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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

- Total revenue was approximately RMB365.31 million, representing an increase of approximately 11.51% as compared to last year.
- Net profit for the year and net profit margin were approximately RMB142.95 million and 46.72%, respectively.
- Profit before taxation amounted to approximately RMB193.20 million, representing a decrease of approximately 0.59% as compared to last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB133.16 million, representing an increase of approximately 6.45% as compared to last year.
- The payment of final dividends of RMB0.06 per share for the year ended 31 December 2019 is recommended by the Board.

The board (the "**Board**") of directors (the "**Directors**") of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the "**Company**") is pleased to release the annual results for the year ended 31 December 2019 of the Company and its subsidiaries (collectively, the "**Group**"), along with comparative figures from the year ended 31 December 2018, which should be read in conjunction with the following management discussion and analysis.

(All amounts in RMB thousands unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2019
(Expressed in RMB'000)

	Note	**2019** **RMB'000**	2018 RMB'000
Guarantee fee income		**195,620**	166,125
Guarantee cost		**(8,426)**	(1,785)
Net guarantee fee income		**187,194**	164,340
Interest income		**100,420**	91,557
Interest expenses		**(12,637)**	(13,322)
Net interest income		**87,783**	78,235
Service fee from consulting services		**31,024**	32,450
Revenue	3	**306,001**	275,025
Other revenue	4	**59,305**	52,560
Share of profit/(losses) of associates		**12,584**	(503)
Provision (charged)/written back for guarantee losses		**(2,440)**	5,064
Impairment losses	5(a)	**(58,307)**	(17,711)
Operating expenses	5(b)/5(c)	**(123,941)**	(120,093)
Profit before taxation		**193,202**	194,342
Income tax	6	**(50,253)**	(50,005)
Profit for the year		**142,949**	144,337
Attributable to:			
Equity shareholders of the Company		**133,158**	125,092
Non-controlling interests		**9,791**	19,245
Profit for the year		**142,949**	144,337
Earnings per share			
Basic and diluted *(RMB per share)*	7	**0.09**	0.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019
(Expressed in RMB'000)

	Note	**2019** **RMB'000**	2018 *RMB'000*
Profit for the year		**142,949**	144,337
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Financial assets measured at FVOCI:			
Net movement in fair value		**18,897**	(3,083)
Income tax arises from financial assets measured at FVOCI		**(4,724)**	771
Other comprehensive income for the year		**14,173**	(2,312)
Total comprehensive income for the year		**157,122**	142,025
Attributable to:			
Equity shareholders of the Company		**147,331**	122,780
Non-controlling interests		**9,791**	19,245
Total comprehensive income for the year		**157,122**	142,025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in RMB'000)

	Note	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Assets			
Cash and bank deposits	8	**974,492**	1,125,712
Pledged bank deposits		**438,864**	372,277
Trade and other receivables	9	**525,690**	486,848
Loans and advances to customers	10	**554,830**	576,599
Factoring receivables		**154,933**	86,134
Financial assets measured at FVOCI		**65,009**	56,112
Financial assets measured at FVPL		**127,008**	33,840
Receivable investments		**116,906**	198,317
Current tax assets		**12,877**	—
Interest in associates		**158,347**	22,863
Fixed assets		**20,232**	11,234
Investment property		**8,202**	8,636
Intangible assets		**3,782**	2,999
Goodwill		**419**	419
Deferred tax assets		**30,177**	52,393
Total assets		**3,191,768**	3,034,383
Liabilities			
Interest-bearing borrowings	14	**175,159**	112,404
Liabilities from guarantees	11	**191,518**	180,728
Customer pledged deposits	12(a)	**255,506**	170,100
Accruals and other payables	12(b)	**91,090**	131,276
Current tax liabilities		**—**	15,778
Other financial instrument-liability component		**60,910**	62,483
Lease liabilities		**10,689**	—
Total liabilities		**784,872**	672,769
NET ASSETS		**2,406,896**	2,361,614
CAPITAL AND RESERVES	13		
Share capital		**1,560,793**	1,560,793
Reserves		**527,480**	461,687
Total equity attributable to equity shareholders of the Company		**2,088,273**	2,022,480
Non-controlling interests		**318,623**	339,134
TOTAL EQUITY		**2,406,896**	2,361,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial assets measured at fair value through other comprehensive income (FVOCI), financial assets measured at fair value through profit or loss (FVPL) that are stated at their fair value.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(c) 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. 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.

b. Lessee accounting and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

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 lease 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:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) 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); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments 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**
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**—**
— leases of low-value assets	**—**
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 leases 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.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

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

c. 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 for the year 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.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

(b) Sources of estimation uncertainty

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

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

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

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

No impairment loss is recognised on equity investments.

(ii) Impairment of non-financial assets

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

(c) Depreciation and amortisation

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

(d) **Provisions for guarantee losses**

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

(e) **Deferred tax assets**

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

(f) **Measurement of fair values**

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

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

(g) **Judgement on the degree of control of investment**

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

3 REVENUE

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

	2019	2018
	RMB'000	*RMB'000*
Guarantee fee income		
Financing guarantee fee income	**131,926**	109,025
Performance guarantee fee income	**63,694**	57,092
Litigation guarantee fee income	**—**	8
Subtotal	**195,620**	166,125
Guarantee cost		
Re-guarantee expenses	**(1,111)**	(1,690)
Risk management service expense	**(7,315)**	(95)
Subtotal	**(8,426)**	(1,785)
Net guarantee fee income	**187,194**	164,340
Interest income		
— Loans and advances to customers	**63,567**	75,700
— Cash at banks and pledged bank deposits	**13,590**	9,831
— Factoring services	**22,624**	6,026
— Others	**639**	—
Subtotal	**100,420**	91,557
Interest expenses		
— Interest-bearing borrowings	**(8,441)**	(5,656)
— Interest expenses from other financial instrument liability component	**(3,587)**	(4,290)
— Interest expenses from financial institution bonds	**—**	(3,321)
— Others	**(609)**	(55)
Subtotal	**(12,637)**	(13,322)
Net interest income	**87,783**	78,235
Service fee from consulting services	**31,024**	32,450
Revenue	**306,001**	275,025

4 OTHER REVENUE

	2019 *RMB'000*	2018 *RMB'000*
Foreign exchange gains	**2,462**	26,496
Investment income of receivable investments	**22,742**	17,045
Government grant	**14,679**	2,625
Investment income from financial assets measured at FVOCI	**—**	1,556
Investment income from financial assets measured at FVPL	**16,436**	228
Others	**2,986**	4,610
Total	**59,305**	52,560

5 PROFIT BEFORE TAXATION

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

(a) Impairment and provision charged

	Note	2019 *RMB'000*	2018 *RMB'000*
Receivables for default guarantee payments	9(b)(i)	**42,366**	13,004
Receivables from guarantee customers	9(b)(ii)	**18,955**	502
Loans and advances to customers	10(f)	**(7,499)**	204
Factoring receivables		**111**	1,866
Receivable investments		**(2,223)**	1,815
Others		**6,597**	320
		58,307	17,711

(b) Staff costs

	2019 *RMB'000*	2018 *RMB'000*
Salaries, wages, bonuses and other benefits	**71,782**	63,331
Contributions to retirement schemes	**5,117**	4,870
	76,899	68,201

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

(c) Other items

	2019	2018
	RMB'000	*RMB'000*
Depreciation and amortisation	**11,852**	5,390
Operating lease charges: minimum lease payments	**—**	9,397
Auditors' remuneration		
— annual audit	**2,450**	1,755
— others	**630**	710

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**32,762**	40,407
Deferred tax		
Origination and reversal of temporary differences	**17,491**	9,598
Income tax expense	**50,253**	50,005

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

		2019	2018
	Note	***RMB'000***	*RMB'000*
Profit before taxation		**193,202**	194,342
Notional tax on profit before taxation, calculated at 25%	(i)/(ii)	**48,301**	48,586
Effect of non-deductible expenses		**1,234**	1,385
Unrealised temporary differences		**(338)**	34
Others		**1,056**	—
Actual income tax expense		**50,253**	50,005

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2019	2018
Profit attributable to the equity shareholders of the Company *(RMB'000)*	**133,158**	125,092
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share *('000)*	**1,560,793**	1,413,232
Basic earnings per share *(RMB per share)*	**0.09**	0.09

(b) Weighted average number of ordinary shares

	2019	2018
Issued ordinary shares at 1 January *('000)*	**1,560,793**	1,066,667
Weighted average number of new issue *('000)*	**—**	346,565
Weighted average number of ordinary shares at 31 December *('000)*	**1,560,793**	1,413,232

(c) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018, and therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND BANK DEPOSITS

Cash and cash equivalents comprise:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Cash in hand	**26**	30
Cash at banks	**744,970**	592,447
Cash and cash equivalents in the consolidated cash flow statement	**744,996**	592,477
Term deposits with banks	**103,281**	360,228
Restricted bank deposits	**125,415**	172,640
	973,692	1,125,345
Accrued interest	**800**	367
	974,492	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 deposits received for the Group's guarantee business in accordance with tripartite custodian agreement among lending banks, guarantee customers and the Group. For the purpose of the consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

9 TRADE AND OTHER RECEIVABLES

	Note	**31 December 2019** ***RMB'000***	31 December 2018 *RMB'000*
Receivables for default guarantee payments	(i)/9(a)(i)	**206,951**	206,796
Less: Allowance for doubtful debts	9(b)(i)	**(55,640)**	(56,715)
		151,311	150,081
Receivables from guarantee customers	(ii)/9(a)(ii)	**251,322**	248,351
Less: Allowance for doubtful debts	9(b)(ii)	**(57,883)**	(47,171)
		193,439	201,180
Interest receivables		**9,825**	13,361
Less: Allowance for interest receivables		**(1,247)**	(384)
		8,578	12,977
Receivables from debt purchased	(iii)	**45,214**	42,094
Loan to an associate due within a year	(iv)	**35,000**	—
Loan to a related party due within a year	(v)	**25,478**	—
Prepayment for equity investment purchased		**—**	20,514
Receivables from disposal of default guarantee payments and receivables from guarantee customers		**2,171**	23,791
Other receivables		**36,214**	21,174
		152,655	120,550
Deposits and prepayments		**21,307**	9,885
Repossessed assets		**6,978**	5,152
		28,285	15,037
		525,690	486,848

As at 31 December 2019, receivables from guarantee customers, other receivables, deposits and prepayments and repossessed assets expected to be recovered or recognised as expense after more than one year is RMB54.29 million (31 December 2018: RMB66.88 million). All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

(i) During the year ended 31 December 2019, the Group disposed of receivables for default guarantee payments amounted to RMB19,824,442.71 (2018: RMB23,300,000) with no allowances for doubtful debts (2018: RMB nil), without recourse to other parties at considerations amounted to RMB19,824,442.71 (2018: RMB23,300,000).

(ii) During the year ended 31 December 2019, the Group disposed of receivables from guarantee customers amounted to RMB6,100,000 (2018: RMB4,600,000) with no allowance for doubtful debts without recourse at considerations amounted to RMB6,100,000 (2018: RMB4,600,000).

(iii) 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.

(iv) The interest on the loan to an associate is 10% per annum.

(v) The interest on the loan to a related party is 6% per annum.

(a) Ageing analysis:

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

(i) Receivables for default guarantee payments

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 year	**83,567**	18,478
Over 1 year but less than 2 years	**23,708**	24,830
Over 2 years but less than 3 years	**15,122**	45,226
Over 3 years but less than 5 years	**51,193**	90,202
Over 5 years	**33,361**	28,060
Subtotal	**206,951**	206,796
Less: allowance for doubtful debts	**(55,640)**	(56,715)
	151,311	150,081

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

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 year	**82,120**	84,459
Over 1 year but less than 2 years	**38,920**	78,090
Over 2 years but less than 3 years	**56,890**	57,698
Over 3 years but less than 5 years	**63,692**	28,104
Over 5 years	**9,700**	—
Subtotal	**251,322**	248,351
Less: allowance for doubtful debts	**(57,883)**	(47,171)
	193,439	201,180

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

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

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

The movement in the allowance for receivables for default guarantee payments and receivables from guarantee customers during the years ended 31 December 2019 and 2018, are as follows:

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

	Note	**2019** *RMB'000*	2018 *RMB'000*
As at 1 January		**56,715**	43,332
Impairment losses recognised in the consolidated statement of profit or loss	5(a)	**42,366**	13,004
Amounts written off		**(47,407)**	(10,355)
Amounts recovered		**3,966**	10,734
As at 31 December		**55,640**	56,715

(ii) Receivables from guarantee customers

	2019			
	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 2018	**—**	**22,536**	**24,635**	**47,171**
Transfer to lifetime ECL not credit-impaired	**—**	**—**	**—**	**—**
Transfer to lifetime ECL credit-impaired	**—**	**(12,010)**	**12,010**	**—**
Net re-measurement of loss allowance	**—**	**(10,526)**	**16,105**	**5,579**
Receivables from guarantee customers newly originated	**—**	**11,878**	**1,498**	**13,376**
Uncollectible amounts write-off	**—**	**—**	**(8,243)**	**(8,243)**
As at 31 December	**—**	**11,878**	**46,005**	**57,883**

	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

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Entrusted loans	**182,444**	275,770
Micro-lending	**405,346**	350,080
Gross loans and advances to customers	**587,790**	625,850
Accrued interest	**3,597**	3,459
Total allowances for impairment losses	**(36,557)**	(52,710)
Net loans and advances to customers	**554,830**	576,599

(b) Analysed by industry sector

	31 December 2019		31 December 2018	
	RMB'000	%	*RMB'000*	%
Wholesale and retail	**130,730**	**22%**	283,714	45%
Service sector	**383,487**	**65%**	257,461	41%
Manufacturing	**70,573**	**12%**	81,675	13%
Others	**3,000**	**1%**	3,000	1%
Gross loans and advances to customers	**587,790**	**100%**	625,850	100%

(c) Analysed by type of collateral

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Secured loans	**241,814**	253,946
Unsecured loans	**3,384**	32,380
Others	**342,592**	339,524
Gross loans and advances to customers	**587,790**	625,850

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

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

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

(d) Overdue loans analysed by overdue period

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Overdue within 3 months (inclusive)	**2,694**	3,140
Overdue more than 3 months to 6 months (inclusive)	**170**	—
Overdue more than 6 months to one year (inclusive)	**650**	2,100
Overdue more than one year	**138,807**	150,265
	142,321	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.

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

	2019			
	12-month ECL *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Entrusted loans	**47,000**	**—**	**135,444**	**182,444**
Micro-lending	**389,119**	**10,350**	**5,877**	**405,346**
Gross loans and advances to customers	**436,119**	**10,350**	**141,321**	**587,790**
Less: Allowances for impairment losses	**(16,597)**	**(556)**	**(19,404)**	**(36,557)**
Net loans and advances to customers (excluding accrued interest)	**419,522**	**9,794**	**121,917**	**551,233**

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

(f) Movements of allowances for impairment losses

	2019			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2018	**19,421**	**6,605**	**26,684**	**52,710**
Transfer to 12-month ECL	**—**	**—**	**—**	**—**
Transfer to lifetime ECL not credit-impaired	**(512)**	**512**	**—**	**—**
Transfer to lifetime ECL credit-impaired	**(390)**	**(51)**	**441**	**—**
Net re-measurement of loss allowance	**(15,665)**	**(5,710)**	**(2,611)**	**(23,986)**
Loans and advances newly originated	**16,169**	**—**	**318**	**16,487**
Recoveries	**—**	**—**	**—**	**—**
Write-offs	**(2,426)**	**(800)**	**(5,428)**	**(8,654)**
As at 31 December	**16,597**	**556**	**19,404**	**36,557**

	2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017	18,565	777	16,186	35,528
Impact of adopting HKFRS 9	3,321	18,920	(735)	21,506
As at 1 January 2018	21,886	19,697	15,451	57,034
Transfer to 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

11 LIABILITIES FROM GUARANTEES

	Note	**31 December 2019**	31 December 2018
		RMB'000	*RMB'000*
Deferred income		**129,284**	120,934
Provisions for guarantee losses	2(d)	**62,234**	59,794
		191,518	180,728

Provisions charged/(written back) for guarantee losses

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**59,794**	48,540
Impact of adopting HKFRS 9	**—**	16,001
Addition through acquisition of a subsidiary	**—**	317
Charged/(written back) for the year	**2,440**	(5,064)
As at 31 December	**62,234**	59,794

12 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

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

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

(b) Accruals and other payables

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Accrued staff cost	**36,769**	36,214
Accounts payable	**5,207**	20,192
Principal payable for other financial instrument-liability component	**—**	20,000
Consulting service expense payable	**8,388**	17,765
Receipts in advance	**20,892**	14,191
Dividends payable	**4,444**	1,240
Withholding income tax	**951**	114
Others	**14,439**	21,560
Total	**91,090**	131,276

13 CAPITAL, RESERVES AND DIVIDEND

(a) Movements in components of equity

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

	Share capital *RMB'000*	Share premium *RMB'000*	Surplus reserve *RMB'000*	General reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 31 December 2018	**1,560,793**	**133,773**	**99,165**	**99,299**	**84,753**	**1,977,783**
Restated balance at 1 January 2019	**1,560,793**	**133,773**	**99,165**	**99,299**	**84,753**	**1,977,783**
Change in equity for 2019:						
Profit for the year	**—**	**—**	**—**	**—**	**193,144**	**193,144**
Total comprehensive income	**—**	**—**	**—**	**—**	**193,144**	**193,144**
Issue of ordinary shares	**—**	**—**	**—**	**—**	**—**	**—**
Appropriation to surplus reserve	**—**	**—**	**19,314**	**—**	**(19,314)**	**—**
Appropriation to general reserve	**—**	**—**	**—**	**19,314**	**(19,314)**	**—**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**—**	**(84,502)**	**(84,502)**
Balance at 31 December 2019	**1,560,793**	**133,773**	**118,479**	**118,613**	**154,767**	**2,086,425**

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

(b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 25 March 2020, the proposed dividends appropriations for the year ended 31 December 2019 are as follows:

— Cash dividends of RMB93,647,561 (2018: RMB84,502,078) to all shareholders representing RMB0.060 (2018: RMB0.054) per share before tax

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

14 INTEREST-BEARING BORROWINGS

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Bank loans		
— Unsecured	**144,800**	112,150
Other loans	**30,000**	—
	174,800	112,150
Accrued interest payable	**359**	254
	175,159	112,404

At 31 December 2019, loans bear interest at a range from 4.00% to 8.00% per annum and are guaranteed. At 31 December 2018, loans bear interest at a range from 6.00% to 8.00% per annum and are guaranteed.

15 GUARANTEES ISSUED

At the end of each reporting period, the total maximum guarantees issued (net of counter-guarantees) are as follows:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Financing guarantee	**2,640,715**	2,584,811
Performance guarantee	**7,902,695**	8,885,121
Litigation guarantee	**140,000**	240,000
Subtotal	**10,683,410**	11,709,932
Less: Customer pledged deposits	**(255,506)**	(170,100)
Total	**10,427,904**	11,539,832

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2019, the PRC maintained a trend of steady progress amid stability in its overall economic development with the gross domestic product (GDP) of approximately RMB99.1 trillion, ranking first in growth rate among the trillion-dollar economies. Its per capita GDP amounted to USD10,276, reflecting the tremendous progress made in the national economic development. Although domestic demand continued to slow down, the competitiveness in foreign trades was on rise despite the challenging operating environment, with the aggregate amount of imports and exports of goods reaching RMB34.54 trillion, representing a year-on-year increase of 3.4%. The PRC attaches great importance to the development of small and medium enterprises ("**SMEs**") by actively optimizing related financing policies and broadening financing channels.

The Group believes that with the introduction of a series of fiscal and tax policies, coupled with the continuous advancement of the Internet and big data, the business development and innovation of the Company will be facilitated through expanding the coverage of financial guarantee products with the Internet and big data technologies. In 2019, the total revenue of the Group increased by approximately 11.51% on a year-on-year basis.

During the reporting period, the Company was once again awarded the "Best Corporate Governance Award" in the selection of the "2019 China Financing Award" which was organized by China Financial Market (《中國融資》) as the principal sponsor jointly 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 agencies, for the Company's outstanding corporate governance and sustainability performance. In addition, the Company was honored the title of the "Best Guarantee Company for Technology Innovation of the Year" in selection of the "China Financial Institution Gold Medal List — Golden Dragon Prize (中國金融機構金牌榜•金龍獎)" organized by Financial News as the principal sponsor jointly with an expert review committee comprised of industry associations such as the National Institution for Finance & Development (NIFD), China Banking Association, China National Association of Finance Companies, China Financing Guarantee Association and China Trustee Association, for the Company's innovation efforts in the fintech business and fintech sector.

Business Overview

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

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

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

As of 31 December 2019, the net balance of our outstanding guarantee was approximately RMB10,683.41 million. For the year ended 31 December 2019, our net guarantee fee income was approximately RMB187.19 million.

(2) SME lendings: We provide entrusted loans to SMEs and individual business proprietors, where we deposit our own funds into intermediary banks, which on-lend the funds to ultimate borrowers selected by us. Our entrusted loan business allows us to provide loans of relatively large amount through banks, usually ranging from approximately RMB1.00 million to approximately RMB40.00 million, and is not subject to geographical restriction. As of 31 December 2019, the balance of our entrusted loans was approximately RMB182.44 million.

We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Chancheng Join-Share Micro Credit Co., Ltd. (佛山禪城中盈盛達小額貸款有限公司) ("**Foshan Micro Credit**"), a subsidiary of the Company. Foshan Micro Credit is permitted to conduct its operations in Foshan, Guangdong province, the People's Republic of China ("**PRC**"). Due to limits imposed by certain laws and regulations, the amount of micro-lending that we may provide is up to RMB5.00 million. In general, the micro-lending that we provide has a term within one year. As of 31 December 2019, the balance of our micro-lending was approximately RMB405.35 million.

As of 31 December 2019, the net interest income from our SME lending business was approximately RMB87.78 million.

Major business activities undertaken by the Group during the year

During the year ended 31 December 2019, with an aim to strengthen the Group's overall market position, the major business activities undertaken by the Group during the year are set out as follows:

(1) On 31 January 2019, the Company resolved to utilize the net balance of the proceeds from its listing to increase its capital contribution in Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司) ("**Yunfu Company**"), a subsidiary of the Group, by RMB20 million, from RMB50 million to RMB70 million. Following such capital contribution, the registered capital of Yunfu Company increased from RMB110 million to RMB130 million, and the equity interest as held by the Company in Yunfu Company increased from approximately 45.45% to approximately 53.85%.

    For the year ended 31 December 2019, revenue of Yunfu Company was approximately RMB10.01 million with a net profit of RMB3.86 million.

(2) On 4 June 2019, Join-Share Financial Holdings Co., Limited* (中盈盛達金融控股有限公司), a subsidiary of the Group, further received capital injection from the Group, thereby increasing the registered capital of HK$1 million to HK$45 million.

(3) On 10 June 2019, Guangdong Yaoda Financial Leasing Company Limited* (廣東耀達融資租賃有限公司), a company which the Group held 21.76% of its equity interest during the reporting period, received capital injection from the Group. For details, please refer to the announcement of the Company dated 22 February 2019 and the circular of the Company dated 9 May 2019.

(4) On 13 November 2019, to optimize the structure of the Group, the Company transferred the 100% equity interest of Foshan Join-Share Industrial Investment Co., Ltd* (佛山中盈興業投資有限公司), (being a wholly-owned subsidiary of the Group) to another wholly-owned subsidiary of the Group, Guangdong Join-Share Capital Management Limited* (廣東中盈盛達資本管理有限公司) ("**Capital Management Company**").

(5) On 20 November 2019, Shenzhen Join-Share Engineering Guarantee Co., Ltd.* (深圳市中盈盛達工程擔保有限公司), whose partner decided to exit investment, became a wholly-owned subsidiary of the Group with the registered capital of RMB0.20 million.

(6) On 21 November 2019, to further focus on our major operation of small and medium-sized enterprises guarantees, the Company transferred the 100% equity interest of Foshan Join-Share Investment and Financing Consultancy Co., Ltd.* (佛山中盈盛達投融資諮詢服務有限公司) (being a wholly-owned subsidiary of the Group) to another wholly-owned subsidiary of the Group, Capital Management Company.

(7) On 12 December 2019, the Company purchased the transfer target of "10% equity of Zhongshan Join-Share Technology Finance Guarantee Investment Co., Ltd (中山中盈盛達科技融資擔保投資有限公司) ("**Zhongshan Guarantee**")" through GuangDong United Assets and Equity Exchange, Inc (廣東聯合產權交易中心).

During the year ended 31 December 2019, revenue of Zhongshan Guarantee was approximately RMB19.63 million, and its net profit was approximately RMB20.46 million.

(8) On 25 December 2019, the Company transferred the 50.44% equity interest in Foshan Micro Credit to another wholly-owned subsidiary of the Group, Capital Management Company.

During the year ended 31 December 2019, revenue of Foshan Micro Credit was approximately RMB47.85 million with a net profit of approximately RMB20.79 million.

Financial Review

Net Guarantee Fee Income

Our net guarantee fee income increased by approximately RMB22.85 million, or approximately 13.90%, to approximately RMB187.19 million in 2019 from approximately RMB164.34 million in 2018. Our total guarantee fee income increased by approximately RMB29.49 million, or approximately 17.75%, to approximately RMB195.62 million in 2019 from approximately RMB166.13 million in 2018. Such increase was mainly because (i) we made active responses to the PRC government policies to support small and medium-sized enterprise financing, resulting in a significant increase by approximately RMB22.90 million or approximately 21.00% in the financing guarantee fee income to approximately RMB131.93 million in 2019; (ii) we established partnership with more famous financing platforms in the domestic market to jointly develop retail financing businesses, resulting in a significant increase of approximately RMB24.24 million or approximately 779.42% in revenue from the retail financing guarantee services to approximately RMB27.35 million in 2019; and (iii) we continued to expand our collaboration channels for the non-financial guarantee business, resulting in an increase of approximately RMB6.60 million or approximately 11.56% in revenue from non-financial guarantee to approximately RMB63.69 million in 2019.

Net Interest Income

Our net interest income increased by approximately RMB9.54 million, or approximately 12.19%, to approximately RMB87.78 million in 2019 from approximately RMB78.24 million in 2018, primarily due to the inclusion of our industry chain services to our financing guarantee.

For the year ended 31 December 2019, interest income from bank deposits and deposits increased by approximately RMB3.76 million or approximately 38.25% from approximately RMB9.83 million in 2018 to approximately RMB13.59 million in 2019, mainly because (i) our business continued to scale up, resulting in an increase by approximately 2.16% in the outstanding financing guarantee balance to approximately RMB2,640.72 million in 2019 as compared to 2018; and (ii) we tapped into the idle funds of the Group by virtue of fixed deposit receipts, time deposit, and other products, resulting in a significant increase in interest income from bank deposits.

The interest income from our entrusted loan business for the year ended 31 December 2019 decreased by approximately RMB11.48 million or approximately 41.90% to approximately RMB15.92 million in 2019 from approximately RMB27.40 million in 2018, which was mainly attributable to the decrease in the business volume due to the bank's increasingly tightened entrusted loan business.

The interest income from our micro-lending business for the year ended 31 December 2019 decreased by approximately RMB0.65 million or approximately 1.35% to approximately RMB47.65 million in 2019 from approximately RMB48.30 million in 2018. Such decrease was mainly attributable to the decrease by approximately 14.80% in the annualised average interest rate of our micro-lending as compared to 2018.

For the year ended 31 December 2019, interest income from the factoring business increased by approximately RMB16.59 million or approximately 275.12% from approximately RMB6.03 million in 2018 to approximately RMB22.62 million in 2019, mainly due to our provision of integrated financing services to the customers amid our expansion of the industry chain.

Service Fee from Consulting Services

Our service fee from consulting services decreased by approximately RMB1.43 million, or approximately 4.41%, to approximately RMB31.02 million in 2019 from approximately RMB32.45 million in 2018, primarily because we continued to develop new product lines and explore new business channels, resulting in a lower proportion of income from consulting services over revenue.

Other Revenue

Our other revenue increased by approximately RMB6.75 million, or approximately 12.84%, to approximately RMB59.31 million in 2019 from approximately RMB52.56 million in 2018, primarily because (i) we purchased credit products, wealth management products, structured deposits, and other products, resulting in an increase by approximately 33.37% in our investment returns to approximately RMB22.74 million in 2019, as compared to 2018; (ii) we purchased bond products on the equity exchange platforms, resulting in an increase of approximately 7,047.83% in investment returns to approximately RMB16.44 million in 2019, as compared to 2018; and (iii) government grant revenue increased from approximately RMB2.63 million in 2018 to approximately RMB14.68 million in 2019.

Provisions for Guarantee Losses

Provisions for guarantee losses primarily reflect our management's estimate on the adequacy of provisions for our guarantee business. Our provisions for guarantee losses increased to approximately RMB2.44 million in 2019 compared to a written back of approximately RMB5.06 million in 2018, primarily due to an increase of RMB55.91 million or approximately 2.16% of the balance of outstanding financing guarantee from approximately RMB2,584.81 million as of 31 December 2018 to approximately RMB2,640.72 million as of 31 December 2019.

Impairment Losses

Impairment losses mainly include (i) default guarantee receivables which reflect the net amount of the default guarantee that are unable to be recovered; (ii) receivables from guarantee customers which reflect the net capital portfolio that is unable to be recovered for the financing solutions provided by the Group to the customers; (iii) loans and advances to customers primarily in the entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to the customers that are unable to be recovered; and (iv) factoring receivables which mainly reflect the net amount of factoring financing services provided to our customers that are unable to be recovered. Our impairment losses increased by approximately RMB40.60 million to approximately RMB58.31 million as of 31 December 2019 from approximately RMB17.71 million in 2018, primarily due to the write-back of impairment losses for loans and advances to customers and factoring receivables, which was partially offset by an increase from approximately RMB13.00 million and approximately RMB0.50 million of the losses on default guarantee payments and receivables from guarantee customers in 2018 to approximately RMB42.37 million and approximately RMB18.96 million in 2019.

Operating Expenses

Our operating expenses increased by approximately RMB3.85 million, or approximately 3.21%, to approximately RMB123.94 million in 2019 from approximately RMB120.09 million in 2018, mainly attributable to (i) an increase in staff costs by approximately RMB8.70 million or approximately 12.76% from approximately RMB68.20 million in 2018 to approximately RMB76.90 million in 2019; (ii) an increase in office fees by approximately RMB0.43 million or approximately 6.53% from approximately RMB6.58 million in 2018 to approximately RMB7.01 million in 2019; (iii) an increase in consultation fees by approximately RMB0.93 million or approximately 10.32% from approximately RMB9.01 in 2018 to approximately RMB9.94 million in 2019; and (iv) an increase in entertainment fees by approximately RMB0.33 million or 12.84% from approximately RMB2.57 million in 2018 to approximately RMB2.90 million in 2019.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by approximately RMB1.14 million, or approximately 0.59%, to approximately RMB193.20 million in 2019 from approximately RMB194.34 million in 2018. Our profit before taxation accounted for approximately 70.66% and 63.14% of our revenue in 2018 and 2019, respectively.

Income Tax

Our income tax increased by approximately RMB0.24 million, or approximately 0.48%, to approximately RMB50.25 million in 2019 from approximately RMB50.01 million in 2018.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by approximately RMB1.39 million, or approximately 0.96%, to approximately RMB142.95 million in 2019 from approximately RMB144.34 million in 2018, and our net profit margin decreased to approximately 46.72% in 2019 from approximately 52.48% in 2018.

Capital Expenditure

Our capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipments, office decorations and purchase of software. For the year ended 31 December 2019, our capital expenditures amounted to approximately RMB4.87 million, primarily due to the research and development expenditures related to our improvement in the business operation system.

Capital Commitments and Contingent Liabilities

As at 31 December 2019, our outstanding capital commitments relating to the total maximum guarantee issued to our customers in relation to our guarantee business and the leases of our office premises amounted to approximately RMB10,683.41 million and approximately RMB10.69 million, respectively.

As at 31 December 2019, the Group did not have any contingent liabilities.

Charge on Assets

As at 31 December 2019, the Group did not pledge any of its assets to secure any banking facility or bank loan.

Prospects and future developments in the business of the Group

(I) Development trend of the industry

Increasing support for the development of SMEs to effectively address the predicament of demanding and costing financing

It was highlighted at the Fourteenth Meeting held by the Financial Stability and Development Committee under the State Council on 7 January 2020 in respect of the predicament of demanding and costing financing of SMEs that SMEs are the important cornerstone for building a modern economic system, transforming development methods, optimizing economic structure, changing growth drivers, and promoting high-quality and effective economic development, and will play a critical role in supporting employment, stabilizing growth and improving people's livelihood. The policy of "Two Unwaverings" should be insisted to deepen the reform of the financial system, improve the modern financial system, broaden financing sources and channels, reduce financing costs, and effectively address the predicament of demanding and costing financing.

Increasing efforts to support real economy through optimizing loan structure

In 2019, China's financial market saw a steady development with a reasonable and sufficient liquidity in its banking system and sustained increase in the scale of social financing and credit. The financial system's support for the real economy was strengthened, specifically in the sectors of infrastructure, advanced manufacturing, and inclusive finance. Relevant supporting systems have been gradually improved, and the credit structure has been further optimized. This is reflected in the increased corporate loans and the higher proportion of medium and long-term loans.

In 2020, serving the real economy will remain an important task for the financial industry. In order to enhance the ability to support the real economy, China will continue to improve its credit structure, to increase loan allocation, raise the proportion of medium and long-term loans, and enhance the linkage effect between market interest rates and final loan rates. It is believed that there will be more reform measures in the future to unblock the monetary policy transmission mechanism, reduce the financing cost of SMEs, and improve the innovative capital formation mechanism.

The Board is of the view that under the sustained development of China's economy and the state's support for SMEs, the financing guarantee industry of China should continuously improve its capital service functions and provide more comprehensive services and support for real economy.

(II) Development strategies of the Company

In 2020, although the macro economy of China is expected to experience a moderate recovery, there are many uncertainties. The Group intends to adopt the following strategies:

1. Innovative business models: In order to alleviate the predicament of demanding financing for SMEs, we will upgrade innovative business models such as "PICC Capital — Capital Management Products Dedicated to Agricultural Development and SMEs" (人保資本 — 支農支小專屬資管產品) to invest in operating entities that meet exclusive asset management requirements in the form of small loans by leveraging on the expertise of "lending institutions".

2. Continue to improve the industry chain through innovative finance: the Company will continue to improve integrated financial services, and enhance its industry chain by incorporating other industry chains such as small loans, financial leasing, commercial factoring, and equity investment on the top of guarantees as its primary business.

3. Focus on industry chain financing: with the Internet, big data, blockchain and other technologies, the Company will further promote the integration of finance with industry and technology, and improve its overall service quality in the finance and technology field of the supply chain.

Over 16 years since its establishment, the Company has been forging ahead with a focus on addressing the predicament of demanding and costing financing, and has established itself as a systematic investment and financing service platform for the SMEs and a benchmark enterprise in the guarantee industry by maintaining its foothold in Guangdong province with its business coverage across the country, leveraging on its creditworthiness, with the support of industry and under the driving force of finance. To date, the Company has provided investment and financing services with an aggregate value of over RMB100 billion to nearly 10,000 SMEs. Looking into the future, we will continue to support SMEs, effectively fulfill its social responsibilities, and persist in being a synergistically valued investment and financing service provider for SMEs.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

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

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

Foreign Exchange Risks

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

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

Liquidity and Capital Resources

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

As of 31 December 2019, our cash and cash equivalents was approximately RMB974.49 million.

The gearing ratios of the Group as at 31 December 2018 and 31 December 2019 were 22.17% and 24.59%, respectively. Such gearing ratio was computed by dividing total liabilities by total assets.

Indebtedness

As of 31 December 2019, the interest-bearing borrowings amounted to approximately RMB175.16 million.

In addition, we had other financial instrument — liability component of approximately RMB60.91 million.

Off-Balance Sheet Arrangements

We enter into guarantee contracts with off-balance-sheet risk in the ordinary course of our business. The contract amount reflects the extent of our involvement in the financing guarantee business and also represents our maximum exposure to credit loss. As of 31 December 2019, our outstanding guarantee totaled approximately RMB10,683.41 million. Save as disclosed above, we have no other off-balance-sheet arrangements.

Significant investments

Save as disclosed under the paragraph headed "Major business activities undertaken by the Group during the year" in this announcement, the Group had no significant investment for the year ended 31 December 2019.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2019.

EVENTS AFTER REPORTING PERIOD

On 10 January 2020, the Company transferred its 100% equity interest in Shenzhen Join-Share Commercial Factoring Co., Ltd. (深圳中盈盛達商業保理有限公司), a wholly-owned subsidiary of the Company, to Guangdong Join-Share Capital Investment Co., Ltd. (廣東中盈盛達資本管理有限公司), a wholly-owned subsidiary of the Group. After such transfer, Shenzhen Join-Share Commercial Factoring Co., Ltd. (深圳中盈盛達商業保理有限公司) is renamed as Guangdong Join-Share Commercial Factoring Co., Ltd (廣東中盈盛達商業保理有限公司).

Since early 2020, the outbreak of novel coronavirus pandemic (CoVID-19) has spread globally. It has and is expected to have impact on the global market and economic environments. The Group has proactively responded to, and will continue to closely monitor the development of CoVID-19, and accordingly evaluate, proactively address and mitigate the impact of CoVID-19 on the financial position and operating results of the

Group. As of the date of this announcement, the Group is not aware of any material adverse effect on the financial statements of the Group as a result of CoVID-19 and the assessment of the impact is still in progress.

HUMAN RESOURCES

The total number of staff within the Group as at 31 December 2019 and 31 December 2018 was 302 and 298 respectively. The Directors believe that employees' quality is the most important factor in maintaining the sustained development and growth of the Group and in raising its profitability. We offer a base salary with bonuses based on our employees' performance and benefits and allowances to all our employees as an incentive. For the year ended 31 December 2019, we paid approximately RMB76.90 million to our employees as remuneration. We also offer trainings to our new employees twice a year. We believe both the performance-based salary and staff training play an important role in recruiting and retaining talent as well as enhancing employee loyalty.

The Group is required to participate in pension schemes organised by the respective local governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has complied with the relevant requirements during the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 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

The Company has established an audit committee of the Board (the "**Audit Committee**") with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises five members, namely, Mr. Wu Xiangneng (chairman), Mr. Leung Hon Man, Mr. Luo Zhenqing, Mr. Liu Heng and Mr. Huang Guoshen, three of whom are independent non-executive Directors. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2019. The Audit Committee has also reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of Shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2019, the Company had complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the directors and supervisors of the Company. Having made specific enquiry with the Directors and supervisors of the Company, they have confirmed their compliance with the relevant standards stipulated in the Model Code during the year ended 31 December 2019.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.06 (before considering any tax effect) per share for the year ended 31 December 2019, amounting to RMB93,647,561.22 (the "**2019 Final Dividend**") in aggregate.

According to the Articles of Association of the Company, dividend payable to holders of domestic shares will be paid in Renminbi, whereas dividend payable to holders of the H shares will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated in accordance with the related national regulations on foreign exchange control. The 2019 Final Dividend will be subject to approval at the forthcoming 2019 annual general meeting (the "**AGM**") and is expected to be paid on or about 30 July 2020, Thursday.

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

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

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

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

ANNUAL GENERAL MEETING

The AGM will be held on 5 June 2020, Friday, while the notice of the AGM will be published and dispatched to Shareholders in the manner as stipulated under the Listing Rules when appropriate.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from 6 May 2020, Wednesday to 5 June 2020, Friday, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on 5 June 2020, Friday or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on 5 May 2020, Tuesday.

In order to determine the Shareholders entitled to the 2019 Final Dividend, the register of members of the Company will be closed from 12 June 2020, Friday to 19 June 2020, Friday, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on 19 June 2020, Friday are entitled to the 2019 Final Dividend. In order to qualify for receiving the 2019 Final Dividend which is still subject to approval of the Shareholders at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on 11 June 2020, Thursday.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2019 will be dispatched to Shareholders and made available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.join-share.com) in April 2020.

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

Foshan, the PRC, 25 March 2020

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*