businesses.

IMPAIRMENT OF RECEIVABLES AND PROVISIONS FOR GUARANTEE LOSSES (Continued)

Refer to Notes 12, 13, 14 and 18 to the consolidated financial statements and the accounting policies in Notes 1(k) and (s).

The Key Audit Matter	How the matter was addressed in our audit
	• for receivables that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms. • recalculating the amount of credit loss allowance for 12-month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for receivables and guarantees where the credit risk of receivables and guarantees has, or has not, increased significantly since initial recognition, respectively. • assessing the completeness and accuracy of outstanding financial guarantees by inspecting contracts, on a sample basis, and obtaining confirmations from the beneficiaries of all financial guarantees issued. • evaluating whether the disclosures on impairment of receivables and provisions for guarantee losses meet the disclosure requirements in Hong Kong Financial Reporting Standard No. 7 — Financial Instruments: Disclosures ("HKFRS 7").

TRANSITION ADJUSTMENTS AND DISCLOSURES IN RELATION TO THE CHANGE OF FINANCIAL INSTRUMENTS STANDARDS

Refer to the accounting policy in Note 1(c).

The Key Audit Matter

The Group has applied HKFRS 9 since 1 January 2018.

HKFRS 9 has amended the previous classification and measurement framework of financial instruments and introduced a more complex expected credit loss model to assess impairment. The Group is required to retrospectively apply the classification and measurement (including impairment) requirements and recognise any difference between the original carrying amount and new carrying amount at the date of initial application (i.e. 1 January 2018) in the opening retained earnings or other comprehensive income.

We identified the transition adjustments and disclosures in relation to the change of financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatment, application of new data and management judgment.

How the matter was addressed in our audit

Our audit procedures to the transition adjustments in relation to the change in financial instruments standards included the following:

- understanding and assessing the key internal controls of the financial reporting process related to the change of financial instrument standards.

- evaluating the accuracy of the classification of financial instruments. We obtained information on how management applied the classification requirements of the new financial instruments standards and the classification results. On a sample basis we assessed the contractual cash flow characteristics of the financial assets and relevant documents in relation to the business model.

- for financial assets that are measured at fair value, we obtained information on the valuation method and key parameters used, selected samples to evaluate the validity of the valuation method and key parameters with the involvement of our internal valuation specialists and in light of industry practice.

TRANSITION ADJUSTMENTS AND DISCLOSURES IN RELATION TO THE CHANGE OF FINANCIAL INSTRUMENTS STANDARDS (Continued)

Refer to the accounting policy in Note 1(c).

The Key Audit Matter	How the matter was addressed in our audit
	• assessing the reliability of the expected credit loss model used by management in determining loss allowances on transition and assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. • obtaining journal entries relating to adjustments made on transition to HKFRS 9 and comparing the list of classification of financial instruments, the original carrying amounts, the list of journal entries and new carrying amounts of the financial instruments to assess if the journal entries have been entirely put through the system accurately. We selected samples to assess if the accounting treatment is in accordance with HKFRS 9. • recalculating the new carrying amount of all financial instruments and assessing the accuracy of the opening balance at the date of initial application (i.e. 1 January 2018). • assessing whether the relevant disclosures in relation to the change in financial instruments standards are in compliance with HKFRS 7.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

KPMG
Certified Public Accountants

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

11 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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	*2*	**275,025**	264,238
Other revenue	*3*	**52,560**	10,574
Share of losses of associates	*20*	**(503)**	(528)
Provision written back for guarantee losses	*25(a)*	**5,064**	19,944
Impairment losses	*4(a)*	**(17,711)**	(20,538)
Operating expenses	*4(b)/(c)*	**(120,093)**	(105,702)
Profit before taxation	*4*	**194,342**	167,988
Income tax	*5*	**(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)	*9(a)*	**0.09**	0.10

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 1(c).

The notes on pages 110 to 216 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit of the year are set out in Note 30(b).

For the year ended 31 December 2018
(Expressed in RMB'000)

	Note	2018 RMB'000	2017 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)**	—
Income tax arises from financial assets measured at FVOCI		**771**	—
Items that will be reclassified to profit or loss:			
Available-for-sale financial assets:			
Net movement in fair value		—	1,480
Income tax arises from available-for-sale financial assets		—	(370)
Other comprehensive income for the year	*8*	**(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

The notes on pages 110 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018
(Expressed in RMB'000)

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Assets			
Cash and bank deposits	*10*	**1,125,712**	611,520
Pledged bank deposits	*11*	**372,277**	185,474
Trade and other receivables	*12*	**486,848**	578,465
Loans and advances to customers	*13*	**576,599**	666,790
Factoring receivables	*14*	**86,134**	—
Financial assets measured at FVOCI	*15*	**56,112**	—
Financial assets measured at FVPL	*16*	**33,840**	—
Available-for-sale financial assets	*17*	**—**	58,655
Receivable investments	*18*	**198,317**	23,000
Interests in associates	*20*	**22,863**	52,517
Fixed assets	*21*	**11,234**	11,688
Investment property		**8,636**	876
Intangible assets	*22*	**2,999**	2,842
Goodwill	*23*	**419**	419
Deferred tax assets	*29(b)*	**52,393**	46,713
Total assets		**3,034,383**	2,238,959
Liabilities			
Interest-bearing borrowings	*24*	**112,404**	74,750
Liabilities from guarantees	*25*	**180,728**	172,614
Customer pledged deposits	*26(a)*	**170,100**	39,911
Accruals and other payables	*26(b)*	**131,276**	66,630
Current tax liabilities	*29(a)*	**15,778**	31,898
Other financial instrument-liability component	*27*	**62,483**	69,193
Financial institution bonds	*28*	**—**	48,208
Total liabilities		**672,769**	503,204
NET ASSETS		**2,361,614**	1,735,755

The notes on pages 110 to 216 form part of these financial statements.

As at 31 December 2018
(Expressed in RMB'000)

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
CAPITAL AND RESERVES	*30*		
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

Approved and authorised for issue by the board of directors on 11 April 2019.

Wu Liejin
Executive Director and Chairman

Company Stamp

The notes on pages 110 to 216 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 *Note 30(c)*	Share premium RMB'000 *Note 30(d)(i)*	Capital reserve RMB'000 *Note 30(d)(ii)*	Fair value reserve RMB'000 *Note 30(d)(iii)*	Surplus reserve RMB'000 *Note 30(d)(iv)*	General reserve RMB'000 *Note 30(d)(v)*	Other financial instrument — equity component RMB'000 *Note 30(d)(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 2017:											
Profit for the year	—	—	—	—	—	—	—	106,069	106,069	17,135	123,204
Other comprehensive income	—	—	—	1,110	—	—	—	—	1,110	—	1,110
Total comprehensive income	—	—	—	1,110	—	—	—	106,069	107,179	17,135	124,314
Addition through acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	5,892	5,892
Appropriation to surplus reserve	—	—	—	—	10,254	—	—	(10,254)	—	—	—
Appropriation to general reserve	—	—	—	—	—	10,764	—	(10,764)	—	—	—
Dividends approved in respect of the previous year	—	—	—	—	—	—	—	(90,667)	(90,667)	(15,986)	(106,653)
Balance at 31 December 2017	1,066,667	43,107	(1,068)	(941)	88,259	96,008	2,370	166,731	1,461,133	274,622	1,735,755

The notes on pages 110 to 216 form part of these financial statements.

For the year ended 31 December 2018
(Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument — equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 30(c)	*Note 30(d)(i)*	*Note 30(d)(ii)*	*Note 30(d)(iii)*	*Note 30(d)(iv)*	*Note 30(d)(v)*	*Note 30(d)(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	—	—	—	—	—	—	—	(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 2018:											
Profit for the year	—	—	—	—	—	—	—	125,092	125,092	19,245	144,337
Other comprehensive income	—	—	—	(2,312)	—	—	—	—	(2,312)	—	(2,312)
Total comprehensive income	—	—	—	(2,312)	—	—	—	125,092	122,780	19,245	142,025
Issue of ordinary shares	494,126	90,666	—	—	—	—	—	—	584,792	—	584,792
Addition through acquisition of a subsidiary	—	—	—	—	—	—	—	387	387	61,227	61,614
Purchase equity interest from non-controlling interests	—	—	(328)	—	—	—	—	—	(328)	(5,712)	(6,040)
Capital injection in subsidiaries	—	—	—	—	—	—	—	—	—	11,350	11,350
Appropriation to surplus reserve	—	—	—	—	11,034	—	—	(11,034)	—	—	—
Appropriation to general reserve	—	—	—	—	—	12,525	—	(12,525)	—	—	—
Dividends approved in respect of the previous year	—	—	—	—	—	—	—	(110,143)	(110,143)	(15,930)	(126,073)
Balance at 31 December 2018	**1,560,793**	**133,773**	**(1,396)**	**(3,253)**	**99,293**	**108,533**	**2,370**	**122,367**	**2,022,480**	**339,134**	**2,361,614**

The notes on pages 110 to 216 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018
(Expressed in RMB'000)

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Cash generated from/(used in) operations	*10(b)*	**273,765**	(45,974)
PRC income tax paid	*29(a)*	**(56,929)**	(49,571)
Net cash generated from/(used in) operating activities		**216,836**	(95,545)
Investing activities			
Proceeds from disposal of financial assets		**28,490**	201,350
Investment income		**18,875**	7,654
Proceeds from sale of fixed assets and other non-current assets		**41**	55
Payments for the purchase of fixed assets and other non-current assets		**(4,115)**	(7,701)
Proceeds from term deposits with banks		**(318,859)**	—
Payments on acquisition of investments		**(245,260)**	(35,000)
Payments on acquisition of associates		**(22,044)**	(12,500)
Payments on other investment activities		**(72)**	—
Net cash (used in)/generated from investing activities		**(542,944)**	153,858
Financing activities			
Proceeds from investors		**642,456**	5,892
Proceeds from new borrowings	*10(c)*	**141,900**	74,750
Repayment of other financial instrument-liability component	*10(c)*	**—**	(14,000)
Fixed return of other financial instrument-liability component	*10(c)*	**(5,160)**	(5,640)
Repayment of borrowings	*10(c)*	**(104,500)**	—
Purchase of equity interests of subsidiaries from non-controlling interests		**(6,040)**	—
Interest paid	*10(c)*	**(7,240)**	(4,796)
Dividends paid		**(126,073)**	(104,722)
Repayment of financial institution bonds	*10(c)*	**(50,000)**	—
Net cash generated from/(used in) financing activities		**485,343**	(48,516)
Net increase in cash and cash equivalents		**159,235**	9,797
Cash and cash equivalents at 1 January		**406,746**	402,508
Effect of foreign exchange rate changes		**26,496**	(5,559)
Cash and cash equivalents at 31 December	*10(a)*	**592,477**	406,746

The notes on pages 110 to 216 form part of these financial statements.

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 fair value through other comprehensive income (FVOCI), financial assets measured at fair value through profit or loss (FVPL) and available-for-sale financial assets (see Note 1(k)) 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 37.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(i) 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.

	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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

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

a. 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 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)	—	—

Note:

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

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

a. Classification of financial assets and financial liabilities (Continued)

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in Notes 1(n), (k)(ii), (k)(vi) and (t).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see Note 1(r)). 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.

For further details on the Group's accounting policy for accounting for credit losses, see Note 1(k)(i) and (ii).

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

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

b. Credit losses (Continued)

	Loss allowance at 31 December 2017 under HKAS 39	Additional credit loss recognised at 1 January 2018	Loss allowance at 1 January 2018 under HKFRS 9
	RMB'000	RMB'000	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.

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies (Continued)

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

(g) Investment property

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

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

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

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fixed assets

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

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

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

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

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

(i) Intangible assets (other than goodwill)

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

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

	Estimated useful lives
Software	2–10 years

Both the period and method of amortisation are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

(i) Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31. These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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 (see Note 1(u)(ii)).

- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (FVOCI) — recycling. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

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, are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

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

(B) Policy applicable prior to 1 January 2018

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

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

Financial assets and financial liabilities are categorized as follows:

- Trade and other receivables

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

- Loans and receivables

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

  (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;

  (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or

  (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

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

(B) Policy applicable prior to 1 January 2018 (Continued)

- Available-for-sale financial assets

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

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

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

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

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

- Other financial liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, 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 (see Note 1(r)).

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, 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs (Continued)

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 realising security (if any is held); or (ii) the loan 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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets (Continued)

(A) Policy applicable from 1 January 2018 (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).

Basis of calculation of interest income

Interest income recognised in accordance with Note 1(u)(ii) 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.

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Basis of calculation of interest income (Continued)

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets (Continued)

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

— significant financial difficulty of the debtor;

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

— it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— disappearance of an active market for financial assets because of financial difficulties;

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

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- Loans and receivables

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets (Continued)

(B) Policy applicable prior to 1 January 2018 (Continued)

- Individual assessment

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

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

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

- Collective assessment

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(ii) Credit losses from financial assets (Continued)

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

- Available-for-sale financial assets

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

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

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

(iii) Fair value measurement

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(iii) Fair value measurement (Continued)

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

(iv) Derecognition of financial assets and financial liabilities

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

— the contractual rights to the cash flows from the financial asset expire; or

— the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

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

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

(v) Offsetting

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

(vi) Derivative financial instruments

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

(vii) Convertible financial instrument

Convertible financial instrument that can be converted to ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instrument, i.e. they contain both a liability component and an equity component.

At initial recognition the liability component of the convertible financial instrument is measured at fair value based on the future interest and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The equity component is the difference between the initial fair value of the convertible notes as a whole and the initial fair value of the liability component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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

(l) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 1(r), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 1(k)(ii).

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of non-financial assets

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

— Fixed assets;

— Intangible assets;

— Goodwill; and

— Investments in subsidiaries and associates in the Group's and the Company's statement of financial position.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

— Reversals of impairment losses

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

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

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

(p) Employee benefits

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

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

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

(q) Income tax

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

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

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Guarantees issued

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

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

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

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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

(i) Credit losses from financial guarantees issued

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs) 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 1(k)(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.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect profit or loss in future years.

(ii) Provisions and contingent liabilities

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 31(e). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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 (see Note 1(u)(ii)).

— fair value through other comprehensive income (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 recognized 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.

— fair value at profit or loss (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.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(A) Policy applicable from 1 January 2018 (Continued)

Equity investments

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, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(u)(v).

(B) Policy applicable prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see Note 1(k)(ii) — policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(k)). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in Notes 1(u)(v) and (ii), respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognized or impaired (see Note 1(k)(ii) — policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income

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

(i) Guarantee fee income

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

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(k)(ii))

(iii) Rendering of services

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

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

(iv) Rental income from operating leases

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

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue and other income (Continued)

(v) Dividends

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Government grants

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

(w) Translation of foreign currencies

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

(x) Repossessed assets

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Related parties

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

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

(2) Has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(z) Segment reporting

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Segment reporting (Continued)

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

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are provision of credit guarantee, loans and advances to customers, 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:

2 REVENUE AND SEGMENT REPORTING (Continued)

	2018 RMB'000	2017 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)	—
Subtotal	(1,785)	(3,672)
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		
— Interest-bearing borrowings	(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

The Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's net guarantee fee and interest income and service fee from consulting services during the years ended 31 December 2018 and 2017. Details of concentrations of credit risk are set out in Note 31(a).

2 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

Guarantee business

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

SME lending

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

Others

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

(i) Segment results, assets and liabilities

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

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

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

2 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 are set out below:

	2018		
	Guarantee business RMB'000	SME lending and others RMB'000	Total RMB'000
Guarantee fee income	166,125	—	166,125
Guarantee cost	(1,785)	—	(1,785)
Interest income	9,536	82,021	91,557
Interest expenses	(4,329)	(8,993)	(13,322)
Service fee from consulting services	29,249	3,201	32,450
Reportable segment revenue	198,796	76,229	275,025
Other revenue	47,257	5,303	52,560
Share of losses of associates	(503)	—	(503)
Provisions written back for guarantee issued	5,064	—	5,064
Impairment losses	(13,506)	(4,205)	(17,711)
Operating expenses	(86,822)	(33,271)	(120,093)
Reportable segment profit before taxation	150,286	44,056	194,342
Reportable segment assets	2,278,147	830,767	3,108,914
Reportable segment liabilities	666,550	133,143	799,693

(Expressed in RMB'000 unless otherwise indicated)

2 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

2 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliation of reportable segment assets and liabilities

	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Assets			
Reportable segment assets		**3,108,914**	2,194,316
Deferred tax assets	*29(b)*	**52,393**	46,713
Elimination of inter-segment receivables		**(126,924)**	(2,070)
Consolidated total assets		**3,034,383**	2,238,959

	31 December 2018 RMB'000	31 December 2017 RMB'000
Liabilities		
Reportable segment liabilities	**799,693**	505,274
Elimination of inter-segment receivables	**(126,924)**	(2,070)
Consolidated total liabilities	**672,769**	503,204

(Expressed in RMB'000 unless otherwise indicated)

3 OTHER REVENUE

	Note	2018 RMB'000	2017 RMB'000
Foreign exchange gains	*10(b)*	**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

4 PROFIT BEFORE TAXATION

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

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

	Note	2018 RMB'000	2017 RMB'000
Receivables for default guarantee payments	*12(b)(i)*	**13,004**	(3,838)
Receivables from guarantee customers	*12(b)(ii)*	**502**	17,869
Loans and advances to customers	*13(f)*	**204**	6,081
Factoring receivables	*14(b)*	**1,866**	—
Receivable investments		**1,815**	—
Others		**320**	426
		17,711	20,538

4 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	2018 RMB'000	2017 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

	Note	**2018 RMB'000**	2017 RMB'000
Foreign exchange losses	*10(b)*	**—**	5,559
Depreciation and amortisation	*10(b)*	**5,390**	4,631
Operating lease charges:			
minimum lease payments		**9,397**	5,393
Auditors' remuneration			
— annual audit		**1,755**	2,130
— others		**630**	600

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	**2018 RMB'000**	2017 RMB'000
Current tax			
Provision for PRC income tax for the year	*29(a)*	**40,407**	44,956
Deferred tax			
Origination and reversal of temporary differences	*29(b)*	**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., Ltd. 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%.

6 DIRECTORS' EMOLUMENTS

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

	2018				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Total RMB'000
Chairman					
Wu Liejin	88	513	2,110	31	2,742
Executive director					
Xie Yongdong	18	100	72	10	200
Non-executive directors					
Zhang Deben (appointed on 6 June 2018)	46	276	1,349	31	1,702
Huang Guoshen	30	—	—	—	30
Zhang Minming	30	—	—	—	30
Wu Yanfen	13	—	—	—	13
Gu Lidan	—	—	—	—	—
Luo Zhenqing (appointed on 6 June 2018)	—	—	—	—	—
Independent non-executive directors					
Wu Xiangneng	80	—	—	—	80
Leung Hon Man	80	—	—	—	80
Liu Heng	80	—	—	—	80
Supervisors					
Wang Wei	9	190	346	34	579
Li Qi	20	—	—	—	20
Feng Qunying	20	—	—	—	20
Liang Yi	20	166	170	31	387
Liao Zhenliang	30	—	—	—	30
Zhong Jian	30	—	—	—	30
Huang Yuzhen (appointed on 6 June 2018)	11	138	114	28	291
	605	1,383	4,161	165	6,314

6 DIRECTORS' EMOLUMENTS (Continued)

	2017				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement Scheme contributions RMB'000	Total RMB'000
Chairman					
Wu Liejin	75	492	1,148	28	1,743
Executive director					
Xie Yongdong	60	315	912	28	1,315
Non-executive directors					
Huang Guoshen	30	—	—	—	30
Wu Yanfen	30	—	—	—	30
Gu Lidan	—	—	—	—	—
Zhang Minming	30	—	—	—	30
Independent non-executive directors					
Wu Xiangneng	80	—	—	—	80
Leung Hon Man	80	—	—	—	80
Liu Heng	80	—	—	—	80
Supervisors					
Wang Wei	20	179	259	31	489
Li Qi	20	—	—	—	20
Feng Qunying	20	—	—	—	20
Liang Yi	20	161	147	28	356
Liao Zhenliang	30	—	—	—	30
Zhong Jian	30	—	—	—	30
	605	1,147	2,466	115	4,333

There were no amounts paid during the years ended 31 December 2018 and 2017 to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. Except Gu Lidan (also waived or agreed to waive remuneration during the year ended 31 December 2017) and Luo Zhenqing (representatives of the Company's state-owned shareholder), there was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2018.

7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: two) are directors of the Company whose emoluments are disclosed in Note 6.

The aggregate of the emoluments in respect of the other three (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowance and benefits in kind	682	718
Discretionary bonuses	1,470	1,830
Retirement scheme contributions	62	56
Total	2,214	2,604

The emoluments of the three (2017: three) individuals with the highest emoluments are all within the following band:

	2018 Number of Individuals	2017 Number of Individuals
HKD		
Nil–1,000,000	2	2
1,000,001–1,500,000	1	1

There were no amounts paid during the years ended 31 December 2018 and 2017 to the individuals in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join.

8 OTHER COMPREHENSIVE INCOME

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

	2018			2017		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Net movement in fair value reserve:						
Available-for-sale financial assets	**—**	**—**	**—**	1,480	(370)	1,110
Financial assets measured at FVOCI	**(3,083)**	**771**	**(2,312)**	—	—	—

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

	2018 RMB'000	2017 RMB'000
Changes in fair value recognised during the year:		
Available-for-sale financial assets	**—**	1,480
Financial assets measured at FVOCI	**(3,083)**	—
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(3,083)**	1,480

9 EARNINGS PER SHARE

(a) Basic earnings per share

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

	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.

10 CASH AND BANK DEPOSITS

(a) 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 received for the Group's guarantee business in accordance with tripartite custodian agreement among lending banks, guarantee customers and the Group. For the purpose of the consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

10 CASH AND BANK DEPOSITS (Continued)

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

	Note	2018 RMB'000	2017 RMB'000
Profit before taxation		**194,342**	167,988
Adjustments for:			
Impairment losses		**17,711**	20,538
Interest expenses		**13,322**	12,006
Depreciation and amortisation	*4(c)*	**5,390**	4,631
Losses on disposal of fixed assets		**51**	115
Investment income	*3*	**(18,829)**	(7,654)
Provisions written back for guarantee losses		**(5,064)**	(19,944)
Foreign exchange (gains)/losses	*4(c)/3*	**(26,496)**	5,559
Share of losses of associates		**503**	528
Changes in working capitals:			
Increase from term deposits with banks, restricted banks deposits and pledged bank deposits		**(195,560)**	(19,319)
Decrease/(increase) in loans and advances to customers		**76,468**	(47,007)
Decrease/(increase) in trade and other receivables		**22,438**	(175,170)
Increase in customer pledged deposits		**130,189**	28,116
Increase/(decrease) in accruals and other payables		**59,300**	(16,361)
Cash generated from/(used in) operations		**273,765**	(45,974)

(Expressed in RMB'000 unless otherwise indicated)

10 CASH AND BANK DEPOSITS (Continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Interest-bearing borrowings RMB'000 Note 24	Principal payable for other financial instrument-liability component RMB'000 Note 26(b)	Fixed return payable for other financial instrument-liability component RMB'000 Note 26(b)/27	Other financial instrument-liability component RMB'000 Note 27	Financial institution bonds RMB'000 Note 28	Others RMB'000	Total RMB'000
At 1 January 2018	74,750	9,000	5,160	69,193	48,208	—	206,311
Changes from financing cash flows:							
Proceeds from new borrowings	141,900	—	—	—	—	—	141,900
Repayment of borrowings	(104,500)	—	—	—	—	—	(104,500)
Repayment of financial institution bonds	—	—	—	—	(50,000)	—	(50,000)
Fixed return of other financial instrument-liability component	—	—	(5,160)	—	—	—	(5,160)
Interest paid	(5,656)	—	—	—	(1,529)	(55)	(7,240)
Total changes from financing cash flows	31,744	—	(5,160)	—	(51,529)	(55)	(25,000)
Other changes:							
Interest expenses	5,656	—	4,620	(330)	3,321	55	13,322
Principal payable for other financial instrument-liability component	—	11,000	—	(11,000)	—	—	—
Total other changes	5,656	11,000	4,620	(11,330)	3,321	55	13,322
At 31 December 2018	112,150	20,000	4,620	57,863	—	—	194,633

10 CASH AND BANK DEPOSITS (Continued)

	Interest-bearing borrowings RMB'000 *Note 24*	Principal payable for other financial instrument — liability component RMB'000 *Note 26(b)*	Fixed return payable for other financial instrument — liability component RMB'000 *Note 26(b)*	Other financial instrument — liability component RMB'000 *Note 27*	Financial institution bonds RMB'000 *Note 28*	Total RMB'000
At 1 January 2017	—	14,000	5,640	78,487	45,864	143,991
Changes from financing cash flows:						
Proceeds from new borrowings	74,750	—	—	—	—	74,750
Repayment of other financial instrument — liability component	—	(14,000)	—	—	—	(14,000)
Fixed return of other financial instrument — liability component	—	—	(5,640)	—	—	(5,640)
Interest paid	(2,796)	—	—	—	(2,000)	(4,796)
Total changes from financing cash flows	71,954	(14,000)	(5,640)	—	(2,000)	50,314
Other changes:						
Interest expenses	2,796	—	5,160	(294)	4,344	12,006
Principal payable for other financial instrument — liability component	—	9,000	—	(9,000)	—	—
Total other changes	2,796	9,000	5,160	(9,294)	4,344	12,006
At 31 December 2017	74,750	9,000	5,160	69,193	48,208	206,311

11 PLEDGED BANK DEPOSITS

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

12 TRADE AND OTHER RECEIVABLES

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Receivables for default guarantee payments	*(i)/12(a)(i)*	**206,796**	257,458
Less: Allowance for doubtful debts	*12(b)(i)*	**(56,715)**	(43,332)
		150,081	214,126
Receivables from guarantee customers	*(ii)/12(a)(ii)*	**248,351**	313,131
Less: Allowance for doubtful debts	*12(b)(ii)*	**(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	*33(c)*	**42,094**	—
Prepayment for equity investment purchased	*33(c)*	**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.

12 TRADE AND OTHER RECEIVABLES (Continued)

(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 RMB'000	31 December 2017 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 but less than 5 years	**90,202**	78,149
Over 5 years	**28,060**	43,406
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. Further details on the Group's credit policy are set out in Note 31(a).

12 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis: (Continued)

(ii) Receivables from guarantee customers

	31 December 2018 RMB'000	31 December 2017 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 but less than 5 years	**28,104**	—
Subtotal	**248,351**	313,131
Less: allowance for doubtful debts	**(47,171)**	(29,126)
	201,180	284,005

The ageing of receivables from guarantee customers is from the date of payment. Further details on the Group's credit policy are set out in Note 31(a).

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

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

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

(i) Receivables for default guarantee payments

	Note	2018 RMB'000	2017 RMB'000
As at 1 January		**43,332**	55,898
Impairment losses recognised/(reversed) in the consolidated statement of profit or loss	*4(a)*	**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

12 TRADE AND OTHER RECEIVABLES (Continued)

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

(ii) Receivables from guarantee customers

	2018 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	—	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	—	—	—	—
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

	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

13 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%

13 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(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.

(Expressed in RMB'000 unless otherwise indicated)

13 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	2018			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total 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**

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

13 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of allowances for impairment losses

	2018			
	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	**—**	**—**	**—**	**—**
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		
	Note	Allowances for loans and advances which are collectively assessed RMB'000	Allowances for impaired loans and advances which are individually assessed RMB'000	Total RMB'000
As at 1 January		18,023	20,200	38,223
Charge for the year	*4(a)*	542	5,539	6,081
Write-offs		—	(9,237)	(9,237)
Recoveries		—	461	461
As at 31 December		18,565	16,963	35,528

14 FACTORING RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Factoring receivables	**88,000**	—
Less: allowances for factoring receivables	**(1,866)**	—
	86,134	—

(a) Ageing analysis

As at 31 December 2018, the ageing analysis of receivables for factoring business, based on the invoices date and net of allowance for doubtful debts, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**88,000**	—
Less: allowances for factoring receivables	**(1,866)**	—
Total	**86,134**	—

(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 year ended 31 December 2018 is as follows:

	Note	2018 RMB'000	2017 RMB'000
At 1 January		**—**	—
Transfer to 12-month ECL	*4(a)*	**1,866**	—
At 31 December		**1,866**	—

15 FINANCIAL ASSETS MEASURED AT FVOCI

	31 December 2018 RMB'000	31 December 2017 RMB'000
Unlisted equity investments	**50,110**	—
Listed securities	**6,002**	—
	56,112	—

16 FINANCIAL ASSETS MEASURED AT FVPL

	31 December 2018 RMB'000	31 December 2017 RMB'000
Convertible bonds	**33,500**	—
Accrued interest	**340**	—
	33,840	—

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Equity investment		
— 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 loss recognised is recorded in the carrying amount directly. As at 31 December 2017, no impairment has been recognised.

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.

(Expressed in RMB'000 unless otherwise indicated)

18 RECEIVABLE INVESTMENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trust products	**109,000**	23,000
Wealth management products	**91,359**	—
Subtotal	**200,359**	23,000
Accrued interest	**268**	—
Less: Allowance for impairment losses	**(2,310)**	—
Total	**198,317**	23,000

19 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest As at 31 December 2018					
Name 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
Foshan Join-Share Investment and Financing Consultancy Co., Ltd. ("Foshan Consultancy") (佛山中盈盛達投融資諮詢服務有限公司)	Foshan	11 November 2005 the PRC	RMB 10,000,000	RMB 10,000,000	100%	100%	—	Investment and consulting
Foshan Join-Share Industrial Investment Co., Ltd. ("Foshan Industrial Investment") (佛山中盈興業投資有限公司)	Foshan	29 September 2007 the PRC	RMB 5,100,000	RMB 5,100,000	100%	100%	—	Investment and consulting
Anhui Join-Share Financing Guarantee Co., Ltd. ("Anhui Join-Share") (安徽中盈盛達融資擔保有限公司)	Hefei	31 August 2009 the PRC	RMB 200,000,000	RMB 200,000,000	63.05%	63.05%	—	Guarantee
Hefei Join-Share Consultancy Service Co., Ltd. ("Hefei Consultancy") (合肥中盈盛達諮詢服務有限公司)	Hefei	8 May 2010 the PRC	RMB 1,000,000	RMB 1,000,000	63.05%	—	100%	Consulting
Foshan Chancheng Join-Share Micro Credit Co., Ltd. ("Foshan Micro Credit") (佛山禪城中盈盛達小額貸款有限公司)	Foshan	30 May 2011 the PRC	RMB 230,000,000	RMB 230,000,000	50.44%	50.44%	—	Microcredit
Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. ("Zhongshan Join-Share") (中山中盈盛達科技融資擔保投資有限公司)	Zhongshan	8 July 2014 the PRC	RMB 200,000,000	RMB 200,000,000	80%	52.00%	—	Guarantee

(Expressed in RMB'000 unless otherwise indicated)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

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: (Continued)

			Proportion of ownership interest As at 31 December 2018					
Name 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	RMB 60,000,000	RMB 60,000,000	100%	100%	—	Investment and consulting
Guangdong Join-Share Supply Chain Services Co., Ltd. ("Guangdong Supply Chain") (廣東中盈盛達供應鏈管理有限公司)	Foshan	14 April 2017 the PRC	RMB 10,000,000	RMB 10,000,000	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	RMB 50,000,000	RMB 50,000,000	100%	100%	—	Factoring
Join-Share (HK) Supply Chain Services Co., Ltd. ("HK Supply Chain") (中盈盛達 (香港) 供應鏈服務有限公司)	Foshan	28 July 2017 Hong Kong the PRC	RMB 300,000	—	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	RMB 100,000,000	RMB 100,000,000	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	RMB 110,000,000	RMB 110,000,000	45.45%	45.45%	—	Guarantee
Join-Share Financial Holdings Co., Ltd. ("Financial Holdings") (中盈盛達金融控股有限公司)	Hong Kong	12 November 2018 Hong Kong the PRC	HKD 1,000,000	—	100%	100%	—	Investment

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 and Financial Holdings was registered and operated in Hong Kong. The English translation of the names of these companies is for reference only. The official names of these companies are in Chinese.

19 INVESTMENTS IN SUBSIDIARIES (Continued)

(a) Establishment/acquisition of subsidiaries

(i) During year ended 31 December 2018, the Company established Shenzhen Engineering Guarantee with 90% equity interests. As at 31 December 2018, Shenzhen Engineering Guarantee's paid-in capital was RMB100,000,000.

(ii) 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 held 45.45% of its equity shares.

The Company also entered into a concert party agreement with the rest of shareholders, Yunfu Rongda Asset Management Co., Ltd. ("Yunfu Rongda") and Guangdong Wenshi Investment Co., Ltd. ("Guangdong Wenshi"), whose equity shares in Yunfu Guarantee were 45.45% and 9.1%, respectively. Agreed in this concert party agreement, Yunfu Rongda gives up its right in participating in distributable profits of Yunfu Guarantee. All distributable profits would be distributed to the Group and Guangdong Wenshi on a pro rata basis of their shareholder's equity in the Yunfu Guarantee, the Company will have control over Yunfu Guarantee and may enjoy 83.32% of Yunfu Guarantee's distributable profits.

(iii) During year ended 31 December 2018, the Company established Financial Holdings with 100% equity interests. As at 31 December 2018, Financial Holdings' registered capital HKD1,000,000.

(iv) On 20 December 2018, the Company injected additional share capital of RMB7,000,000 and continued to hold 100% equity interests in Foshan Consultancy.

(b) Acquisition of non-controlling interests

(i) On 10 April 2018, the Company acquired non-controlling interests (NCI) at a consideration of RMB340,000 and held 85% equity interests in Guangdong Supply Chain.

On 13 July 2018, the Company together with all remaining shareholders of Guangdong Supply Chain injected additional share capital of RMB9,000,000 and continued to hold 85% equity interests in Guangdong Supply Chain.

(ii) On 31 August 2018, the Company acquired NCI at a consideration of RMB5,700,300, subsequent to which the Company held 63.05% equity interests in Anhui Join-Share.

19 INVESTMENTS IN SUBSIDIARIES (Continued)

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Anhui Join-Share	**126,800**	121,100
Zhongshan Join-Share	**104,000**	93,000
Foshan Micro Credit	**123,002**	123,002
Foshan Consultancy	**10,000**	3,000
Foshan Industrial Investment	**5,284**	5,284
Guangdong Capital Investment	**60,000**	60,000
Shenzhen Commercial Factoring	**50,000**	5,000
Shenzhen Engineering Guarantee	**90,000**	—
Yunfu Guarantee	**50,634**	—
Financial Holdings	**—**	—
	619,720	410,386

(d) Material non-controlling interests

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

19 INVESTMENTS IN SUBSIDIARIES (Continued)

(d) Material non-controlling interests (Continued)

(i) Anhui Join-Share

	31 December 2018 RMB'000	31 December 2017 RMB'000
NCI percentage	36.95%	39.45%
Gross amounts of the subsidiary:		
— Non-current assets	9,851	10,713
— Current assets	232,612	236,466
— Current liabilities	(22,395)	(20,340)
Net assets	220,068	226,839
Carrying amount of NCI	81,315	89,488

	2018 RMB'000	2017 RMB'000
Gross amounts of the subsidiary:		
— Revenue	17,361	20,431
— Profit	6,345	4,136
— Total comprehensive income	6,345	4,136
Profit allocated to NCI	2,344	1,632
Cash flow from operating activities	5,292	(71,212)
Cash flow from investment activities	21,907	(15,381)
Cash flow from financing activities	(11,460)	42,481
Net increase/(decrease) in cash and cash equivalents	15,739	(44,112)

19 INVESTMENTS IN SUBSIDIARIES (Continued)

(d) Material non-controlling interests (Continued)

(ii) Foshan Micro Credit

	31 December 2018 RMB'000	31 December 2017 RMB'000
NCI percentage	**49.56%**	49.56%
Gross amounts of the subsidiary:		
— Non-current assets	**7,542**	5,783
— Current assets	**377,121**	390,033
— Non-current liabilities	**—**	(48,208)
— Current liabilities	**(124,744)**	(84,603)
Net assets	**259,919**	263,005
Carrying amount of NCI	**128,816**	130,345

	2018 RMB'000	2017 RMB'000
Gross amounts of the subsidiary:		
— Revenue	**48,510**	50,786
— Profit	**21,500**	23,467
— Total comprehensive income	**21,500**	23,467
Profit allocated to NCI	**10,655**	11,630
Cash flow from operating activities	**39,819**	(44,908)
Cash flow from investment activities	**9,674**	(10,207)
Cash flow from financing activities	**(30,181)**	58,996
Net increase in cash and cash equivalents	**19,312**	3,881

19 INVESTMENTS IN SUBSIDIARIES (Continued)

(d) Material non-controlling interests (Continued)

(iii) Zhongshan Join-Share

	31 December 2018 RMB'000	31 December 2017 RMB'000
NCI percentage	**20.00%**	21.00%
Gross amounts of the subsidiary:		
— Non-current assets	**15,122**	27,093
— Current assets	**234,665**	218,835
— Non-current liabilities	**(14,517)**	(13,669)
— Current liabilities	**(41,234)**	(42,830)
Net assets	**194,036**	189,429
Carrying amount of NCI	**38,807**	39,780

	2018 RMB'000	2017 RMB'000
Gross amounts of the subsidiary:		
— Revenue	**27,780**	32,145
— Profit	**26,081**	6,037
— Total comprehensive income	**20,456**	6,037
Profit allocated to NCI	**4,091**	1,268
Cash flow from operating activities	**62,668**	18,976
Cash flow from investment activities	**67**	(904)
Cash flow from financing activities	**(14,760)**	(13,323)
Net increase in cash and cash equivalents	**47,975**	4,749

19 INVESTMENTS IN SUBSIDIARIES (Continued)

(d) Material non-controlling interests (Continued)

(iv) Yunfu Guarantee

	31 December 2018 RMB'000
NCI percentage	**54.55%**
Gross amounts of the subsidiary:	
— Non-current assets	**28,359**
— Current assets	**91,534**
— Current liabilities	**(5,056)**
Net assets	**114,837**
Carrying amount of NCI	**62,644**

	2018 RMB'000
Gross amounts of the subsidiary:	
— Revenue	**7,014**
— Profit	**2,587**
— Total comprehensive income	**2,587**
Profit allocated to NCI	**1,411**
Cash flow from operating activities	**(5,181)**
Cash flow from investment activities	**(1,369)**
Cash flow from financing activities	**19,962**
Net increase in cash and cash equivalents	**13,412**

20 INTERESTS IN ASSOCIATES

The Group's interests in associates are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Yunfu Guarantee	**—**	30,634
Zhongshan Wujieping	**10,455**	10,281
Shenzhen Bangli	**10,878**	11,602
Yiliantong Supply Chain	**1,530**	—
	22,863	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:

Name of company	Place of Incorporation and business	Date and place of incorporation/ establishment	Registered capital	Paid-in capital	Proportion of ownership interest As at 31 December 2018: 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	RMB 100,000,000	RMB 10,000,000	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	RMB 100,000,000	RMB 30,050,000	25%	—	25%	Financial services
Guangzhou Yiliantong Supply Chain Management Co., Ltd. ("Yiliantong Supply Chain") (廣州壹鏈通供應鏈管理有限公司)	Guangzhou	27 November 2018 the PRC	RMB 10,000,000	RMB 1,780,000	48%	—	48%	Supply chain 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 consolidated financial statements.

Aggregate information of Yunfu Guarantee and others as individually immaterial associates:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**22,863**	52,517

20 INTERESTS IN ASSOCIATES (Continued)

	2018 RMB'000	2017 RMB'000
Aggregate amounts of the Group's share of losses of these associates:		
Losses from operation and total comprehensive income	**(503)**	(528)

21 FIXED ASSETS

(a) Reconciliation of carrying amount

	Motor vehicles RMB'000	Buildings held for own use RMB'000	Office and other equipments RMB'000	Deferred expenses RMB'000	Total fixed assets RMB'000
Cost:					
At 1 January 2017	2,357	5,013	3,992	7,460	18,822
Additions	1,182	—	1,758	2,211	5,151
Disposals	(994)	—	(1,263)	—	(2,257)
At 31 December 2017 and 1 January 2018	2,545	5,013	4,487	9,671	21,716
Acquisition of a subsidiary	—	—	213	841	1,054
Additions	304	—	691	1,349	2,344
Disposals	(172)	—	(3)	—	(175)
At 31 December 2018	2,677	5,013	5,388	11,861	24,939
Accumulated depreciation:					
At 1 January 2017	(2,133)	(129)	(2,757)	(3,571)	(8,590)
Charge for the year	(233)	(238)	(643)	(2,411)	(3,525)
Written back on disposals	944	—	1,143	—	2,087
At 31 December 2017 and 1 January 2018	(1,422)	(367)	(2,257)	(5,982)	(10,028)
Acquisition of a subsidiary	—	—	(58)	(304)	(362)
Charge for the year	(253)	(238)	(741)	(2,238)	(3,470)
Written back on disposals	152	—	3	—	155
At 31 December 2018	(1,523)	(605)	(3,053)	(8,524)	(13,705)
Net book value:					
At 31 December 2017	1,123	4,646	2,230	3,689	11,688
At 31 December 2018	1,154	4,408	2,335	3,337	11,234

(Expressed in RMB'000 unless otherwise indicated)

21 FIXED ASSETS (Continued)

(b) Impairment losses

During the year ended 31 December 2018, no impairment loss of equipment was recognised (2017: nil).

22 INTANGIBLE ASSETS

(a) Reconciliation of carrying amount

	2018 RMB'000	2017 RMB'000
Cost:		
At the beginning of the year	**5,904**	3,353
Additions	**1,771**	2,551
At the end of the year	**7,675**	5,904
Accumulated amortisation:		
At the beginning of the year	**(3,062)**	(2,000)
Charge for the year	**(1,614)**	(1,062)
At the end of the year	**(4,676)**	(3,062)
Net book value:		
At the end of the year	**2,999**	2,842
At the beginning of the year	**2,842**	1,353

All intangible assets of the Group are software.

(b) Impairment losses

During the year ended 31 December 2018, no impairment loss of intangible assets was recognised (2017: nil).

23 GOODWILL

Impairment tests for cash-generating units containing goodwill

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

	Note	2018 RMB'000	2017 RMB'000
Foshan Micro Credit	*(i)*	**419**	419

(i) The recoverable amount of the CGU is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2017: 3%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 10.56% (2017: 10.56%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

24 INTEREST-BEARING BORROWINGS

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

	31 December 2018 RMB'000	31 December 2017 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.

25 LIABILITIES FROM GUARANTEES

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred income		**120,934**	124,074
Provisions for guarantee losses	*25(a)*	**59,794**	48,540
		180,728	172,614

(a) 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

26 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.

26 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES (Continued)

(b) Accruals and other payables

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Accrued staff cost		**36,214**	32,878
Accounts payable		**20,192**	559
Principal/interest payable for other financial instrument-liability component	*27(i)*	**20,000**	14,160
Consulting service expense payable		**17,765**	—
Receipts in advance		**14,191**	9,981
Pledged deposits		**7,905**	1,413
Dividends payable		**1,240**	1,931
Withholding income tax		**114**	445
Interest payable		**—**	149
Others		**13,655**	5,114
Total		**131,276**	66,630

27 OTHER FINANCIAL INSTRUMENT — LIABILITY COMPONENT

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Other financial instrument-liability component	*(i)*	**57,863**	69,193
Accrued interest		**4,620**	—
		62,483	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.

27 OTHER FINANCIAL INSTRUMENT — LIABILITY COMPONENT (Continued)

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

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

The liability in this compound instrument is measured by amortised cost method; the interest expense is measured by effective interest method. The fair value of equity component is measured as the principal deducted the liability component.

As at 31 December 2018, the Group accrued RMB11,000,000 (2017: RMB9,000,000) as the fixed return and RMB4,620,000 (2017: RMB5,160,000) as a replacement of Zhongshan Health's original contribution, which are obligations according to the agreements.

28 FINANCIAL INSTITUTION BONDS

	31 December 2018 RMB'000	31 December 2017 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.

29 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	**2018 RMB'000**	2017 RMB'000
Balance of income tax payable at the beginning of the year		**31,898**	36,513
Addition through acquisition of a subsidiary		**402**	—
Provision for income tax on the estimated taxable profit for the year	*5(a)*	**40,407**	44,956
Income tax paid during the year		**(56,929)**	(49,571)
Balance of income tax payable at the end of the year		**15,778**	31,898

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax (liabilities)/assets recognised in the consolidated statement of financial position and the movements during the years ended 31 December 2018 and 2017 are as follows:

		Deferred tax assets					Deferred tax liabilities				
	Note	Liabilities from guarantees RMB'000	Impairment loss RMB'000	Salaries payable RMB'000	Financial instrument RMB'000	Total RMB'000	Re-guarantee fee RMB'000	Interest in subsidiaries RMB'000	Government grant RMB'000	Total RMB'000	Net RMB'000
At 1 January 2017		8,345	26,571	10,068	1,275	46,259	(736)	—	1,388	652	46,911
Recognised to the consolidated statement of profit or loss	*5(a)*	2,872	(79)	(1,666)	—	1,127	535	(4)	(1,486)	(955)	172
Charged to reserves		—	—	—	(370)	(370)	—	—	—	—	(370)
At 31 December 2017		11,217	26,492	8,402	905	47,016	(201)	(4)	(98)	(303)	46,713

(Expressed in RMB'000 unless otherwise indicated)

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	Deferred tax assets					Deferred tax liabilities				
		Liabilities from guarantees	Impairment loss	Salaries payable	Financial instrument	Total	Re-guarantee fee	Interest in subsidiaries	Government grant	Total	Net
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017		11,217	26,492	8,402	905	47,016	(201)	(4)	(98)	(303)	46,713
Impact of adopting HKFRS 9		4,000	9,936	—	—	13,936	—	—	—	—	13,936
At 1 January 2018		15,217	36,428	8,402	905	60,952	(201)	(4)	(98)	(303)	60,649
Addition through acquisition of a subsidiary		—	536	35	—	571	—	—	—	—	571
Recognised to the consolidated statement of profit or loss	5(a)	(15,290)	2,941	1,229	—	(11,120)	1,287	137	98	1,522	(9,598)
Charged to reserves		—	—	—	771	771	—	—	—	—	771
At 31 December 2018		(73)	39,905	9,666	1,676	51,174	1,086	133	—	1,219	52,393

30 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital RMB'000 *Note 30(c)*	Share premium RMB'000 *Note 30(d)(i)*	Surplus reserve RMB'000 *Note 30(d)(iv)*	General reserve RMB'000 *Note 30(d)(v)*	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017	1,066,667	43,107	77,877	78,011	140,520	1,406,182
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

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

	Share capital RMB'000 *Note 30(c)*	Share premium RMB'000 *Note 30(d)(i)*	Surplus reserve RMB'000 *Note 30(d)(iv)*	General reserve RMB'000 *Note 30(d)(v)*	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:

— Cash dividends of RMB84,282,805 (2017: RMB110,142,595) to all shareholders 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.

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

The share capital of the Company as at 31 December 2018 and 2017 are as below:

	2018		2017	
	No. of shares ('000)	**RMB'000**	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
As at 1 January	**1,066,667**	**1,066,667**	1,066,667	1,066,667
Issuance of new shares	**494,126**	**494,126**	—	—
As at 31 December	**1,560,793**	**1,560,793**	1,066,667	1,066,667

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

The capital reserve represented the contribution from equity shareholders for purchase of shares from subsidiaries.

(iii) Fair value reserve

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

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iv) Surplus reserve

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

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

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

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

(v) General reserve

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

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

(vi) Other financial instrument-equity component

Other financial instrument-equity component is the equity component of the compound financial instrument (see Note 27) issued by the Group.

(e) Capital management

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

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

30 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(e) Capital management (Continued)

There were no changes in the Group's approach to capital management during the years ended 31 December 2018 and 2017.

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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

Credit risk arising from guarantees issued operations:

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

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Credit risk arising from guarantees issued operations: (Continued)

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

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

	31 December 2018 RMB'000	31 December 2017 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.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Credit risk arising from guarantees issued operations: (Continued)

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

	31 December 2018		31 December 2017	
	RMB'000	%	RMB'000	%
Construction	6,741,863	55%	5,638,859	55%
Real estate	2,008,449	17%	1,934,312	19%
Manufacturing	975,723	8%	1,177,548	12%
Wholesale and retail	802,387	7%	837,160	8%
Leasing and commercial services	140,910	1%	136,517	1%
Service industry	68,923	1%	44,825	1%
Transportation warehousing and postal service	40,323	1%	21,830	1%
Agriculture	7,990	1%	64,465	1%
Finance	5,980	1%	100,000	1%
Others	917,384	8%	59,751	1%
Total of guarantees issued	11,709,932	100%	10,015,267	100%

Credit risk arising from financial assets measured at amortized cost:

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

The Group classifies financial assets measured at amortized cost into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial assets held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial assets. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial asset or a portfolio of financial assets with similar credit risk characteristics as at statement of financial position date and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial asset or a portfolio of financial assets. In determining whether credit risk of a financial asset has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial asset has been past due (except loan and advances to customers business, which is 30 days), whether the market price has been falling to assess deterioration.

Impairment assessment

- 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.

Description of parameters, assumptions, and estimation techniques

Expect for the credit-impaired financial assets, expected credit losses ("ECL") is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the product of the Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information.

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information.

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Description of parameters, assumptions, and estimation techniques (Continued)

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions made during the year.

The impairment loss on credit-impaired assets applied cash flow discount method, if there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

(b) Interest rate risk

The Group is principally engaged in the provision of credit guarantee, lending and related consulting services to SME enterprises in the PRC. Its interest rate risk arises primarily from deposits with banks, available-for-sale financial assets (applicable prior to 1 January 2018) and interest-bearing borrowings.

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate risk (Continued)

(i) Interest rate profile

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Fixed interest rate		
Financial assets		
— Cash and bank deposits	**532,866**	202,410
— Pledged bank deposits	**32,118**	53,132
— Trade and other receivables	**227,180**	284,005
— Loans and advances to customers	**573,140**	666,790
— Factoring receivables	**86,143**	—
— Receivable investments	**198,049**	23,000
— Financial assets measured at FVPL	**33,500**	—
	1,682,996	1,229,337
Financial liabilities		
— Other financial instrument-liability component	**(57,863)**	(69,193)
— Financial institution bonds	**—**	(48,208)
	(57,863)	(117,401)
Net	**1,625,133**	1,111,936
Variable interest rate		
Financial assets		
— Cash and bank equivalents	**592,479**	409,110
— Pledged bank deposits	**339,681**	132,342
— Available-for-sale financial assets	**—**	1,360
	932,160	542,812
Financial liability		
— Interest-bearing borrowings	**(112,150)**	(74,750)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

	2018 RMB'000	2017 RMB'000
Net	**820,010**	468,062
Total net financial assets	**2,445,143**	1,579,998
Net fixed rate financial assets as a percentage of total net financial assets	**66%**	70%

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the Group's profit after taxation and retained profits for the next 12 months by approximately RMB2,360,000 (2017: RMB1,750,000). Other components of consolidated equity would have increased by approximately RMB210,000 (2017: RMB246,000).

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

(c) Liquidity risk

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

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

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

(Expressed in RMB'000 unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

(i) Maturity analysis

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

	31 December 2018						
	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Liabilities							
Customer pledged deposits	129,573	8,357	2,480	13,563	16,127	—	170,100
Liabilities from guarantees	—	3,809	11,502	65,762	98,675	980	180,728
Other financial instrument — liability component	—	—	—	15,029	47,454	—	62,483
Interest-bearing borrowings	—	—	2,300	110,104	—	—	112,404
Other liabilities	23,229	15,597	56,754	24,606	26,868	—	147,054
Total	152,802	27,763	73,036	229,064	189,124	980	672,769

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2017						
	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Liabilities							
Customer pledged deposits	—	1,238	3,149	6,977	28,547	—	39,911
Liabilities from guarantees	—	77	5,933	55,270	110,996	338	172,614
Other financial instrument — liability component	—	—	—	14,708	54,485	—	69,193
Financial institution bonds	—	—	—	48,208	—	—	48,208
Interest-bearing borrowings	—	—	59,750	15,000	—	—	74,750
Other liabilities	2,272	12,793	54,706	9,259	19,498	—	98,528
Total	2,272	14,108	123,538	149,422	213,526	338	503,204

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

(ii) Contractual undiscounted cash flow

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

	31 December 2018							
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Liabilities								
Customer pledged deposits	170,100	170,100	129,573	8,357	2,480	13,563	16,127	—
Other financial instrument-liability component	62,483	67,220	—	—	—	15,960	51,260	—
Financial institution bonds	—	—	—	—	—	—	—	—
Interest-bearing borrowings	112,404	117,619	—	—	2,312	115,307	—	—
Other financial liabilities	94,948	94,948	23,229	15,597	25,095	24,606	6,421	—
Total	439,935	449,887	152,802	23,954	29,887	169,436	73,808	—
Guarantee issued								
Maximum amount guaranteed*		11,709,932	240,000	90,000	1,693,400	4,718,042	4,968,490	—

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

(ii) Contractual undiscounted cash flow (Continued)

	31 December 2017							
	Carrying amount RMB'000	Contractual undiscounted cash outflows RMB'000	Indefinite RMB'000	Repayable on demand RMB'000	Within three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Liabilities								
Customer pledged deposits	39,911	39,911	—	1,238	3,149	6,977	28,547	—
Other financial instrument-liability component	69,193	82,840	—	—	—	15,620	67,220	—
Financial institution bonds	48,208	51,750	—	—	500	51,250	—	—
Interest-bearing borrowings	74,750	76,498	—	—	59,867	16,631	—	—
Other financial liabilities	33,307	33,307	2,272	12,793	8,230	9,259	753	—
Total	265,369	284,306	2,272	14,031	71,746	99,737	96,520	—
Guarantee issued								
Maximum amount guaranteed*		10,015,267	340,513	—	949,999	3,893,221	4,831,534	—

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

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk

The Group's businesses are principally conducted in RMB, while most of the Group's monetary assets and liabilities are denominated in USD, HKD and RMB. At the end of the reporting period, the recognised assets or liabilities are mainly denominated in the functional currency of the Group entity to which they relate. The Group's currency risk mainly arises from foreign currency banks deposits. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

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

(e) Fair values

(i) Financial assets and liabilities measured at fair value

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

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

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

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

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

(Expressed in RMB'000 unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

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

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements assets				
Financial assets measured at FVOCI	**3,502**	**—**	**52,610**	**56,112**
Financial assets measured at FVPL	**—**	**—**	**33,500**	**33,500**
Total	**3,502**	**—**	**86,110**	**89,612**

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements assets				
Available-for-sale financial assets	26,595	—	32,060	58,655

Information about Level 3 fair value measurements

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3. Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 31 December 2018	Fair value as at 31 December 2017	**Valuation techniques**	**Significant unobservable input**
Unlisted equity instruments	**50,110**	32,060	Discounted cash flow	Discount for lack of marketability
Listed equity instruments	**2,500**	—	Discounted cash flow	Risk-adjusted discount rate
Convertible bonds	**33,500**	—	Discounted cash flow	Risk-adjusted discount rate

During the year ended 31 December 2018 and the year ended 31 December 2017, there were no significant change in the valuation techniques.

(Expressed in RMB'000 unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

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

Information about Level 3 fair value measurements (Continued)

As at 31 December 2018, unobservable inputs such as risk-adjusted discount rate was used in the valuation of financial investments at fair value classified as Level 3, which were mainly equity instruments and convertible bonds. The fair value of these financial investments fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value measurement on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis.

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

	2018	
	Financial assets measured at FVOCI	**Financial assets measured at FVPL**
As at 1 January 2018	**32,060**	**—**
Payment for purchases	**11,400**	**33,500**
Proceeds from sales	**(10,860)**	**—**
Total losses In other comprehensive income for the current year	**(3,083)**	**—**
Reclassification	**23,093**	**—**
As at 31 December 2018	**52,610**	**33,500**

	2017 Available-for-sale financial assets
As at 1 January 2017	11,890
Payment for purchases	30,700
Proceeds from sales	(10,530)
Total losses In other comprehensive income for the current year	—
Reclassification	—
As at 31 December 2017	32,060

Available-for-sale financial assets amounting to RMB32,060,000 were reclassified to financial assets measured at FVOCI as at 1 January 2018 upon the adoption of new accounting standard HKFRS9.

31 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair values (Continued)

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

Information about Level 3 fair value measurements (Continued)

During the year ended 31 December 2018, financial assets measured at FVOCI amounting to RMB23,093,000 were reclassified from level 1 to level 3 as these listed securities have been delisted. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2017 and 2018.

32 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Lease commitments

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 1 year (inclusive)	**5,168**	2,920
After 1 year but within 3 years (inclusive)	**7,549**	4,264
Over 3 years	**96**	2,040
Total	**12,813**	9,224

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

(b) Litigations and disputes

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

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

During the year ended 31 December 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 single largest shareholder of the Company.

(b) Key management personnel remuneration

	Note	**2018 RMB'000**	2017 RMB'000
Key management personnel remuneration	*(i)/(ii)*	**9,063**	8,025

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

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

(c) Related parties transactions

	2018 RMB'000	2017 RMB'000
Debt purchased		
— Guangdong Join-Share Holding Co., Ltd.	**42,094**	—
Equity investment purchased		
— Guangdong Join-Share Holding Co., Ltd.	**20,514**	—
Guarantee fee income		
— Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.	**—**	400

On 28 December 2018, the Group entered into a debt purchase contract with Guangdong Join-Share Holding Co., Ltd.. Such that the Group purchased the creditor's right and relevant interests, amounting to RMB41,874,000, of Foshan Zhongsheng Properties Co., Ltd. at a price of RMB42,094,000. The Group is entitled to 12% fixed interest on the principal of RMB26,000,000.

On 15 December 2018, the Group entered into an equity investment contract with Guangdong Join-Share Holding Co., Ltd.. Such that the Group purchased 20% equity shares of Foshan Zhongsheng Properties Co., Ltd. at a price of RMB20,514,000 from Guangdong Join-Share Holding Co., Ltd. Relevant filing was not completed on 31 December 2018.

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayment		
— Shenzhen Hechuang Growth Software Technology Co., Ltd.	**96**	—
Trade and other receivables		
— Guangdong Join-Share Holding Co., Ltd.	**20,514**	—
Loans to related persons		
— Gu Liqing	**—**	1
Other payables		
— Zhang Rong	**—**	550
— Guangdong Join-Share Holding Co., Ltd.	**13,406**	—

(Expressed in RMB'000 unless otherwise indicated)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Assets			
Cash and cash equivalents		698,298	397,612
Pledged bank deposits		245,850	95,723
Trade and other receivables		344,437	391,536
Loans and advances to customers		232,848	268,379
Financial assets measured at FVOCI		33,840	—
Receivable investments		164,557	23,000
Interests in associates	*20*	—	30,634
Investments in subsidiaries	*19(b)*	619,720	410,386
Fixed assets		3,879	—
Investment property		7,805	—
Intangible assets		1,820	1,583
Deferred tax assets		39,805	29,892
Total assets		2,392,859	1,648,745
Liabilities			
Liabilities from guarantees		142,528	139,116
Customer pledged deposits		163,484	35,421
Accruals and other payables		93,172	56,153
Current tax liabilities		15,892	—
Total liabilities		415,076	230,690
NET ASSETS		1,977,783	1,418,055

(Expressed in RMB'000 unless otherwise indicated)

34 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
CAPITAL AND RESERVES			
Share capital		**1,560,793**	1,066,667
Reserves		**416,990**	351,388
Total equity attributable to equity shareholders of the Company		**1,977,783**	1,418,055
TOTAL EQUITY		**1,977,783**	1,418,055

Approved and authorised for issue by the board of directors on 11 April 2019.

Wu Liejin
Executive Director and Chairman

Company Stamp

35 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Note 19 — Consolidation: whether the Group has de facto control over an investee.

(b) Sources of estimation uncertainty

Note 31 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of 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.

35 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Impairment of non-financial assets

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

(c) Depreciation and amortisation

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

(d) Provisions for guarantee losses

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

(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.

(Expressed in RMB'000 unless otherwise indicated)

35 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(f) Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including 3 fair values and reports directly to financial officer (Note 31 (e)).

(g) Judgement on the degree of control of investment

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

36 COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 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 1(c).

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019
Amendments to HKAS 28, Long-term interest in associates and joint ventures	1 January 2019

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, Leases

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

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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.

37 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognize right-of-use assets based on lease liabilities. Therefore, there is no adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As discussed in Note 32(a), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB12.8 million for certain office premise. Upon the initial adoption of HKFRS 16, both of the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB11.8 million, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

38 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in Note 30(b).

(b) On 1 February 2019, the Company injected additional share capital of RMB20,000,000 to Yunfu Guarantee and held 53.85% equity interests. The paid-in capital of Yunfu Guarantee has risen to RMB130,000,000.

(c) On 22 February 2019, the Company, Financial Holdings and Guangdong Yaoda Financial Leasing Company Limited ("Guangdong Yaoda") have reached a conditional agreement, in which the Company will inject share capital of RMB6,125,000 to Guangdong Yaoda and Financial Holdings will inject additional share capital of RMB3,125,000 to Guangdong Yaoda. The existing shareholders of Guangdong Yaoda will also inject additional share capital of RMB3,250,000. Subsequent to these, the Group will hold 21.76% equity interests of Guangdong Yaoda.

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