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 company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1543)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.* (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, along with comparative figures for the six months ended 30 June 2018. This announcement, containing the full content of the 2019 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in relation to information to accompany preliminary announcement of interim results.

The official 2019 interim report will be dispatched to shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.join-share.com), respectively, in due course.

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

Foshan, the PRC, 28 August 2019

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

* *For identification purpose only*

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

STRATEGY COMMITTEE

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Wu Liejin (吳列進)
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LEGAL ADVISOR AS TO HONG KONG LAW

King & Wood Mallesons

AUDITOR

KPMG
Certified Public Accountants

COMPANY'S WEBSITE

www.join-share.com

STOCK CODE

1543

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the first half of 2019, the PRC saw general stability in its economic development despite comparatively complicated market conditions inside and outside the PRC. For the first half year, the gross domestic product (GDP) in the PRC amounted to RMB45,093.3 billion, representing a growth 6.3% against last year. Tremendous government support shored up the economic development of small and medium enterprises ("**SMEs**"), while financial institutions were encouraged to increase efforts to buttress the real economy by lowering its financing costs. Bridging the gaps between financial institutions and SMEs, financing guarantee institutions will play its important role in effectively addressing financing difficulties faced by these SMEs. The Group believes that it is beneficial to the business development of the Company in the macroeconomic conditions where there will be great growth potential in the business institutions providing guarantee in the future under the PRC's evolving market and economic systems, as the demands from SMEs for financing guarantee and lending markets will continue to grow.

By availing itself of market opportunities, the Company has continued to advance its strategic transformation and upgrade, and strengthened its lean management, whereby yielding effective results. For the first half of 2019, the total revenue of the Group increased by approximately 26.59% on a year-on-year basis.

Being an exemplary financing guarantee institution, the Company has received various awards and honors in different occasions. During the first half of 2019, the Company was once again awarded the "Best Corporate Governance Award" by China Financial Market, which is the main host for the "2019 China Financing Award" together with the Listed Companies Council of Hong Kong Chinese Enterprises Association, Hong Kong China Merger & Acquisition Association, Chinese Financial Association of Hong Kong, and other co-sponsors, for the Company's outstanding corporate governance and sustainability performance. In addition, Mr. Zheng Zhengqiang, the company secretary of the Company, was awarded the "Best Secretary Award".

BUSINESS REVIEW

The board (the "**Board**") of directors (the "**Director(s)**") of the Company is pleased to announce that, in the first half of 2019, the Group maintained sound operation and management with stable performance and bright development momentum.

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

Business Highlights

1. Growth in both revenue and profit: In the first half of 2019, the Group achieved revenue of RMB183.97 million and profit for the period of RMB68.52 million, representing an increase of approximately 26.59% and approximately 6.61% respectively as compared to the corresponding period in 2018.

2. Steady expansion of the Group's guarantee business: As at 30 June 2019, the Group's total outstanding guarantee exceeded RMB11,723.29 million, representing an increase of approximately 0.11% as compared to that as at 31 December 2018.

3. Stable cooperation with external institutions: As of 30 June 2019, the Group had established cooperation with approximately 47 banks and other financial institutions, with an aggregate bank credit of more than RMB14.781 billion. Upon the listing of the Company's H shares on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the corporate reputation has been further enhanced, and the Group has received further recognition from external partners, leading to a further increase in leverage ratio. Against the backdrop of a relatively promising economic and financial environment in Guangdong as well as its prudent business operations, the Group has maintained harmonious cooperation with various partners and expects a promising outlook along with steady positive growth.

FINANCIAL REVIEW

Net Guarantee Fee Income

For the six months ended 30 June 2019, the Group's net guarantee fee income increased by approximately RMB10.42 million, or approximately 14.11%, to approximately RMB84.25 million for the six months ended 30 June 2019 from approximately RMB73.83 million for the six months ended 30 June 2018. Such increase was mainly attributable to (i) a substantial increase in financing guarantee fee income as a result of the Group's active response to the PRC's policy to support financing for SMEs, which increased by approximately RMB7.54 million or approximately 15.33% to approximately RMB56.73 million for the six months ended 30 June 2019 as compared to the corresponding period in 2018; and (ii) the emerging demand for various infrastructure construction with the opportunities arising from the development of Guangdong-Hong Kong-Macao Greater Bay Area, leading to an increase in the Group's non-financing guarantee fee income by approximately RMB2.42 million or approximately 9.13% from approximately RMB26.52 million for the six months ended 30 June 2018 to approximately RMB28.94 million for the six months ended 30 June 2019.

Net Interest Income

The Group's net interest income increased by approximately RMB9.41 million, or approximately 26.69%, to approximately RMB44.67 million for the six months ended 30 June 2019 from approximately RMB35.26 million for the six months ended 30 June 2018, primarily due to (i) a decrease of loans and advances to customers by 21.83%; (ii) an increase of bank deposits and deposits interest income by 119.43%; and (iii) an increase of the factoring business interest income by 3,141.03%.

Bank deposits and deposit interest income increased by approximately RMB4.61 million, or approximately 119.43%, to approximately RMB8.47 million for the six months ended 30 June 2019 from approximately RMB3.86 million in the same period of 2018, which was mainly because (i) there was an increase in interest income from additional financing; and (ii) the Group established a fund management center during the reporting period to unifiedly implement the rational management and optimal allocation of idle funds within the Group.

The interest income from the entrusted loan business decreased by approximately RMB7.27 million, or approximately 54.79%, to approximately RMB6.00 million for the six months ended 30 June 2019 from approximately RMB13.27 million for the corresponding period in 2018, which was mainly attributable to the decrease in the business volume due to the bank's increasingly tightened entrusted loan business. For the six months ended 30 June 2019, the average monthly balance of the entrusted loan of the Group decreased by approximately 27.33% as compared to the corresponding period in 2018.

The interest income from the Group's micro-lending business decreased by approximately RMB1.01 million, or approximately 4.10%, to approximately RMB23.65 million for the six months ended 30 June 2019 from approximately RMB24.66 million for the corresponding period in 2018, primarily due to the slightly declined average loan interest rate as compared to the corresponding period in 2018 because of the fierce competition in the industry.

The factoring interest income increased by approximately RMB12.25 million, or approximately 3,141.03%, to approximately RMB12.64 million for the six months ended 30 June 2019 from approximately RMB0.39 million for the corresponding period in 2018, primarily due to the provision of diversified financing services solution including factoring by the Group to customers which were based on its financing guarantee business.

Service Fee from Consulting Services

The Group's service fee from consulting services increased by approximately RMB3.98 million, or approximately 30.17%, to approximately RMB17.17 million for the six months ended 30 June 2019 from approximately RMB13.19 million for the six months ended 30 June 2018, primarily due to the increased demand from customers for consulting services related to financing as a result of the PRC's supporting policy for financing for SMEs.

Other Revenue

The Group's other revenue increased by approximately RMB14.83 million, or approximately 64.34%, to approximately RMB37.88 million for the six months ended 30 June 2019 from approximately RMB23.05 million for the six months ended 30 June 2018, which was primarily because (i) the Group has strongly developed financing guarantee business to help address the predicament of demanding and costing financing for SMEs, resulting in the substantial increase of government grants to approximately RMB13.55 million for the six months ended 30 June 2019 from approximately RMB0.04 million for the corresponding period in 2018; (ii) the investment income of receivable investments increased by approximately RMB4.70 million or approximately 68.61% to approximately RMB11.55 million for the six months ended 30 June 2019 from approximately RMB6.85 million for the six months ended 30 June 2018; and (iii) the Group has proactively expanded its product channel and cooperated with well-known domestic financial trading centers, leading to an increase of the investment income of financial assets at fair value through profit or loss to approximately RMB9.07 million for the six months ended 30 June 2019 from nil for the corresponding period in 2018.

Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect the management's estimate on the level of provisions that is adequate to the Group's guarantee business. The Group made provisions for guarantee losses of approximately RMB17.48 million for the six months ended 30 June 2019 as compared to reversal of provisions for guarantee losses of approximately RMB4.95 million for the six months ended 30 June 2018, primarily due to an increase of the Group's balance of outstanding guarantee from approximately RMB11,699.32 million as of 30 June 2018 to approximately RMB11,723.29 million as of 30 June 2019.

Impairment Losses

Impairment losses mainly include (i) receivables from guarantee customers, which reflect the net amount of the capital portfolio of financing solutions the Group provided to customers not being able to be recovered by the Group; (ii) loans and advances to customers in the Group's entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to the customers not being able to be collected by the Group; (iii) receivables of factoring fees, which mainly reflect the net amount of factoring facility services the Group provided to customers not being able to be recovered by the Group; and (iv) receivable investments, which mainly reflect the net amount of wealth management products and bonds purchased through financing platforms not being able to be recovered by the Group.

The Group's impairment losses increased by approximately RMB2.26 million, or approximately 10.24%, to approximately RMB24.34 million for the first half of 2019 from approximately RMB22.08 million for the six months ended 30 June 2018, primarily due to (i) the increase in the impairment loss of receivables for default payments from guarantee customers from approximately RMB14.60 million for the six months ended 30 June 2018 to approximately RMB29.42 million for the six months ended 30 June 2019; and (ii) the increase in the impairment loss of factoring receivables from approximately RMB1.12 million for the six months ended 30 June 2018 to approximately RMB1.61 million for the six months ended 30 June 2019.

Operating Expenses

The Group's operating expenses increased by approximately RMB13.32 million, or approximately 32.71%, to approximately RMB54.04 million for the six months ended 30 June 2019 from approximately RMB40.72 million for the six months ended 30 June 2018, mainly attributable to (i) the increase in staff costs by approximately RMB10.50 million to approximately RMB30.86 million for the six months ended 30 June 2019 from approximately RMB20.36 million for the six months ended 30 June 2018; (ii) the decrease in office leasing expenses by RMB3.00 million, or 100%, to nil for the six months ended 30 June 2019 from approximately RMB3.00 million for the six months ended 30 June 2018 and (iii) the increase in business travel and hospitality expenses by approximately RMB2.18 million and RMB0.07 million respectively to approximately RMB8.57 million and RMB1.14 million for the six months ended 30 June 2019 from approximately RMB6.39 million and RMB1.07 million for the six months ended 30 June 2018.

Profit before Taxation

As a result of the foregoing, the Group's profit before taxation increased by RMB6.36 million, or approximately 7.33%, to approximately RMB93.16 million for the six months ended 30 June 2019 from approximately RMB86.80 million for the six months ended 30 June 2018.

Income Tax

The Group's income tax increased by approximately RMB2.11 million, or approximately 9.37%, to approximately RMB24.64 million for the six months ended 30 June 2019 from approximately RMB22.53 million for the corresponding period in 2018, primarily due to the increase in its taxable profits.

Profit for the Period

As a result of the foregoing, the Group's profit for the year increased by approximately RMB4.25 million, or approximately 6.61%, to approximately RMB68.52 million for the six months ended 30 June 2019 from approximately RMB64.27 million for the corresponding period in 2018, and its net profit margin slightly decreased to approximately 46.90% for the six months ended 30 June 2019 from approximately 52.56% for the corresponding period in 2018.

Capital Expenditure

The Group's capital expenditures consist primarily of expenditures for the purchase of relevant properties and other equipments. For the six months ended 30 June 2019, its capital expenditures amounted to approximately RMB1.31 million, which was primarily related to the purchase of office supplies due to the Group's business expansion.

Capital Commitments and Contingent Liabilities

As at 30 June 2019, the Group's outstanding commitments relating to the total maximum guarantee granted to its customers in relation to its guarantee business amounted to approximately RMB11,723.29 million.

Charge on Assets

As at 30 June 2019, 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**") pledged RMB8.43 million to secure banking loans (which was settled by 28 July 2019).

INTERIM DIVIDEND

The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2019.

PROSPECTS AND FUTURE DEVELOPMENTS IN THE BUSINESS OF THE GROUP

(I) Development trend of the industry

1. Expanding business scale of financing guarantee funds

Following the establishment on 26 July 2018, the National Financing Guarantee Fund (the "**Fund**") commenced its operation on 26 September. Upon completion of the capital commitments of the Fund, support for an annual increase of 150,000 SMEs and a target loan of RMB140 billion are expected to be achieved. In the next three years, the Fund will cover secured loans in an aggregate amount of approximately RMB500 billion, accounting for one quarter of the national financing guarantee business. In the future, financing guarantee funds will play a much greater role in enabling the financing guarantee industry to accommodate the real economy in a better manner.

2. Increasing financial efforts to support the real economy

Currently, its is a key task in the PRC to deepen the supply-side structural reform in the financial sector is to increase the efforts to support SMEs, "three rural" (三農), inclusive finance and green finance. During 2019, policies were introduced in sequence to advance the real economy. In terms of monetary policies, in 2019, the People's Bank of China continues to free up money by comprehensively utilizing various monetary policies and tools, including the targeted reserve-ratio cut and targeted medium-term lending facilities, while directing financial institutions to strengthen the support for loans required by private businesses and SMEs. In terms of fiscal policies, in 2019, greater reduction in taxes and administrative surcharges takes effect alongside various approaches, including financing and credit enhancement, funding by incentives in lieu of grants, and preferential tax treatment, so that the business momentum can be driven at the microeconomic level. It is expected that financing in the real economy in the PRC will see a growing number of supportive policies in the future.

In light of the continuing economic growth in the PRC and national support for the SMEs, the Board believes that the financing guarantee industry in the PRC will embrace a promising development landscape.

(II) Development strategies of the Company

In the second half of 2019, national macroeconomic conditions are expected to continue to develop in a steady manner. In the wake of opportunities and challenges, the Group intends to implement the following strategies:

1. **Continuous transformation and upgrade**: the Company will continue to advance transformation and upgrade by maintaining it's guarantee plus model in essence, focusing on customer demands and targeting value creation.

2. **Mindset of innovative businesses**: in adapting to the changing market and satisfying diverse financing requirements of customers, the Company will constantly develop innovative business types over the course of persisting in legal compliance. The Company will provide more than financing guarantees. In addition to traditional banking channels, the Company will continue to explore new financing alternatives for the SME customers.

3. **Closer collaboration with the relevant institutions**: besides paying attention to the construction and development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Company will maintain active connectivity to the Fund. On top of stringent risk control, the Company will seek to seize opportunities, whereby focusing on various investing and financing requirements of the SME customers, as well as constantly deepening strategic collaboration with local governments and large financial institutions. Furthermore, the Company will accelerate the expansion of its business footprint to advance the integration of finance with industries and technologies so that the Company will enhance its operating efficiency.

By 2019, the Company has been in business for 16 years, over which, the Company has been forging ahead with a focus on addressing the predicament of demanding and costing financing, which has been troubling SMEs. To date, the Company has provided investing and financing services with an aggregate value of over RMB100 billion to nearly 10,000 SMEs. Looking into the future, we will continue to persist in our initial vision, which is our perseverance in being a synergistically valued investment and financing service provider for SMEs. In the first half of 2019, the Company achieved a milestone in advancing transformation and upgrade. In the second half of 2019, the Company will continue its innovation philosophy and capitalize on the development momentum so that new milestones can be achieved in various business segments.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

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

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

Foreign Exchange Risks

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

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

Liquidity and Capital Resources

As of 30 June 2019, the Group's cash and cash equivalents were approximately RMB915.89 million.

The gearing ratios of the Group as at 30 June 2019 and 31 December 2018 were approximately 27.11% and 22.17%, respectively. Such gearing ratio was calculated by dividing total liabilities by total assets.

Indebtedness

As of 30 June 2019, the Group's interest-bearing borrowings amounted to approximately RMB120.65 million, the currency of the borrowings was Renminbi and all were at floating interest rates.

The Group had lease liabilities of approximately RMB15.28 million as at 30 June 2019.

In addition, the Group had other financial instrument — liability component of approximately RMB59.12 million.

Off-Balance-Sheet Arrangements

The Group enters into guarantee contracts with off-balance-sheet risk in the ordinary course of business. The contract amount reflects the extent of the Group's involvement in the financing guarantee business and also represents its maximum exposure to credit loss. As of 30 June 2019, the outstanding guarantee of the Group totaled approximately RMB11,723.29 million. Save as disclosed above, the Group has no other off-balance-sheet arrangements.

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

(I) Proceeds from the Listing

The actual net proceeds from the listing of the Company on the Main Board of the Stock Exchange on 23 December 2015 (the "**Listing**") (after deducting underwriting fees and commissions and listing related expenses, and excluding the amount remitted to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會) in accordance with the relevant PRC regulations regarding the reduction of state-owned shares) amounted to approximately HK$340.3 million.

Following the Listing, in response to changing business environment and the business development requirement of the Group, the Board resolved to revise and fine tune its proposed use of proceeds from the Listing. Please refer to the announcements of the Company dated 16 May 2016 and 26 September 2016 for further details.

As at 30 June 2019, 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$47.56 million had been utilized to establish Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司) ("**Yunfu Guarantee**") (formally known as Yunfu Yuecai Puhui Financing Guarantee Co., Ltd.* (雲浮市粵財普惠融資擔保股份有限公司)) and to increase the registered capital of Yunfu Guarantee. As at 30 June 2019, the shareholding of the Group in Yunfu Guarantee was approximately 53.85%. 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) ("**Anhui Join-Share**"), following which the Group's shareholding in Anhui Join-Share increased from 51% to approximately 60.55%.	(i) Nil	(i) HK$47.56 million
HK$74.90 million	(ii) Develop SMEs lending business, establish new subsidiaries and increase capital base in order to expand the Group's SME lending business and improve its status in the market.	(ii) Approximately HK$28.79 million and HK$32.39 million had been used to contribute to the registered capital of Foshan Micro Credit and the acquisition of shares in Foshan Micro Credit from its existing shareholders, respectively. Following the acquisition of shares in Foshan Micro Credit, the Group's shareholding in Foshan Micro Credit increased from 30% to approximately 50.44%.	(ii) Approximately HK$13.72 million has not yet been utilized and remains 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) Approximately HK$57.90 million has not yet been utilized and remains 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 Investment Co., Ltd.* (廣東中盈盛達資本管理有限公司).	(iv) Approximately HK$0.15 million has not yet been utilized and remains 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) Nil	Nil
Total:	HK$340.30 million	HK$268.53 million	HK$71.77 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, 22 February 2019 and 6 June 2019, respectively, and the circulars of the Company dated 30 September 2017 (the "**2017 Circular**") and 9 May 2019 (the "**2019 Circular**") in relation to, among other things, (i) the Investor Subscription; (ii) the Management Subscriptions; (iii) the Placing and the intended use of net proceeds. Unless otherwise specified, capitalised terms used in this sub-paragraph shall have the same meanings as those defined in the 2017 Circular and the 2019 Circular.

The Company has allotted and issued and Foshan Financial Investment Holdings Co., Ltd.* (佛山市金融投資控股有限公司) ("**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.

Please refer to the 2017 Circular for details of the reasons and benefits of the issue of the Investor Subscription Shares and the Management Subscription Shares.

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

On 6 June 2019, the EGM, the Domestic Shareholders' Class Meeting and the H Shareholders Class Meeting were held at Rose Room, 2/F, International Meeting Centre, Building G, Sino-European Service Centre, No. 2 South of Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC to approve, among others, (i) the Capital Injection of an aggregate amount of RMB112,572,500 (equivalent to HK$132,835,550) by the Group into Guangdong Yaoda Financial Leasing Company Limited* (廣東耀達融資租賃有限公司) ("**Guangdong Yaoda**"); and (ii) the change in the use of proceeds from the Investor Subscription and the Placing (as explained below). For details of the reasons and benefits of the change in the use of proceeds from the Investor Subscription and the Placing, please refer to the 2019 Circular.

As at 30 June 2019, 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 (as stated in the 2017 Circular, and amended as stated in the 2019 Circular (if applicable))	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)	(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. The remaining proceeds will be used for the Capital Injection.	(i) RMB45.00 million and RMB90.00 million have been used for capital contribution of establishment of Shenzhen Join-Share Commercial Factoring Co., Ltd.* (深圳中盈盛達商業保理有限公司) and capital contribution of establishment of Shenzhen Join-Share Engineering 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 40% will be used for capital injection into Guangdong Yaoda and/or development of other financial-related services business that comply with the relevant regulations and policies.	(ii) RMB74.54 million has been used for capital contribution into Guangdong Yaoda.

As at 30 June 2019, the net proceeds from the Management Subscription have been utilized for the intended use.

Upon the Investor Subscription Completion and the Management Subscription Completion, the conditions precedent to the 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 was HK$1.36 per H Share and HK$1.37 per H Share, respectively. Please refer to the 2017 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 are approximately HK$262.4 million.

As at 30 June 2019, actual use of proceeds from Placing are as follows:

Fund raising activity	Net proceeds raised (approximately)	Intended use of the proceeds (as stated in the 2017 Circular, and amended as stated in the 2019 Circular (if applicable))	Actual use of the proceeds
Placing of 186,666,000 H Shares under Specific Mandate	HK$262.4 million	(i) Approximately 55% will be used for funding potential investment (through capital contribution or acquisition of existing equity interest) in company(ies) principally engaged in financing guarantee business.	(i) The 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 net proceeds have not yet been utilized and remain available for the intended use.
		(iii) 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.	(iii) As to HK$15.744 million has been used for the renovation of existing office premises of the Group and the setting up of new offices by the Group in Foshan to enhance its business network in the city and as to HK$10.496 million has been used for purchasing office equipment including computers and for upgrading the computer software.

The above mentioned uses are consistent with the intended use of proceeds as disclosed in the 2017 Circular and the 2019 Circular. The Group will constantly evaluate its business plan and may change or modify plan against the changing market condition to attain sustainable business growth of the Group.

Significant Investments

As at 30 June 2019, the Group did not hold any significant investment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 31 January 2019, the Company resolved to increase the Company's capital contribution in Yunfu Guarantee, a subsidiary of the Group, by RMB20 million from RMB50 million to RMB70 million, using part of the remaining net proceeds from the Listing. After such capital contribution, the registered capital of Yunfu Guarantee was increased from RMB110 million to RMB130 million, and the Company's shareholdings in Yunfu Guarantee were increased from approximately 45.45% to approximately 53.85%.

For details, please refer to the announcement of the Company dated 31 January 2019.

On 4 June 2019, the Group increased the registered capital of Join-Share Financial Holdings Co., Ltd., a subsidiary of the Group, from HK$1 million to HK$45 million.

On 10 June 2019, the Group made a capital injection to Guangdong Yaoda, which was accounted as an associate during the reporting period. For more details, please refer to the announcement of the Company dated 22 February 2019.

Future Plans for Material Investments or Capital Assets

Save as the future plans or development of the Group's business as disclosed in the sections headed "Prospects and Future Developments in the Business of the Group" and "Events After the Reporting Period" in this interim report, there was no specific plan for material investments or capital assets as at 30 June 2019.

HUMAN RESOURCES

The total number of staff within the Group as at 30 June 2019 was 301. As at 30 June 2019, the number of staff holding a bachelor's degree or above was 245, accounting for 81% of our total number of staff; and the number of staff holding a junior college degree or below was 56, accounting for 19% of our total number of staff. The Directors believe that employees' quality is the most important factor in maintaining the sustained development and growth of the Group and in raising its profitability. We offer a base salary with bonuses based on our employees' performance and benefits and allowances to all our employees as an incentive. For the six months ended 30 June 2019, we paid approximately RMB30.86 million to our employees as remuneration. We also offer trainings to our new employees once a year. We believe both the performance-based salary and staff training play an important role in recruiting and retaining talent as well as enhancing employee loyalty.

The Group is required to participate in pension schemes organized by the respective local governments of the PRC whereby the Group is required to pay annual contributions for the PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has complied with the relevant requirements during the six months ended 30 June 2019.

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

As at 30 June 2019, the interests or short positions of Directors, chief executive or supervisors of the Company (the "**Supervisors**") in the shares (the "**Shares**"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required, (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (b) to be recorded in the register required to be kept under Section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Interest in Shares of the Company

Name of Shareholder	Position	Nature of Interest	Number and class of Shares(1)	Approximate percentage of shareholding in the relevant class of Shares(2)	Approximate percentage of shareholding in the total share capital of the Company(3)
Mr. 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 30 June 2019, the number of issued domestic shares of the Company (the "**Domestic Shares**") and the H shares of the Company (the "**H Shares**") were 1,006,429,353 and 554,363,334, respectively.

(3) As at 30 June 2019, there were 1,560,792,687 Shares in the issued share capital of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors, or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or (b) to be recorded in the register required to be kept under Section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests in Associated Corporations

None of the Directors, Supervisors, or the chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of associated corporations (within the meaning of Part XV of SFO) of the Company.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this report, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

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

As at 30 June 2019, the persons (not being the Directors, Supervisors or the chief executive of the Company) or corporations having interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of Shareholder	Nature of Interest	Number and class of Shares[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
Lo Kai Bong[4]	Beneficial owner	30,368,000 H Shares (L)	5.48%	1.95%
	Interest of controlled corporation	39,596,000 H Shares (L)	7.14%	2.54%
Foshan Financial	Interest of controlled corporation[6]	164,164,000 H Shares (L)	29.61%	10.52%
	Beneficial owner	239,854,838 Domestic Shares (L)	23.83%	15.37%
	Interest of controlled corporation[5]	33,002,680 Domestic Shares (L)	3.28%	2.11%
Fojin HK[6]	Beneficial owner	164,164,000 H Shares (L)	29.61%	10.52%
Hong Kong Wellknown Development Limited ("**Hong Kong Wellknown**")[7]	Beneficial owner	61,800,000 H Shares (L)	11.15%	3.96%
Dragon Pearl Hong Kong Investment Development Limited ("**Dragon Pearl**")[8]	Beneficial owner	69,154,000 H Shares (L)	12.47%	4.43%
Wu Zhi Jian ("**Mr. Wu**")[9]	Interest of controlled corporation	93,626,000 H Shares (L)	16.89%	6.00%
Li Shen Hua	Beneficial owner	35,000,000 H Shares (L)	6.31%	2.24%

Name of Shareholder	Nature of Interest	Number and class of Shares[1]	Approximate percentage of shareholding in the relevant class of Shares[2]	Approximate percentage of shareholding in the total share capital of the Company[3]
True Faith International Enterprise Limited ("**True Faith International**")[10]	Beneficial owner	30,414,000 H Shares (L)	5.49%	1.95%
True Faith Holdings (Hong Kong) Limited ("**True Faith HK**")[10]	Interest of controlled corporation	30,414,000 H Shares (L)	5.49%	1.95%
Real Faith Enterprise (Hong Kong) Company Limited ("**Real Faith**")[10]	Interest of controlled corporation	30,414,000 H Shares (L)	5.49%	1.95%
Guangdong Zhaoxin Group Holdings Co. Ltd.* (廣東昭信集團股份有限公司) ("**Guangdong Zhaoxin**")[10]	Interest of controlled corporation	30,414,000 H Shares (L)	5.49%	1.95%

Notes:

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

(2) As at 30 June 2019, the number of issued Domestic shares and the H Shares were 1,006,429,353 shares and 554,363,334 shares, respectively.

(3) As at 30 June 2019, there were 1,560,792,687 Shares in the issued share capital of the Company.

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

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

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

(7) Based on the disclosure of interests form submitted by Hong Kong Wellknown on 24 June 2019, Hong Kong Wellknown is wholly-owned by Dragon Pearl, which is in turn wholly-owned by Mr. Wu.

(8) Based on the disclosure of interests form submitted by Dragon Pearl on 24 June 2019, Dragon Pearl is wholly-owned by Mr. Wu.

(9) Based on the disclosure of interests form submitted by Mr. Wu on 24 June 2019, Mr. Wu is interested in 93,626,000 H Shares in aggregate through corporation(s) controlled by him.

(10) Based on the disclosure of interests form submitted by Guangdong Zhaoxin on 31 May 2019, True Faith International is wholly-owned by True Faith HK, which is in turn wholly-owned by Real Faith, which is in turn wholly-owned by Guangdong Zhaoxin. Therefore, True Faith HK, Real Faith and Guangdong Zhaoxin are all deemed to be interested in the 30,414,000 H Shares held by True Faith International.

Save as disclosed above, as at 30 June 2019, the Company is not aware of any other persons (not being the Directors, Supervisors or the chief executive of the Company) or corporations having interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2019, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND REVIEW OF INTERIM REPORT

The audit committee of the Board (the "**Audit Committee**") comprised three independent non-executive Directors and two non-executive Directors, namely, Mr. Wu Xiangneng, Mr. Leung Hon Man, Mr. Liu Heng, Mr. Huang Guoshen and Mr. Luo Zhenqing. Mr. Wu Xiangneng is the chairman of the Audit Committee. The unaudited consolidated interim financial statements for the six months ended 30 June 2019 and its interim report have been reviewed by the Audit Committee. The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

CORPORATE GOVERNANCE

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

The Board comprises one executive Director, five non-executive Directors and three independent non-executive Directors. The Board has adopted the code provisions (the "**CG Code**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. For the six months ended 30 June 2019, the Company has complied with 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.

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.

The Board will continue to review and improve the Company's corporate governance system to ensure its compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of practice for carrying out securities transactions by the Directors and Supervisors. After specific enquiry with all the Directors and Supervisors, they have confirmed full compliance with the relevant standards stipulated in the Model Code during the six months ended 30 June 2019.

CHANGES OF INFORMATION OF DIRECTORS AND SUPERVISORS

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

INTEREST OF DIRECTORS IN A COMPETING BUSINESS

None of the Directors, the controlling Shareholders of the Company and their respective close associates had an interest in a business which competes or may compete with the business of the Group during the six months ended 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

On 2 August 2019 and 13 August 2019, the Company entered into various guarantee service agreements with Pacific Construction Group Co., Ltd.* (太平洋建設集團有限公司) for a series of provision of guarantee which, in aggregate, constitute disclosable transactions of the Company. The Company also entered into a maximum guarantee limit service agreement with Guangzhou Resources Environmental Protection Technology Co., Ltd.* (廣州資源環保科技股份有限公司) on 21 August 2019 in relation to the provision of a maximum guarantee limit of RMB300,000,000 which constitutes a disclosable transaction of the Company.

On 8 August 2019, the Company entered into a guarantee service agreement with Foshan Lianyi Construction Materials Co., Ltd.* (佛山市聯益建築材料有限公司), a connected person of the Company, in relation to the provision of guarantee in respect of a bank loan which constitutes a connected transaction of the Company.

For details of the above transactions, please refer to the announcements of the Company dated 2 August 2019, 8 August 2019, 13 August 2019 and 21 August 2019, respectively.

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

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

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2019** **RMB'000**	2018 RMB'000
Guarantee fee income		**85,672**	75,717
Guarantee cost		**(1,423)**	(1,887)
Net guarantee fee income		**84,249**	73,830
Interest income		**50,764**	42,177
Interest expenses		**(6,093)**	(6,922)
Net interest income		**44,671**	35,255
Service fee from consulting services		**17,172**	13,192
Revenue	*3*	**146,092**	122,277
Other revenue	*4*	**37,876**	23,050
Share of gains/(losses) of associates		**5,052**	(685)
Provisions (charged)/written back for guarantee losses		**(17,475)**	4,952
Impairment losses	*5(a)*	**(24,343)**	(22,083)
Operating expenses	*5(b)/(c)*	**(54,042)**	(40,715)
Profit before taxation		**93,160**	86,796
Income tax	*6*	**(24,644)**	(22,527)
Profit for the period		**68,516**	64,269

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

The notes on pages 30 to 80 form part of this interim financial report.

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	Note	**2019** **RMB'000**	2018 RMB'000
Attributable to:			
Equity shareholders of the Company		**62,139**	54,939
Non-controlling interests		**6,377**	9,330
Profit for the period		**68,516**	64,269
Earnings per share			
Basic and diluted (RMB per share)	*7*	**0.04**	0.04

The notes on pages 30 to 80 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 25(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	**68,516**	64,269
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income — net movement in fair value reserve (non-recycling)	—	(290)
Income tax arises from financial assets measured at FVOCI	—	72
Other comprehensive income for the period	—	(218)
Total comprehensive income for the period	**68,516**	64,051
Attributable to:		
Equity shareholders of the Company	**62,139**	54,721
Non-controlling interests	**6,377**	9,330
Total comprehensive income for the period	**68,516**	64,051

The notes on pages 30 to 80 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Assets			
Cash and bank deposits	*8*	**915,894**	1,125,712
Pledged bank deposits	*9*	**351,622**	372,277
Trade and other receivables	*10*	**541,260**	486,848
Loans and advances to customers	*11*	**536,953**	576,599
Factoring receivables	*12*	**192,776**	86,134
Financial assets measured at FVOCI	*13*	**56,112**	56,112
Financial assets measured at FVPL	*14*	**103,671**	33,840
Receivable investments	*15*	**241,001**	198,317
Interest in associates	*17*	**168,055**	22,863
Fixed assets	*18(a)*	**25,032**	11,234
Investment property	*18(b)*	**8,419**	8,636
Intangible assets	*19*	**2,875**	2,999
Goodwill		**419**	419
Deferred tax assets	*24(b)*	**59,175**	52,393
Total assets		**3,203,264**	3,034,383
Liabilities			
Interest-bearing borrowings	*20*	**120,647**	112,404
Liabilities from guarantees	*21*	**204,461**	180,728
Customer pledged deposits	*22(a)*	**201,826**	170,100
Accruals and other payables	*22(b)*	**250,864**	131,276
Current tax liabilities	*24(a)*	**16,351**	15,778
Other financial instrument-liability component	*23*	**59,116**	62,483
Lease liabilities	*2(d)*	**15,282**	—
Total liabilities		**868,547**	672,769
NET ASSETS		**2,334,717**	2,361,614

The notes on pages 30 to 80 form part of this interim financial report.

At 30 June 2019 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
CAPITAL AND RESERVES	*25*		
Share capital		**1,560,793**	1,560,793
Reserves		**439,543**	461,687
Total equity attributable to equity shareholders of the Company		**2,000,336**	2,022,480
Non-controlling interests		**334,381**	339,134
TOTAL EQUITY		**2,334,717**	2,361,614

Approved and authorised for issue by the board of directors on 28 August 2019.

Wu Liejin
Executive Director and Chairman

Company Stamp

The notes on pages 30 to 80 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 *Note 25(b)*	Share premium RMB'000 *Note 25(c)(i)*	Capital reserve RMB'000 *Note 25(c)(ii)*	Fair value reserve RMB'000 *Note 25(c)(iii)*	Surplus reserve RMB'000 *Note 25(c)(iv)*	General reserve RMB'000 *Note 25(c)(v)*	Other financial instrument-equity component RMB'000 *Note 25(c)(vi)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	1,066,667	43,107	(1,068)	(941)	88,259	96,008	2,370	130,590	1,424,992	268,954	1,693,946
Changes in equity for the six months ended 30 June 2018:											
Profit for the period	—	—	—	—	—	—	—	54,939	54,939	9,330	64,269
Other comprehensive income	—	—	—	(218)	—	—	—	—	(218)	—	(218)
Total comprehensive income	—	—	—	(218)	—	—	—	54,939	54,721	9,330	64,051
Issue of ordinary shares	494,126	90,666	—	—	—	—	—	—	584,792	—	584,792
Addition through acquisition of subsidiaries	—	—	—	—	—	—	—	1,240	1,240	70,035	71,275
Appropriation to general reserve	—	—	—	—	—	(204)	—	204	—	—	—
Dividends approved in respect of the previous year	—	—	—	—	—	—	—	(110,143)	(110,143)	(15,930)	(126,073)
Balance at 30 June 2018	1,560,793	133,773	(1,068)	(1,159)	88,259	95,804	2,370	76,830	1,955,602	332,389	2,287,991
Balance at 30 June 2018 and 1 July 2018	1,560,793	133,773	(1,068)	(1,159)	88,259	95,804	2,370	76,830	1,955,602	332,389	2,287,991
Changes in equity for the six months ended 31 December 2018:											
Profit for the period	—	—	—	—	—	—	—	70,153	70,153	9,915	80,068
Other comprehensive income	—	—	—	(2,094)	—	—	—	—	(2,094)	—	(2,094)
Total comprehensive income	—	—	—	(2,094)	—	—	—	70,153	68,059	9,915	77,974
Addition through acquisition of subsidiaries	—	—	—	—	—	—	—	(853)	(853)	(8,808)	(9,661)
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	—	—	—	—	—	12,729	—	(12,729)	—	—	—
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 30 to 80 form part of this interim financial report.

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 *Note 25(b)*	Share premium RMB'000 *Note 25(c)(i)*	Capital reserve RMB'000 *Note 25(c)(ii)*	Fair value reserve RMB'000 *Note 25(c)(iii)*	Surplus reserve RMB'000 *Note 25(c)(iv)*	General reserve RMB'000 *Note 25(c)(v)*	Other financial instrument-equity component RMB'000 *Note 25(c)(vi)*	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	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
Changes in equity for the six months ended 30 June 2019:											
Profit for the period	—	—	—	—	—	—	—	62,139	62,139	6,377	68,516
Total comprehensive income	—	—	—	—	—	—	—	62,139	62,139	6,377	68,516
Appropriation to general reserve	—	—	—	—	—	(82)	—	82	—	—	—
Dividends approved in respect of the previous year	—	—	—	—	—	—	—	(84,283)	(84,283)	(11,130)	(95,413)
Balance at 30 June 2019	1,560,793	133,773	(1,396)	(3,253)	99,293	108,451	2,370	100,305	2,000,336	334,381	2,334,717

The notes on pages 30 to 80 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
Operating activities			
Cash used in operations		**(38,512)**	(290,924)
PRC income tax paid	*24(a)*	**(30,853)**	(31,174)
Net cash used in operating activities		**(69,365)**	(322,098)
Investing activities			
Proceeds from term deposits with banks		**243,589**	—
Investment income		**21,698**	8,417
Proceeds from disposal of financial assets		**14,780**	4,360
Payments on acquisition of associates		**(103,499)**	—
Payments on purchase of financial assets		**(123,500)**	(187,174)
Other cash flows arising from investing activities		**(1,204)**	(2,610)
Net cash generated from/(used in) investing activities		**51,864**	(177,007)
Financing activities			
Capital element of lease rentals paid		**(2,962)**	—
Interest element of lease rentals paid		**(388)**	—
Proceeds from capital contribution by equity shareholders		**—**	584,792
Net proceeds from acquiring subsidiaries		**—**	70,375
Proceeds from new borrowings		**30,750**	59,500
Repayment of Interest-bearing borrowings		**(22,900)**	(104,250)
Dividends paid		**(2,400)**	(7,549)
Other cash flows arising from financing activities		**(9,459)**	(9,051)
Net cash (used in)/generated from financing activities		**(7,359)**	593,817
Net (decrease)/increase in cash and cash equivalents		**(24,860)**	94,712
Cash and cash equivalents at 1 January	*8*	**592,477**	406,746
Effect of foreign exchange rate changes	*4*	**523**	15,104
Cash and cash equivalents at 30 June	*8*	**568,140**	516,562

The notes on pages 30 to 80 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB'000 unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK (IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases —incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalized leases are primarily in relation to property and equipment as disclosed in note 27(a).

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(a) Changes in the accounting policies (Continued)

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("**leasehold investment properties**"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at their costs.

(iv) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Classification of interest in leasehold land and buildings held for own use

In accordance with HKAS 16, *Property, plant and equipment*, the Group chooses to apply either the cost model or the revaluation model as its accounting policy for items of property, plant and equipment held for own use on a class-by-class basis. In applying this policy, the Group has concluded that its registered ownership interests in leasehold properties and the right to use other properties leased under tenancy agreements are two separate groupings of assets which differ significantly in their nature and use. Accordingly, they are regarded by the Group as separate classes of asset for subsequent measurement policies in accordance with the above accounting policies. Specifically, registered ownership interests are carried under the revaluation model, while rights to use properties under tenancy agreements are carried at depreciated cost.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies (Continued)

(i) Classification of interest in leasehold land and buildings held for own use (Continued)

In making this judgement, the Group has taken into account that, as the registered owner of a leasehold property, the Group is able to benefit fully from any changes in the valuation of these properties whether as holding gains or by selling the property interest to others, as well as being able to use the properties in its operation free of paying market rents. In contrast, the shorter term tenancy agreements are typically for periods of no more than 10 years and are subject to other restrictions, in particular on transferability of the Group's tenancy rights to others. These shorter term tenancy agreements are executed in order to retain operational flexibility and to reduce the Group's exposure to the property market fluctuation. They may contain termination or extension clauses, and/or variable rental payment clauses linked to the level of sales generated by the Group's use of the premises, and are typically subject to market rent reviews.

(ii) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was the interest rate of interest-bearing borrowings from banks of the Company.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(c) Transitional impact (Continued)

When measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment.

The following table reconciles the operating lease commitments as disclosed in note 27(a) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	12,813
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	6,399
	19,212
Less: total future interest expenses	(2,239)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	16,973
Add: finance lease liabilities recognised as at 31 December 2018	—
Total lease liabilities recognised at 1 January 2019	16,973

The right-of-use assets in relation to leases previously classified as operating lease have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(c) Transitional impact (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'fixed assets' and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	**Capitalisation of operating lease contracts** RMB'000	**Carrying amount at 1 January 2019** RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Fixed assets	11,234	16,973	28,207
Total assets	3,034,383	16,973	3,051,356
Lease liabilities	—	16,973	16,973
Total liabilities	672,769	16,973	689,742
Net assets	2,361,614	—	2,361,614

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 RMB'000	At 1 January 2019 RMB'000
Included in "fixed assets":		
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	**15,046**	16,687
Plant, machinery and equipment, carried at depreciated cost	**251**	286
	15,297	16,973

2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 16, Leases (Continued)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	5,545	6,406	5,523	6,217
After 1 year but within 2 years	5,934	6,005	5,209	5,644
After 2 years but within 5 years	3,803	3,998	6,241	6,558
After 5 years	—	—	—	—
	9,737	10,003	11,450	12,202
	15,282	16,409	16,973	18,419
Less: total future interest expenses		(1,127)		(1,446)
Present value of lease liabilities		15,282		16,973

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

3 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 recognized in revenue is as follows:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Guarantee fee income		
Financing guarantee fee income	**56,728**	49,191
Performance guarantee fee income	**28,944**	26,518
Litigation guarantee fee income	**—**	8
Subtotal	**85,672**	75,717
Guarantee cost		
Re-guarantee expenses	**(583)**	(1,887)
Risk management service expense	**(840)**	—
Subtotal	**(1,423)**	(1,887)
Net guarantee fee income	**84,249**	73,830
Interest income		
— Loans and advances to customers	**29,654**	37,923
— Cash at banks and pledged bank deposits	**8,467**	3,864
— Factoring service	**12,643**	390
Subtotal	**50,764**	42,177
Interest expenses		
— Interest-bearing borrowings	**(4,153)**	(2,454)
— Interest expenses from other financial instruments liability component	**(1,940)**	(2,314)
— Interest expenses from financial institution bonds	**—**	(2,154)
Subtotal	**(6,093)**	(6,922)
Net interest income	**44,671**	35,255
Service fee from consulting services	**17,172**	13,192
Revenue	**146,092**	122,277

3 REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

The Group's customer base is diversified and has no customer with whom transactions have exceeded 10% of the Group's net guarantee fee, net interest income and service fee from consulting services during the six months ended 30 June 2019 and 2018. Details of concentrations of credit risk are set out in note 26(a).

(b) Segment reporting

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

Guarantee business

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

SME lending

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

Others

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

(i) Segment results, assets and liabilities

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

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

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

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Others (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 six months ended 30 June 2019 and 2018 are set out below:

	Six months ended 30 June 2019 (unaudited)		
	Guarantee business RMB'000	SME lending and others RMB'000	Total RMB'000
Guarantee fee income	85,672	—	85,672
Guarantee cost	(1,423)	—	(1,423)
Interest income	7,650	43,114	50,764
Interest expenses	(1,794)	(4,299)	(6,093)
Service fee from consulting services	14,559	2,613	17,172
Reportable segment revenue	104,664	41,428	146,092
Other revenue	33,143	4,733	37,876
Share of gains of associates	5,052	—	5,052
Provisions charge for guarantees issued	(17,475)	—	(17,475)
Impairment losses	(27,737)	3,394	(24,343)
Operating expenses	(38,615)	(15,427)	(54,042)
Reportable segment profit before taxation	59,032	34,128	93,160
Segment assets	2,362,343	1,053,539	3,415,882
Segment liabilities	805,467	334,873	1,140,340

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Others (Continued)

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

	Six months ended 30 June 2018 (unaudited)		
	Guarantee business RMB'000	SME lending and others RMB'000	Total RMB'000
Guarantee fee income	75,717	—	75,717
Guarantee cost	(1,887)	—	(1,887)
Interest income	3,696	38,481	42,177
Interest expenses	(2,145)	(4,777)	(6,922)
Service fee from consulting services	12,134	1,058	13,192
Reportable segment revenue	87,515	34,762	122,277
Other revenue	22,965	85	23,050
Share of losses of associates	(685)	—	(685)
Provisions written back for guarantees issued	4,952	—	4,952
Impairment losses	(21,629)	(454)	(22,083)
Operating expenses	(29,197)	(11,518)	(40,715)
Reportable segment profit before taxation	63,921	22,875	86,796
Segment assets	2,036,341	818,019	2,854,360
Segment liabilities	513,022	118,778	631,800

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Others (Continued)

(ii) Reconciliation of reportable segment assets

	Note	At 30 June 2019 RMB'000 (unaudited)	At 30 June 2018 RMB'000 (unaudited)
Assets			
Reportable segment assets		**3,415,882**	2,854,360
Deferred tax assets	*24(b)*	**59,175**	65,431
Elimination of inter-segment receivables		**(271,793)**	(30,357)
Consolidated total assets		**3,203,264**	2,889,434
Liabilities			
Reportable segment liabilities		**1,140,340**	631,800
Elimination of inter-segment receivables		**(271,793)**	(30,357)
Consolidated total liabilities		**868,547**	601,443

4 OTHER REVENUE

	Six months ended 30 June 2019 RMB'000 (unaudited)	Six months ended 30 June 2018 RMB'000 (unaudited)
Government grant	**13,548**	39
Investment income of receivable investments	**11,549**	6,850
Investment income from financial assets measured at FVPL	**9,071**	—
Foreign exchange gains	**523**	15,104
Others	**3,185**	1,057
	37,876	23,050

5 PROFIT BEFORE TAXATION

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

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

		Six months ended 30 June	
	Note	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited)
Receivables for default guarantee payments	*10(b)(i)*	**29,424**	14,598
Receivables from guarantee customers	*10(b)(ii)*	**(1,688)**	7,032
Loans and advances to customers	*11(f)*	**(5,558)**	(3,091)
Factoring receivables	*12(b)*	**1,608**	1,115
Receivable investments		**557**	2,494
Others		**—**	(65)
		24,343	22,083

(b) Staff costs

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Salaries, wages, bonuses and other benefits	**28,253**	18,146
Contributions to retirement schemes	**2,602**	2,210
	30,855	20,356

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

5 PROFIT BEFORE TAXATION (Continued)

(c) Other items

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating lease charges: minimum lease payments	**—**	2,999
Depreciation and amortization	**6,058**	2,687
Auditors' remuneration	**630**	630

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

		Six months ended 30 June	
		2019	2018
	Note	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Current tax			
Provision for PRC income tax for the period	*24(a)*	**31,426**	26,665
Deferred tax			
Origination and reversal of temporary differences	*24(b)*	**(6,782)**	(4,138)
Income tax expense		**24,644**	22,527

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

		Six months ended 30 June	
	Note	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited)
Profit before taxation		**93,160**	86,796
Notional tax on profit before taxation, calculated at 25%	*(i)/(ii)*	**23,290**	21,699
Effect of non-deductible expenses		**1,354**	828
Actual income tax expense		**24,644**	22,527

(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%.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB62,139,000 (six months ended 30 June 2018: RMB54,939,000) and the weighted average of 1,560,793,000 ordinary shares (30 June 2018: 1,264,317,000 shares) in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018, therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND BANK DEPOSITS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Cash in hand	**26**	30
Cash at banks	**568,114**	592,447
Cash and cash equivalents in the condensed consolidated cash flow statement	**568,140**	592,477
Term deposits with banks	**337,069**	532,868
Restricted bank deposits	**8,430**	—
	913,639	1,125,345
Accrued interest	**2,255**	367
	915,894	1,125,712

The Group's operation of guarantees and loans to customers services in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Restricted bank deposits represent secured deposit for bank borrowings (note 20). For the purpose of the condensed consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

9 PLEDGED BANK DEPOSITS

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

10 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Receivables for default guarantee payments	*10(a)(i)*	**221,167**	206,796
Less: Allowance for doubtful debts	*10(b)(i)*	**(67,461)**	(56,715)
		153,706	150,081
Receivables from guarantee customers	*10(a)(ii)*	**238,926**	248,351
Less: Allowance for doubtful debts	*10(b)(ii)*	**(45,483)**	(47,171)
		193,443	201,180
Interest receivables		**9,825**	13,361
Less: Allowance for interest receivables		**(384)**	(384)
		9,441	12,977
Receivables from associates		**54,000**	—
Receivables from debt purchased		**43,654**	42,094
Receivables from a related party		**25,839**	—
Receivables from disposal of default guarantee payments and receivables from guarantee customers		**9,891**	23,791
Prepayment for equity investment purchased		**—**	20,514
Other receivables		**41,992**	21,174
		184,817	120,550
Deposits and prepayments		**4,142**	9,885
Repossessed assets		**5,152**	5,152
		9,294	15,037
		541,260	486,848

10 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis:

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

(i) Receivables for default guarantee payments

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	**49,706**	18,478
Over 1 year but less than 2 years	**24,750**	24,830
Over 2 years but less than 3 years	**22,998**	45,226
Over 3 years but less than 5 years	**93,458**	90,202
Over 5 years	**30,255**	28,060
Subtotal	**221,167**	206,796
Less: Allowance for doubtful debts	**(67,461)**	(56,715)
	153,706	150,081

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 26(a).

10 TRADE AND OTHER RECEIVABLES (Continued)

(a) Ageing analysis: (Continued)

(ii) Receivables from guarantee customers

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	**53,980**	84,459
Over 1 year but less than 2 years	**70,889**	78,090
Over 2 year but less than 3 years	**51,977**	57,698
Over 3 years but less than 5 years	**52,380**	28,104
Over 5 years	**9,700**	—
Subtotal	**238,926**	248,351
Less: allowance for doubtful debts	**(45,483)**	(47,171)
	193,443	201,180

Receivables from guarantee customers are due from the date of payment. Further details on the Group's credit policy are set out in note 26(a).

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

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

(i) Receivables for default guarantee payments

	Note	**At 30 June 2019 RMB'000 (unaudited)**	At 31 December 2018 RMB'000 (audited)
As at 1 January		**56,715**	43,332
Impairment losses recognised in the consolidated statement of profit or loss	*5(a)*	**29,424**	13,004
Amounts written off		**(19,558)**	(10,355)
Amounts recovered		**880**	10,734
As at 30 June/31 December		**67,461**	56,715

10 TRADE AND OTHER RECEIVABLES (Continued)

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

(ii) Receivables from guarantee customers

	30 June 2019 (unaudited)			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	—	22,536	24,635	47,171
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	(14,452)	14,452	—
Net re-measurement of loss allowance	—	(2,846)	(2,100)	(4,946)
New receivables from guarantee customers originated	—	2,233	1,025	3,258
As at 30 June	—	7,471	38,012	45,483

	31 December 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

11 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Entrusted loans	236,268	275,770
Micro-lending	337,936	350,080
Gross loans and advances to customers	574,204	625,850
Accrued interest	5,401	3,459
Total allowances for impairment losses	(42,652)	(52,710)
Net loans and advances to customers	536,953	576,599

(b) Analysed by industry sector

	At 30 June 2019 (unaudited)		At 31 December 2018 (audited)	
	RMB'000	%	RMB'000	%
Service sector	278,691	48%	257,461	41%
Wholesale and retail	207,275	36%	283,714	45%
Manufacturing	85,238	15%	81,675	13%
Others	3,000	1%	3,000	1%
Gross loans and advances to customers	574,204	100%	625,850	100%

11 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Secured loans	228,425	253,946
Unsecured loans	39,520	32,380
Others	306,259	339,524
Gross loans and advances to customers	574,204	625,850

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

— Unsecured Loans: Unsecured loans refer to loans 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 real estate properties that cannot be registered, land use rights, and account receivables that have been registered, vehicles, machineries, inventories and equity interests.

(d) Overdue loans analysed by overdue period

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Overdue within 3 months (inclusive)	500	3,140
Overdue more than 3 months to 6 months (inclusive)	1,296	—
Overdue more than 6 months to one year (inclusive)	3,140	2,100
Overdue more than one year	146,413	150,265
	151,349	155,505

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

11 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	30 June 2019 (unaudited)			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Entrusted loans	93,000	—	143,268	236,268
Micro-lending	328,575	1,280	8,081	337,936
Gross loans and advances to customers	421,575	1,280	151,349	574,204
Less: Allowances for impairment losses	(17,744)	(67)	(24,841)	(42,652)
Net loans and advances to customers (excluding accrued interest)	403,831	1,213	126,508	531,552

	31 December 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

11 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of allowances for impairment losses

	30 June 2019 (unaudited)			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2019	19,421	6,605	26,684	52,710
Transfer to 12-month ECL	—	—	—	—
Transfer to lifetime ECL not credit-impaired	(48)	48	—	—
Transfer to lifetime ECL credit-impaired	(56)	(121)	177	—
Net re-measurement of loss allowance	(10,164)	(6,508)	2,332	(14,340)
New loans and advances originated	8,591	43	148	8,782
Recoveries	—	—	—	—
Write-offs	—	—	(4,500)	(4,500)
As at 30 June	17,744	67	24,841	42,652

	31 December 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

12 FACTORING RECEIVABLES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Factoring receivables	196,250	88,000
Less: allowances for factoring receivables	(3,474)	(1,866)
	192,776	86,134

(a) Ageing analysis

As at 30 June 2019, the ageing analysis of receivables for factoring business, based on the invoices date and net of allowance for doubtful debts, is as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Within 1 year	196,250	88,000
Less: allowances for factoring receivables	(3,474)	(1,866)
	192,776	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 period/year is as follows:

	Note	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
At 1 January		1,866	—
Transfer to 12-month ECL	*5(a)*	1,608	1,866
At 30 June/31 December		3,474	1,866

13 FINANCIAL ASSETS MEASURED AT FVOCI

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Unlisted equity investments	50,110	50,110
Listed securities	6,002	6,002
	56,112	56,112

14 FINANCIAL ASSETS MEASURED AT FVPL

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Convertible bonds	103,000	33,500
Accrued interest	671	340
	103,671	33,840

15 RECEIVABLE INVESTMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Trust products	162,000	109,000
Wealth management products	78,600	91,359
Subtotal	240,600	200,359
Accrued interest	3,268	268
Less: Allowances for impairment losses	(2,867)	(2,310)
	241,001	198,317

(Expressed in RMB'000 unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

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

			Proportion of ownership interest As at 30 June 2019					
Names of companies	**Place of incorporation and business**	**Date and place of incorporation/ establishment**	**Registered capital**	**Paid-in capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
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	RMB10,000,000	RMB10,000,000	100%	100%	—	Investment and Consulting
Foshan Join-Share Industrial Investment Co., Ltd. ("**Foshan Industrial Investment**") (佛山中盈興業投資有限公司)	Foshan	29 September 2007 the PRC	RMB5,100,000	RMB5,100,000	100%	100%	—	Investment and Consulting
Anhui Join-Share Financing Guarantee Co., Ltd. ("**Anhui Join-Share**") (安徽中盈盛達融資擔保有限公司)	Hefei	31 August 2009 the PRC	RMB200,000,000	RMB200,000,000	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	RMB1,000,000	RMB1,000,000	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	RMB230,000,000	RMB230,000,000	50.44%	50.44%	—	Microcredit
Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. ("**Zhongshan Join-Share**") (中山中盈盛達科技融資擔保投資有限公司)	Zhongshan	8 July 2014 the PRC	RMB200,000,000	RMB200,000,000	80%	52%	—	Guarantee
Guangdong Join-Share Capital Investment Co., Ltd. ("**Guangdong Capital Investment**") (廣東中盈盛達資本管理有限公司)	Foshan	27 April 2016 the PRC	RMB60,000,000	RMB60,000,000	100%	100%	—	Investment and Consulting
Guangdong Join-Share Supply Chain Management 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	RMB10,000,000	RMB10,000,000	85%	—	85%	Supply Chain Services
Shenzhen Join-Share Commercial Factoring Co., Ltd. ("**Shenzhen Commercial Factoring**") (深圳中盈盛達商業保理有限公司)	Shenzhen	17 November 2017 the PRC	RMB50,000,000	RMB50,000,000	100%	100%	—	Factoring
JOIN-SHARE (HONG KONG) SUPPLY-CHAIN SERVICE CO., LIMITED ("**HK Supply Chain**") (中盈盛達(香港)供應鏈服務有限公司)	Foshan	28 July 2017 Hong Kong the PRC	RMB300,000	—	85%	—	100%	Supply Chain Services
Shenzhen Join-Share Engineering Guarantee Co., Ltd. ("**Shenzhen Engineering Guarantee**") (深圳市中盈盛達工程擔保有限公司)	Shenzhen	31 May 2018 the PRC	RMB100,000,000	RMB100,000,000	90%	90%	—	Guarantee
Yunfu Puhui Financing Guarantee Co., Ltd. ("**Yunfu Guarantee**") (雲浮市普惠融資擔保股份有限公司)	Yunfu	4 February 2016 the PRC	RMB130,000,000	RMB130,000,000	53.85%	53.85%	—	Guarantee
Joint-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	HKD45,000,000	HKD45,000,000	100%	100%	—	Investment

16 INVESTMENTS IN SUBSIDIARIES (Continued)

All of the above subsidiaries are limited liability companies incorporated and operated in the PRC, except that HK Supply Chain was registered in Hong Kong but operated in Foshan PRC 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.

(a) Acquisition of subsidiaries

(i) In 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.

(ii) On 4 June 2019, the Company injected additional share capital of HKD44,000,000 to Financial Holdings and continue to hold 100% equity interests. The paid-in capital of Financial Holdings has risen to HKD45,000,000.

17 INTEREST IN ASSOCIATES

The Group's interests in associates are as follows:

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Guangdong Yaoda	**117,168**	—
Foshan Zhongsheng	**20,128**	—
Shenzhen Bangli	**11,285**	10,878
Zhongshan Wujieping	**10,491**	10,455
Join-share Investment Management	**4,930**	—
Changtong Medical Examination	**2,059**	—
Yiliantong Supply Chain	**1,362**	1,530
Chuangyuan Supply Chain	**632**	—
	168,055	22,863

(Expressed in RMB'000 unless otherwise indicated)

17 INTEREST IN ASSOCIATES (Continued)

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

			Proportion of ownership interest As at 30 June 2019					
Names of companies	**Place of incorporation and business**	**Date and place of incorporation/ establishment**	**Registered capital**	**Paid-in capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Zhongshan Wujieping Health Industry Investment Partnership (Limited Partnership) ("**Zhongshan Wujieping**") (中山吳階平健康產業投資合夥企業(有限合夥))	Zhongshan	18 April 2016 the PRC	RMB90,000,000	RMB90,000,000	11.11%	—	11.11%	Health industry investment
Shenzhen Bangli Internet Financial Services Co., Ltd. ("**Shenzhen Bangli**") (深圳邦利互聯網金融服務有限公司)	Shenzhen	5 May 2015 the PRC	RMB100,000,000	RMB30,050,000	25%	—	25%	Financial services
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	RMB10,000,000	RMB2,280,000	48%	—	48%	Supply chain services
Guangzhou Changtong Medical Examination Co., Ltd. ("**Changtong Medical Examination**") (廣州昶通醫學檢驗有限公司)	Guangzhou	25 July 2016 the PRC	RMB5,000,000	RMB2,042,500	46%	—	46%	Supply chain services
Foshan Zhongsheng Properties Co., Ltd. ("**Foshan Zhongsheng**") (佛山市中盛置業有限公司)	Foshan	1 June 2012 the PRC	RMB30,000,000	RMB30,000,000	20%	—	20%	Real estate
Guangdong Yaoda Financial Leasing Co., Ltd. ("**Guangdong Yaoda**") (廣東耀達融資租賃有限公司)	Foshan	6 November 2015 the PRC	RMB425,000,000	RMB393,750,000	21.76%	14.41%	7.35%	Financial leasing
Foshan Chuangyuan Supply Chain Technology Co., Ltd. ("**Chuangyuan Supply Chain**") (佛山市創元供應鏈科技有限公司)	Foshan	20 December 2018 the PRC	RMB20,000,000	RMB2,700,000	46%	—	46%	Supply chain services
Guangdong Join-share Investment Management Partnership (Limited Partnership) ("**Join-share Investment Management**") (廣東中盈盛達投資管理合夥企業(有限合夥))	Foshan	7 December 2018 the PRC	RMB35,020,000	RMB35,020,000	14.33%	—	14.33%	Investment management

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

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

18 FIXED ASSETS AND INVESTMENT PROPERTY

(a) Fixed assets

(i) Right-of-use assets

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognize right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 2.

During the six months ended 30 June 2019, the Group entered into a number of lease agreements for use of offices, and therefore recognized the additions to right-of-use assets of RMB1,271,000.

(ii) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired fixed assets with a cost of RMB279,000 (six months ended 30 June 2018: RMB173,000). Office and other equipment and motor vehicles with a net book value of RMB40,000 were disposed during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB20,000), resulting in a gain on disposal amounting to RMB68,000 (six months ended 30 June 2018: RMB96,000).

(iii) Impairment losses

During the six months ended 30 June 2019, no impairment loss of fixed assets was recognized (six months ended 30 June 2018: nil).

(b) Investment property

The Group did not transfer any repossessed assets to investment property during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB4,822,000).

19 INTANGIBLE ASSETS

(a) Acquisitions and disposals

During the six months ended 30 June 2019, the Group acquired intangible assets with a cost of RMB1,034,000 (six months ended 30 June 2018: RMB750,000). None of the intangible assets was disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) Impairment losses

During the six months ended 30 June 2019, no impairment loss of intangible assets was recognized (six months ended 30 June 2018: nil).

20 INTEREST-BEARING BORROWINGS

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Bank loans		
— Guaranteed	**112,000**	112,150
— Secured	**8,000**	—
	120,000	112,150
Accrued interest payable	**647**	254
	120,647	112,404

At 30 June 2019, loans bear interest at a range from 4.00% to 8.00% per annum and the secured bank loans of the Group were secured by bank deposits, amounting to RMB8,430,000 (note 8).

21 LIABILITIES FROM GUARANTEES

	Note	At 30 June 2019 RMB’000 (unaudited)	At 31 December 2018 RMB’000 (audited)
Deferred income		**127,192**	120,934
Provisions for guarantee issued	*21(a)*	**77,269**	59,794
		204,461	180,728

(a) Provisions for guarantee losses

	At 30 June 2019 RMB’000 (unaudited)	At 31 December 2018 RMB’000 (audited)
As at 1 January	**59,794**	48,540
Impact of adopting HKFRS 9	—	16,001
Addition through acquisition of subsidiaries	—	317
Charge for the period/year	**17,475**	—
Written back for the period/year	—	(5,064)
As at 30 June/31 December	**77,269**	59,794

22 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

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

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

(b) Accruals and other payables

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Dividends payable	**94,253**	1,240
Equity payable in respect of Guangdong Yaoda	**38,031**	—
Accrued staff cost	**26,859**	36,214
Accounts payable	**21,487**	20,192
Principal payable for other financial instrument — liability component	**20,000**	20,000
Receipts in advance	**15,331**	14,191
Pledged deposits	**12,152**	7,905
Consulting service expense payable	**9,735**	17,765
Withholding income tax	**218**	114
Others	**12,798**	13,655
Total	**250,864**	131,276

23 OTHER FINANCIAL INSTRUMENT-LIABILITY COMPONENT

	Note	**At 30 June 2019 RMB'000 (unaudited)**	At 31 December 2018 RMB'000 (audited)
Other financial instrument-liability component	*(i)*	**57,136**	57,863
Accrued interest		**1,980**	4,620
		59,116	62,483

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

According to the agreements ("**the shareholders agreement**", "**the shareholders supplementary agreement**") signed by the Group and other third party shareholders, Zhongshan Join-Share should pay a fixed return to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. ("**Zhongshan Health**") during the period from 31 December 2015 to 31 December 2022. For each year, the amount of the fixed return is 6% of Zhongshan Health's outstanding contribution. Moreover, the Company is contracted to repurchase Zhongshan Health's contribution amounting to RMB90,000,000 according to a repayment schedule in the shareholders agreement. After the year ending 31 December 2022, Zhongshan Health's remaining contribution will no longer enjoy the fixed return.

Considering the above factors, management considered Zhongshan Health's contribution as a compound financial instrument issued by Zhongshan Join-Share. The principal of this compound financial instrument is RMB100,000,000. Nominal interest rate is 6%. Maturity date is 31 December 2022. According to the agreements, the Group should buy-back the contribution of Zhongshan Health, total amount of RMB90,000,000 according to the timetable during the period from the year ended 31 December 2015 to the year ending 31 December 2022. The remaining contribution of Zhongshan Health amounting to RMB10,000,000 would be transferred to ordinary share at the year ending 31 December 2022. Accordingly, the Group's effective interest rate in Zhongshan Join-Share is 80%.

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

As at 30 June 2019, the Group accrued RMB1,980,000 (2018: RMB4,620,000) as a replacement of Zhongshan Health's original contribution, which are obligations according to the agreements.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	**At 30 June 2019 RMB'000 (unaudited)**	At 31 December 2018 RMB'000 (audited)
Balance of income tax payable at the beginning of the period/year		**15,778**	31,898
Addition through acquisition of subsidiaries		**—**	402
Provision for income tax on the estimated taxable profit for the period/year	*6(a)*	**31,426**	40,407
Income tax paid during the period/year		**(30,853)**	(56,929)
Balance of income tax payable at the end of the period/year		**16,351**	15,778

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the period/year are as follows:

	Deferred tax assets					Deferred tax liabilities				
	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 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 subsidiaries	—	536	35	—	571	—	—	—	—	571
Recognised in the consolidated statement of profit or loss	(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

		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 2019		(73)	39,905	9,666	1,676	51,174	1,086	133	—	1,219	52,393
Recognised in the consolidated statement of profit or loss	*6(a)*	10,467	30	(2,430)	—	8,067	(369)	(916)	—	(1,285)	6,782
At 30 June 2019 (unaudited)		10,394	39,935	7,236	1,676	59,241	717	(783)	—	(66)	59,175

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

On 6 June 2019, the Company declared a final cash dividends to all shareholders, amounting to RMB84,282,805 in respect of the year ended 31 December 2018. As at 30 June 2019, the total amount had not been paid.

(b) Share capital

The share capital of the Company as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:				
As at 1 January	**1,560,793**	**1,560,793**	1,066,667	1,066,667
Issuance of new shares	—	—	494,126	494,126
As at 30 June/31 December	**1,560,793**	**1,560,793**	1,560,793	1,560,793

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

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

(iii) Fair value reserve

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

Before 1 January 2018, the fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period.

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

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

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

(v) General reserve

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

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

(vi) Other financial instrument-equity component

Other financial instrument-equity component is the equity component of the compound financial instrument (note 23) issued by the Group.

25 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for 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 shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

There were no changes in the Group's approach to capital management during the six months ended 30 June 2019.

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.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit risk 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.

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

(a) Credit risk (Continued)

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.

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/year, the total maximum guarantees issued are as follows:

	30 June 2019 RMB’000 (unaudited)	31 December 2018 RMB’000 (audited)
Performance guarantee	**7,956,347**	8,885,121
Financing guarantee	**3,526,947**	2,584,811
Litigation guarantee	**240,000**	240,000
Subtotal	**11,723,294**	11,709,932
Less: Customer pledged deposits	**(201,826)**	(170,100)
Total	**11,521,468**	11,539,832

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

26 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 financial guarantees issued by industry at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	RMB'000	**%**	RMB'000	%
Construction	**6,287,726**	**52%**	6,741,863	55%
Real estate	**1,684,906**	**14%**	2,008,449	17%
Manufacturing	**937,688**	**8%**	975,723	8%
Wholesale and retail	**925,727**	**8%**	802,387	7%
Leasing and commercial services	**255,159**	**2%**	140,910	1%
Service industry	**79,565**	**1%**	68,923	1%
Agriculture	**43,820**	**1%**	7,990	1%
Transportation warehousing and postal service	**15,446**	**1%**	40,323	1%
Finance	**14,750**	**1%**	5,980	1%
Others	**1,478,507**	**12%**	917,384	8%
Total of financial guarantees issued	**11,723,294**	**100%**	11,709,932	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.

26 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.

26 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) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique 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

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

(b) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

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

The Group has a team performing valuations for the financial instruments, including the unlisted equity securities and the conversion option embedded in convertible bonds. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates.

	30 June 2019			
	Level 1 RMB'000 (unaudited)	**Level 2 RMB'000 (unaudited)**	**Level 3 RMB'000 (unaudited)**	**Total RMB'000 (unaudited)**
Recurring fair value measurements assets				
Financial assets measured at FVOCI	—	—	**56,112**	**56,112**
Financial assets measured at FVPL	—	—	**103,000**	**103,000**
Total	—	—	**159,112**	**159,112**

	31 December 2018			
	Level 1 RMB'000 (audited)	Level 2 RMB'000 (audited)	Level 3 RMB'000 (audited)	Total RMB'000 (audited)
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

(Expressed in RMB'000 unless otherwise indicated)

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

(b) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

The 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 30 June 2019	Fair value as at 31 December 2018	**Valuation techniques**	**Significant unobservable input**
Unlisted equity instruments	**50,110**	50,110	Discounted cash flow	Discount for lack of marketability
Listed equity instruments	**6,002**	2,500	Discounted cash flow	Risk-adjusted discount rate
Convertible bonds	**103,000**	33,500	Discounted cash flow	Risk-adjusted discount rate

During the period ended 30 June 2019 and the year ended 31 December 2018, there were no significant change in the valuation techniques.

As at 30 June 2019, 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.

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

(b) Fair values (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2019	
	Financial assets measured at FVOCI RMB'000 (unaudited)	Financial assets measured at FVPL RMB'000 (unaudited)
As at 1 January 2019	52,610	33,500
Payment for purchases	—	70,500
Proceeds from sales	—	(1,000)
Reclassification	3,502	—
As at 30 June 2019	56,112	103,000

	At 30 June 2018	
	Financial assets measured at FVOCI RMB'000 (unaudited)	Financial assets measured at FVPL RMB'000 (unaudited)
As at 1 January 2018	32,060	—
Payment for purchases	6,000	—
Proceeds from sales	(4,360)	—
Reclassification	20,303	—
As at 30 June 2018	54,003	—

During the period ended 30 June 2019, financial assets measured at FVOCI amounting to RMB3,502,000 were reclassified from level 1 to level 3 as these listed securities have been suspended. 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.

27 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Lease commitments

At 31 December 2018, the total future minimum lease payments under noncancellable operating leases were payable as follows:

	31 December 2018 RMB'000 (audited)
Within 1 year (inclusive)	5,168
Over 1 year but within 3 years (inclusive)	7,549
Over 3 years	96
Total	12,813

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.

(b) Litigations and disputes

As at 30 June 2019, the Group had no outstanding litigation or disputes in which the Group was a defendant (31 December 2018: nil).

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

As at 30 June 2019, Foshan Financial Investment Holding Co., Ltd. ("**Foshan Financial Investment Holding**", 佛山市金融投資控股有限公司, a government entity) obtained 28% of the Company's equity interests via acquisition and contributing additional share capital to the Company. As a result, Foshan Financial Investment Holding is the top shareholder of the Company.

(b) Key management personnel remuneration

		Six months ended 30 June	
	Note	**2019** **RMB'000** **(unaudited)**	2018 RMB'000 (unaudited)
Key management personnel remuneration	*(i)*	**2,268**	2,509

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

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Related parties transactions

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Borrowings		
— Guangdong Join-Share Holding Co., Ltd.	**25,839**	—
Interest income		
— Foshan Zhongsheng Properties Co., Ltd.	**1,248**	—
— Foshan Chuangyuan Supply Chain Technology Co., Ltd.	**623**	—
— Guangzhou Yiliantong Supply Chain Management Co., Ltd.	**538**	—

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. During the six months ended 30 June 2019, the interest income is RMB1,248,000.

As at 30 June 2019, the borrowing balance of Foshan Chuangyuan Supply Chain Technology Co., Ltd. and Guangzhou Yiliantong Supply Chain Management Co., Ltd. from the Group is RMB20,000,000 and RMB34,000,000 and the interests accrued is RMB623,000 and RMB538,000, respectively.

28 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties

	Note	**At 30 June 2019 RMB'000 (unaudited)**	At 31 December 2018 RMB'000 (audited)
Prepayment			
— Guangzhou Yiliantong Supply Chain Management Co., Ltd.		**180**	96
Trade and other receivables			
— Foshan Zhongsheng Properties Co., Ltd.	*(i)*	**43,654**	—
— Guangzhou Yiliantong Supply Chain Management Co., Ltd.		**34,000**	—
— Guangdong Join-Share Holding Co., Ltd.		**25,839**	20,514
— Foshan Chuangyuan Supply Chain Technology Co., Ltd.		**20,000**	—
Other payables			
— Guangdong Join-Share Holding Co., Ltd.	*(ii)*	**8,406**	13,406

(i) On 30 January 2019, after the completion of relevant filing, Foshan Zhongsheng Properties Co., Ltd. became an associate of the Group.

(ii) The other payables balances of Guangdong Join-Share Holding Co., Ltd. was settled on 20 August 2019.

29 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

30 SUBSEQUENT EVENTS

Save as disclosed, there have been no events to cause material impact on the Group from 30 June 2019 to the date of this report that need to be disclosed.