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Post Hearing Information Pack of



Join-Share 中盈盛达

共创 共享 共成长

Guangdong Join-Share Financing Guarantee Investment Co., Ltd.*
廣東中盈盛達融資擔保投資股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

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(A joint stock limited liability company incorporated in the People's Republic of China)

[REDACTED]

Number of [REDACTED] : [REDACTED] H Shares (comprising [REDACTED] H Shares to be issued by our Company and [REDACTED] [REDACTED] to be offered by the Selling Shareholders)

Number of [REDACTED] : [REDACTED] H Shares (subject to adjustment)

Number of [REDACTED] : [REDACTED] H Shares (comprising [REDACTED] H Shares to be issued by our Company and [REDACTED] [REDACTED] to be offered by the Selling Shareholders, subject to adjustment)

Maximum [REDACTED] : HK\$[REDACTED] per H Share plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%, payable in full on application in Hong Kong dollars subject to refund on final pricing

Nominal Value : RMB1.00 per H Share

Stock Code : [REDACTED]

Sole Sponsor [REDACTED]



中信建投國際

China Securities International

[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or about [REDACTED] and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED]. Applicants for [REDACTED] are required to pay, on application, the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the [REDACTED] should be lower than HK\$[REDACTED]. If, for any reason, the Sole Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) are unable to reach an agreement on the [REDACTED], the [REDACTED] will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriters, and with our consent (for ourselves and on behalf of the Selling Shareholders)) may reduce the number of [REDACTED] and/or the indicative [REDACTED] range that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published at the website of the Hong Kong Stock Exchange and at www.hkexnews.hk and our Company's website at <http://www.join-share.com/> no later than the morning of the last day for lodging applications under the [REDACTED]. If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under the [REDACTED], then such applications can be subsequently withdrawn if the number of [REDACTED] and/or the indicative [REDACTED] range is so reduced. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix III — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix IV — Summary of Articles of Association" to this document. Prior to making an investment decision, potential investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the H Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — [REDACTED] — Grounds for Termination." It is important that you refer to that section for further details.

The [REDACTED] have not been, and will not be, registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S, under the U.S. Securities Act.

* For identification purpose only

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO INVESTORS

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in "Risk Factors" beginning on page 34. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a leading financing guarantee services provider in Guangdong province, focusing on providing credit-based financing solutions to SMEs to satisfy their financing and business needs. Since our establishment in Foshan, Guangdong province in 2003, our business network has been significantly expanded to cover all the major cities in Guangdong province and certain cities in Anhui province. Enjoying a first-mover advantage in both Guangdong province and our industry, we have established our reputation and brand-awareness. According to the Heading Century Report, as of December 31, 2014, there were approximately 360 financing guarantee institutions (including branches) in Guangdong province. As of December 31, 2014, we were ranked third among the non-state owned financing guarantee institutions and sixth among all the financing guarantee institutions (including state owned and non-state owned) in Guangdong province, as measured by registered capital, according to the Heading Century Report.

SMEs' businesses have been growing rapidly, especially in Guangdong province which has been experiencing a rapid economic growth. However, SMEs have been facing difficulties in meeting their financing needs. Large-sized commercial banks in China typically focus on providing loans secured by mortgaged or pledged assets. Due to a lack of acceptable collateral and credit history, commercial banks are less willing to provide financings to SMEs. Based on our understanding of SMEs' businesses and our professional due diligence, we have developed our credit evaluation system, and are able to provide financing solutions tailored for our SME customers to satisfy their financing needs. As the businesses of the SMEs in Guangdong province are expanding, we plan to strengthen our relationships with the existing customers and provide products and services to them accordingly, including through growing our product mix. Meanwhile, we expect to leverage our reputation in the industry to attract newly established SMEs, and thus to expand and diversify our customer base.

Our business primarily comprises two segments, namely:

- *Guarantees:* we provide guarantees on behalf of SMEs and individual business proprietors to guarantee the repayment of their loans or perform of their certain contractual obligations. We mainly provide the following products and services:

Financing Guarantees

Indirect Financing Guarantees
Direct Financing Guarantees

Non-financing Guarantees

Attachment Bonds
Construction Contract Bonds and Other
Contract Bonds

- *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 borrowers selected by us. We also provide micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Micro Credit, which was consolidated into our Group in June 2014. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province.

SUMMARY

Our customers primarily comprise SMEs and individual business proprietors. Various other stakeholders may be involved in the provision of our different products and services, including commercial banks, re-guarantee institutions, other guarantee companies, trust companies, securities companies and finance lease companies and local governments. For a discussion of our relationships with them in our various types of business transactions, see “Business — Products and Services” beginning on page 130.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to succeed and distinguish us from our competitors:

- Ranked third among the non-state owned financing guarantee institutions and sixth among all the financing guarantee institutions (including state owned and non-state owned) in Guangdong province, as measured by registered capital, with first mover advantage;
- Sound corporate governance;
- Dedicated and highly experienced management team and skilled employees;
- Comprehensive and effective risk management system; and
- Diverse offering of products and services through an integrated platform.

OUR BUSINESS STRATEGIES

Our strategic goal is to become an integrated financing services provider for SMEs and maintain our leading position in the financing guarantee industry in Guangdong province. Leveraging our prudent risk management system, professional management team and good culture of enterprise managing, we believe that our key competitiveness and long-term profitability will continue to increase. We will strengthen our existing market and business as a foundation to further explore new regional markets in Guangdong province, and continue to enhance our influence and competitiveness in the financing guarantee industry in China. To realize our strategic goal, we intend to implement the following measures:

- Strategically expand our branch network and extend our reach in the industrial chain;
- Product development and innovation;
- Strengthen our cooperative relationships with re-guarantee institutions, other guarantee companies and local governments to further optimize our risk management;
- Continue to enhance our information technology and other capabilities to strengthen our risk management and internal control; and
- Continue to attract, retain, motivate and train experienced and talented employees.

SUMMARY

OUR COOPERATIVE RELATIONSHIPS

We maintain cooperative relationships with commercial banks, re-guarantee institutions, other guarantee companies and local governments.

As of June 30, 2015, we had established cooperative relationships with 13 commercial banks. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our cooperative banks had agreed to grant credit lines of approximately RMB8.4 billion, RMB9.1 billion, RMB7.8 billion and RMB6.9 billion, respectively, in aggregate to us. Such credit lines represent the maximum amount of financings that we are permitted to guarantee. We have entered into re-guarantee arrangements with several re-guarantee institutions, which will pay the default amount for us to settle with the lenders in the event that we are insolvent and cannot settle such default amount for our customers. We have entered into joint-guarantee arrangements with other guarantee institutions, which will pay a certain portion of the default amount to us in the event that we settle the full default amount for our customers. We have also entered into cooperative agreements with several local governments to better manage our credit risks through allocating the risks between the local government and us.

KEY FINANCIAL AND OPERATING DATA

Selected Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Revenue	236,475	261,845	307,343	152,940	144,907
Other revenue	24,590	21,458	20,992	7,436	8,180
Share of profits of associates..	3,462	4,376	2,355	2,355	–
Net gain on disposal of an associate	–	1,270	–	–	–
Net gain on disposal of subsidiaries	–	–	473	473	–
Provisions for guarantee losses	(10,125)	(13,590)	(8,146)	(1,632)	10,883
Impairment losses	(36,562)	(20,424)	(29,361)	(14,051)	(23,317)
Operating expenses	(63,315)	(80,177)	(82,035)	(40,451)	(43,044)
Profit before taxation	154,525	174,758	211,621	107,070	97,609
Income tax	(38,734)	(43,789)	(54,867)	(27,916)	(25,225)
Profit for the year/period ...	<u>115,791</u>	<u>130,969</u>	<u>156,754</u>	<u>79,154</u>	<u>72,384</u>

SUMMARY

Selected Consolidated Statement of Financial Position

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Assets				
Cash and cash equivalents	652,827	789,320	858,328	582,905
Pledged bank deposits	214,801	232,230	240,321	228,871
Trade and other receivables	116,234	152,854	219,338	307,915
Loans and advances to customers	179,847	84,104	357,367	569,640
Derivative financial assets	–	639	–	–
Available-for-sale financial assets	19,242	89,663	18,497	33,786
Receivable investment	54,549	31,500	120,500	65,000
Interest in associates	42,770	30,947	–	–
Fixed assets	4,041	4,020	4,860	4,355
Intangible assets	16	4	232	1,879
Goodwill	–	2,605	419	419
Deferred tax assets	10,044	13,408	32,466	17,966
Total assets	<u>1,294,371</u>	<u>1,431,294</u>	<u>1,852,328</u>	<u>1,812,736</u>
Liabilities				
Interest-bearing borrowings	52,900	–	75,000	75,000
Liabilities from guarantees	142,961	184,398	175,415	153,220
Customer pledged deposits	39,503	16,672	14,505	15,632
Accruals and other payables	46,540	49,865	135,094	68,598
Current tax liabilities	17,944	23,130	35,314	19,186
Other financial instrument-liability component	–	–	92,983	95,866
Total liabilities	<u>299,848</u>	<u>274,065</u>	<u>528,311</u>	<u>427,502</u>
NET ASSETS	<u>994,523</u>	<u>1,157,229</u>	<u>1,324,017</u>	<u>1,385,234</u>

Guarantees we provide for our customers are our off-balance sheet commitments.

SUMMARY

Revenue Breakdown by Segment

Set forth below is a breakdown of our segment revenue and their respective percentages to the total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except for percentages)										
Guarantees										
— Net guarantee fee income ⁽¹⁾	154.6	65.4	161.4	61.7	163.4	53.2	85.4	55.9	67.9	46.9
SME Lendings										
— SME lending net interest income ⁽²⁾	43.9	18.6	63.9	24.3	93.9	30.5	39.9	26.1	55.2	38.1
Others										
— Service fee from consulting services ⁽³⁾	25.1	10.6	26.1	10.0	41.8	13.6	22.0	14.4	17.6	12.1
— Other net interest income ⁽⁴⁾	12.9	5.4	10.4	4.0	8.2	2.7	5.6	3.6	4.2	2.9
Total	<u>236.5</u>	<u>100.0</u>	<u>261.8</u>	<u>100.0</u>	<u>307.3</u>	<u>100.0</u>	<u>152.9</u>	<u>100.0</u>	<u>144.9</u>	<u>100.0</u>

Notes:

- ⁽¹⁾ Net guarantee fee income represents guarantee fee income with re-guarantee fees deducted.
- ⁽²⁾ SME lending net interest income represents the interest income from our loans and advances to customers with interest expenses from bank borrowings deducted.
- ⁽³⁾ Service fee from consulting services primarily relates to our provision of consulting services. See “Consulting Services.”
- ⁽⁴⁾ Other net interest income represents the interest income from our cash at banks and pledged bank deposits with the interest expenses from other financial instrument — liability component deducted.

SUMMARY

Certain Data relating to Our Guarantee Business

Set forth below is a breakdown of the net balance of our outstanding guarantees by product and service and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Financing guarantees								
Indirect financing guarantees ..	3,543.0	81.1	3,991.2	76.5	3,366.4	71.8	2,727.4	62.2
Direct financing guarantees	439.2	10.1	798.0	15.3	934.5	19.9	947.9	21.6
Subtotal	3,982.2	91.2	4,789.2	91.8	4,300.9	91.7	3,675.2	83.8
Non-financing guarantees								
Attachment bonds	192.7	4.4	242.8	4.6	221.5	4.7	227.7	5.2
Construction contract bonds and other contract bonds	191.5	4.4	186.9	3.6	165.8	3.6	484.6	11.0
Subtotal	384.2	8.8	429.6	8.2	387.3	8.3	712.3	16.2
Total	4,366.4	100.0	5,218.8	100.0	4,688.2	100.0	4,387.5	100.0

Note:

- (1) Net balance of our outstanding guarantees as of the end of a period indicates our potential risks of guarantee losses as of the end of the period. In calculating the net balance of our outstanding guarantees as of the end of a period, we deduct the following numbers from the balance of the outstanding guarantees: (i) the balance of the outstanding guarantees which have been jointly-guaranteed by other guarantee companies; and (ii) the balance of the outstanding guarantees for which the government guarantee funds share a certain portion of the risks with us. See “Business — Products and Services — Guarantees — Financing Guarantees — Indirect Financing Guarantees — III. Joint-guarantee Arrangements with Guangzhou Guarantee, China United Guarantee and Anhui Guarantee Group” and “Business — Products and Services — Guarantees — Financing Guarantees — Indirect Financing Guarantees — IV. Cooperations with Local Governments”.

SUMMARY

Set forth below is a breakdown of the average balance of our outstanding guarantees, namely the average balance during a specified period, by product and service, and their respective percentages to the total average balance of our outstanding guarantees during the periods indicated:

	Year ended December 31,						Six months ended		Six months ended	
	2012		2013		2014		June 30, 2014		June 30, 2015	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)										
Financing guarantees										
Indirect financing										
guarantees	3,823.5	84.6	4,093.8	77.1	4,091.9	74.9	4,293.7	75.3	3,276.6	70.3
Direct financing										
guarantees	397.0	8.8	744.8	14.0	1,048.1	19.2	1,048.0	18.4	821.3	17.6
Non-financing guarantees										
Attachment bonds	142.2	3.1	222.3	4.2	187.1	3.4	219.3	2.5	227.2	4.9
Construction contract										
bonds and other contract										
bonds	157.7	3.5	247.1	4.7	138.8	2.5	144.3	3.8	335.1	7.2
Total average	4,520.4	100.0	5,308.0	100.0	5,465.9	100.0	5,705.2	100.0	4,660.2	100.0

Note:

(1) Average balance of our outstanding guarantees during a period indicates the scale of our guarantee business during the period. In calculating the average balance of our outstanding guarantees during a period, we do not deduct (i) the balance of the outstanding guarantees which have been jointly-guaranteed by other guarantee companies; or (ii) the balance of the outstanding guarantees for which the government guarantee funds share a certain portion of the risks with us.

There is no seasonality in our guarantee business.

Set forth below is our average guarantee fee ratios for the periods indicated, calculated as guarantee fee income divided by the average balance of our outstanding guarantees during the respective period:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 ⁽¹⁾	2015 ⁽¹⁾
Financing guarantees	3.6%	3.3%	3.3%	3.4%	3.4%
Indirect financing guarantees	3.8%	3.7%	3.7%	3.8%	3.8%
Direct financing guarantees	1.9%	1.3%	1.5%	1.4%	2.0%
Non-financing guarantees	1.2%	1.0%	0.8%	0.6%	0.8%
Construction Contract Bonds and					
Other Contract Bonds	1.8%	1.6%	1.5%	1.6%	1.2%
Attachment Bonds	0.5%	0.3%	0.2%	0.0% ⁽²⁾	0.0% ⁽²⁾
Average	3.5%	3.1%	3.1%	3.2%	3.0%

Notes:

(1) Annualized guarantee fee ratios, calculated as annualized guarantee fee income divided by the average balance of our outstanding guarantees during the respective period. Annualized guarantee fee income is calculated by multiplying by two the guarantee fee income during the six months.

(2) We recognized guarantee fee income from certain attachment bonds we provided in the year ended December 31, 2013 and 2014, respectively. However, the underlying legal proceedings remained pending after we recognized such guarantee fee income, and contributed to the average balance of our outstanding attachment bonds for the six months ended June 30, 2014 and 2015, respectively. As a result, the average guarantee fee ratios for the attachment bonds for the six months ended June 30, 2014 and 2015 were lowered.

SUMMARY

Set forth below are the key ratios in our guarantee business as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30, 2015
	2012	2013	2014	
Default rate ⁽¹⁾	1.96%	1.59%	1.59%	1.75%
Provision ratio ⁽²⁾	1.25%	1.31%	1.63%	1.50%
Loss ratio ⁽³⁾	0.60%	0.56%	0.48%	0.46%
Loss/revenue ratio ⁽⁴⁾	13.56%	13.05%	13.00%	13.61%
Recovery ratio ⁽⁵⁾	17.38%	15.53%	22.47%	32.69%

Notes:

- (1) *Default payment for a period divided by guarantees released during the same period. Default rate indicates the quality of our guarantee portfolio.*
- (2) *Provisions for guarantee losses at a period end divided by the net balance of the outstanding guarantees. The provision ratio indicates the level of reserve we set aside for our guarantee portfolio.*
- (3) *Impairment losses on receivables for default guarantee payments divided by guarantees released. Loss ratio indicates the level of estimated loss for our receivables for default guarantee payments.*
- (4) *Impairment losses on receivables for default guarantee payments divided by revenue from our guarantee business.*
- (5) *Recovered amount for the period indicated divided by default payment during the same period.*

As of December 31, 2012, 2013 and 2014 and June 30, 2015 and October 31, 2015, the loan-to-value ratio of our secured guarantees (calculated as the net balance of our secured guarantees divided by the value of the collateral securing the guarantees) was 115.9%, 122.8%, 100.6%, 98.5% and 97.6%, respectively.

Certain Data relating to Our SME Lending Business

Set forth below is the key operating data of our entrusted loan business as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30, 2015
	2012	2013	2014	
(RMB in millions, except for percentages)				
Balance	192.1	86.2	117.7	319.0
Average month end balance ⁽¹⁾	229.7	339.0	336.5	374.5
Interest income	42.6	61.6	69.0	32.9
Average interest fee rate ⁽²⁾	18.5%	18.2%	20.5%	17.6%

Notes:

- (1) *The average month end balance for the years ended December 31, 2012, 2013 and 2014 are derived by averaging our month end balances of our entrusted loans during the relevant period.*
- (2) *Average interest fee rates is derived by dividing the interest income from our entrusted loan business by average month end balance of our entrusted loans during the respective years.*
Average interest fee rate for the six months ended June 30, 2015 is derived by dividing the annualized interest income from our entrusted loan business by average month end balance of our entrusted loans for the six months ended June 30, 2015. The annualized interest income from our entrusted loan business is calculated by multiplying by two the interest income from our entrusted loan business for the six months ended June 30, 2015.

SUMMARY

Set forth below is the key operating data of our micro-lending business as of the dates or for the periods indicated:

	As of or for the six months ended			
	December 31, 2014		June 30, 2015	
	(RMB in millions, except for percentages)			
	Amount	%	Amount	%
Balance				
— Small and medium loans	254.8	94.8	277.4	96.4
— Micro loans	14.0	5.2	10.5	3.6
Total	<u>268.8</u>	<u>100.0</u>	<u>287.9</u>	<u>100.0</u>
Average month end balance ⁽¹⁾	241.3		254.7	
Interest income.....	25.2		24.6	
Average interest fee rate ⁽²⁾	20.9%		19.3%	

Notes:

- (1) The average month end balance is derived by averaging our month end balances of our micro-lendings during the relevant period.
- (2) Average interest fee rate is derived by dividing the annualized interest income from our micro-lending business by average month end balance of our micro-lendings. The annualized interest income from our micro-lending business is calculated by multiplying the interest income from our micro-lending business by two.

Set forth below are the key ratios of our SME lending business as of the dates and for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Impaired loan ratio⁽¹⁾				
Entrusted loans	12.3%	23.1%	21.9%	22.2%
Micro lendings ⁽²⁾	—	—	0.8%	1.1%
Allowance coverage⁽³⁾				
Entrusted loans	99.6%	92.0%	67.4%	33.3%
Micro lending	—	—	557.1%	441.9%
Provisions for impairment losses ratio⁽⁴⁾				
Entrusted loans	12.2%	21.3%	14.8%	7.4%
Micro lending	—	—	4.4%	4.8%
Loss/revenue ratio⁽⁵⁾				
Entrusted loans	39.4%	—	2.5%	18.5%
Micro lending	—	—	23.0%	8.1%

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Notes:

- (1) *The balance of impaired loans divided by the balance of loans. Impaired loan ratio indicates the quality of our loan portfolio.*
- (2) *Data of our micro-lending business as of or for the years ended December 31, 2012 and 2013 is not included as we only consolidated its results since June 2014. See "Products and Services — Micro-lending."*
- (3) *Allowance for impairment loss for all loans (including allowances provided for performing loans which are assessed collectively, and allowances provided for impaired loans which are assessed individually) divided by the balance of impaired loans. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.*
- (4) *Allowance for impairment losses divided by the balance of loans. Provision for impairment losses ratio measures the cumulative level of provisions.*
- (5) *Impairment loss on loans divided by interest income from our micro-lending or entrusted loan business. Loss/revenue ratio is a benchmark which our management uses to monitor our financial results in relation to impairment loss incurred.*

We assess our allowance for impairment losses both individually and collectively. The allowance coverage for the impairment losses of the entrusted loans assessed collectively remained stable from December 31, 2013 to June 30, 2015. The allowance coverage for the impairment losses of the entrusted loans assessed individually decreased from December 31, 2013 to December 31, 2014, and further decreased from December 31, 2014 to June 30, 2015, because the entrusted loans impaired in 2014 and the six months ended June 30, 2015 were guaranteed by collateral of relatively higher value. The value of the collateral accounted for 15.7% of the impaired entrusted loans in 2013, and such percentage increased to 42.8% in 2014 and 135.7% in the six months ended June 30, 2015. Therefore, the overall allowance coverage for the impairment losses of the entrusted loans decreased from December 31, 2013 to December 31, 2014, and further decreased from December 31, 2014 to June 30, 2015. As our impaired loan ratio remained stable from 2013 to the six months ended June 30, 2015, the provision for impairment losses ratio also decreased from December 31, 2013 to December 31, 2014, and further decreased from December 31, 2014 to June 30, 2015.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the loan-to-value ratio of our entrusted loans (calculated as the net balance of our entrusted loans divided by the value of the collateral securing the entrusted loans) was 23.7%, 101.2%, 70.7% and 60.8%, respectively. As of December 31, 2014 and June 30, 2015, the loan-to-value ratio of our micro-lendings (calculated as the net balance of our micro-lendings divided by the value of the collateral securing the micro-lendings) was 57.0% and 51.8%, respectively. Such loan-to-value ratios have not taken into account our provision of capital under our financing solutions and arrangements.

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Key Financial Ratios

The followings table sets out a summary of certain financial ratios for the periods or as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
Return on net assets ⁽¹⁾	13.0%	12.2%	12.6%	10.7%
Return on assets ⁽²⁾	9.5%	9.6%	9.5%	7.9%
Net profit margin ⁽³⁾	49.0%	50.0%	51.0%	50.0%

Notes:

- (1) *Return on net assets as of December 31, 2012, 2013 and 2014 is calculated as net profit divided by the average total net assets at the beginning and the end of the year.*
- Return on net assets as of June 30, 2015 is calculated as the annualized net profit divided by the average total net assets at the beginning and the end of the period of the six months ended June 30, 2015. The annualized net profit is calculated as the net profit for the six months ended June 30, 2015, multiplied by two.*
- (2) *Return on assets as of December 31, 2012, 2013 and 2014 is calculated as net profit divided by the average total assets at the beginning and the end of the year.*
- Return on assets as of June 30, 2015 is calculated as the annualized net profit divided by the average total assets at the beginning and the end of the period of the six months ended June 30, 2015.*
- (3) *Net profit margin is calculated as net profit divided by revenue.*

[REDACTED] STATISTICS

We have prepared the following offer statistics on the basis of hypothetical [REDACTED] without taking into account the 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

	Based on [REDACTED] per [REDACTED] of HK\$[REDACTED]	Based on [REDACTED] per [REDACTED] of HK\$[REDACTED]
Market capitalization ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited <i>pro forma</i> adjusted net tangible asset value per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

- (1) *The calculation of market capitalization is based on [REDACTED] Shares expected to be issued and outstanding following the [REDACTED] (including [REDACTED] Domestic Shares, [REDACTED] H Shares to be issued by our Company in the [REDACTED] and [REDACTED] H Shares to be converted from our Domestic Shares and offered for sale by the Selling Shareholders).*
- (2) *The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II.*

For details about our ownership and corporate structure immediately after the [REDACTED], see "History, Reorganization and Corporate Structure — Corporate Structure" beginning on page 117.

SUMMARY

DIVIDEND POLICY

Dividends may be paid only out of distributable profits as determined under PRC GAAP or HKFRS. We paid cash dividends of RMB83.5 million, RMB109.7 million, RMB72.0 million and RMB80.0 million, respectively, to our Shareholders in 2012, 2013, 2014 and the six months ended June 30, 2015. Our dividend distributions during the Track Record Period have complied with the applicable reserve requirements in the PRC.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders no less than 30% of any distributable profit (excluding the impact of related deferred tax) for the year ending December 31, 2015 and for each financial year after our [REDACTED]. However, we will reevaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. See “Financial Information — Dividends and Distributable Reserves” beginning on page 320.

LISTING EXPENSES

We expect the total listing expenses will be approximately RMB[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of our indicative [REDACTED] range. By June 30, 2015, we incurred listing expenses of approximately [REDACTED], of which approximately RMB[REDACTED] was charged to our operating expenses accumulately, and approximately RMB[REDACTED] is to be charged to equity upon Listing. We expect to incur additional listing expenses of RMB[REDACTED] in connection with the [REDACTED] subsequent to the Track Record Period, of which RMB[REDACTED] is expected to be charged to our operating expenses and RMB[REDACTED] to be charged to equity. We do not expect such listing expenses to have a material impact on our results of operations for the year ending December 31, 2015.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the [REDACTED] we expect to receive (after deduction of underwriting fees and estimated expenses in connection with the [REDACTED]) are estimated to be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the stated [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]. We presently plan to use such net proceeds of the [REDACTED] as follows:

- approximately 54%, or HK\$[REDACTED], is expected to be used to develop financing guarantee business, establish new subsidiaries or associated companies and branches (including those in Dongguan, Yunfu and Zhuhai, Guangdong province) and increase our capital base for financing guarantee and expand our business in order to enhance our competitive advantage in the financing guarantee market;
- approximately 22%, or HK\$[REDACTED], is expected to be used to develop SMEs lending business. We plan to establish new subsidiaries or associated companies and increase capital base in order to expand our SME lending business and improve our status in the market;
- approximately 17%, or HK\$[REDACTED], is expected to be used to develop finance leasing business, establish new finance leasing subsidiaries and explore and optimise related industries. We plan to establish a finance lease company in 2016; and

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- approximately 7%, or HK\$[REDACTED], is expected to be used to supplement operating capital and other business expenses.

For more information, see “Future Plans and Use of Proceeds” beginning on page 323.

RISK FACTORS

There are certain risks relating to investment in the [REDACTED]. Some of the particular risks in investing in the [REDACTED] are further described in “Risk Factors” beginning on page 34. These can be categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to our [REDACTED].

We believe a few of the more significant risks relating to our business include:

- A significant portion of our income is derived from SMEs and individual business proprietors, which may be more susceptible to adverse changes in market, general economic and industry conditions than larger enterprise, which, in turn, may materially and adversely affect our business, financial condition and results of operations;
- Our risk management policies and procedures and internal control systems may not enable us to effectively prevent or detect risks and assess the magnitude of potential losses, which may materially and adversely affect our business, financial condition, results of operations and reputation;
- We rely on cooperation with commercial banks, and hence failure to maintain such relationships with our existing cooperative banks or to build new cooperative relationships could materially and adversely affect our business, financial condition, results of operations and prospects;
- We have entered into re-guarantee and joint-guarantee arrangements with other re-guarantee and guarantee companies and government authorities to enhance our credit profile, brand recognition or risk management capabilities, and failure to maintain such arrangements or to enter into new re-guarantee or joint-guarantee arrangements could materially and adversely affect our business, financial condition, results of operations and prospects;
- Our business is concentrated in Guangdong province and Anhui province, and any significant deterioration in the economic development in Guangdong or Anhui provinces may materially and adversely affect our business, financial condition, results of operations and prospects; and
- The success of our business model is related to a number of conditions in the banking industry, and therefore changes or fluctuations in the banking industry may have a material and adverse effect on our business, financial condition, results of operations or prospects.

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REGULATIONS AND NON-COMPLIANCE

Our operations are subject to a number of PRC laws and regulations, including those set out in "Regulations" beginning on page 81. During the Track Record Period and up to the Latest Practicable Date, there were certain historical incidents of non-compliance in our operations, including the following: (i) Anhui Join-Share changed its place of business without approval and registration, (ii) our Company failed to comply with the payment regulations for employees' social security and housing provident fund, (iii) our Dongguan and Zhaoqing branches have not filed for social security registration, and (iv) our Shunde, Guangzhou, Dongguan and Zhaoqing branches have not filed for housing provident fund registration. For further information about these incidents, including our remedial measures and enhanced internal control, see "Business — Compliance Matters — Non-compliance" beginning on page 195.

RECENT DEVELOPMENT

The growth of the overall Chinese economy slows down during the ten months ended October 31, 2015. We believe that SMEs in China, which are our primary source of customers, are more susceptible to such adverse macro-economic conditions given their sizes. As a result, the commercial banks in China have been continuing to tighten their credit policies for SMEs and to better manage our credit risk, we have also been continuing to tighten our overall requirements in our project assessment and acceptance process before approving a project. As a result of the foregoing, our overall business scale and performance has been and is expected to be affected for the year ending December 31, 2015.

Our total revenue decreased by 7.5% for the ten months ended October 31, 2015 as compared to that for the same period in 2014, primarily due to a decrease by 20.6% in our net guarantee fee income, and by 21.9% in service fee from consulting services, offset by an increase by 20.7% in our net interest income. Our total revenue decreased by 10.9% for the four months ended October 31, 2015 as compared to that for the same period in 2014, primarily due to a decrease by 20.7% in our net guarantee fee income, and by 24.3% in service fee from consulting services, offset by an increase by 8.5% in our net interest income. Our monthly average revenue for the four months ended October 31, 2015 decreased by 6.1% as compared to that for the six months ended June 30, 2015, primarily due to a decrease by 12.0% in our monthly average net guarantee fee income for the four months ended October 31, 2015 as compared to the six months ended June 30, 2015.

Net Guarantee Fee Income

The decrease in our net guarantee fee income was primarily due to a decrease in the average balance of our outstanding guarantees, which was in turn primarily due to the tightened credit policies of the commercial banks in China and our tightened customer assessment and acceptance policies in response to the general slowdown of the macro-economic conditions in China.

The Ten Months Ended October 31, 2015 Compared to the Ten Months Ended October 31, 2014

Our net guarantee fee income decreased by 20.6% for the ten months ended October 31, 2015 as compared to the same period in 2014, primarily due to a decrease in the average balance of our outstanding guarantees by 16.9% for the ten months ended October 31, 2015 as compared to the same period in 2014. The annualized average guarantee fee ratio for the ten months ended October 31, 2015 was 3.0%, as compared to 3.1% for the ten months ended October 31, 2014.

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The Four Months Ended October 31, 2015 Compared to the Four Months Ended October 31, 2014

Our net guarantee fee income decreased by 20.7% for the four months ended October 31, 2015 as compared to the four months ended October 31, 2014, primarily due to a decrease in the average balance of our outstanding guarantees by 14.5% for the four months ended October 31, 2015 as compared to the same period in 2014. The annualized average guarantee fee ratio for the four months ended October 31, 2015 was 2.9%, which was the same as that for the four months ended October 31, 2014.

Monthly Average Net Guarantee Fee Income for the Four Months Ended October 31, 2015 Compared to the Six Months Ended June 30, 2015

Our monthly average net guarantee fee income decreased by 12.0% for the four months ended October 31, 2015 as compared to the six months ended June 30, 2015, primarily due to a decrease in the average balance of our outstanding guarantees by 2.0% for the four months ended October 31, 2015 as compared to the six months ended June 30, 2015, and an increase in re-guarantee expense by 60.3% for the four months ended October 31, 2015 as compared to the six months ended June 30, 2015, as a result of the decrease of reimbursement we expected to receive from China United Guarantee. Under our joint-guarantee arrangements with China United Guarantee, China United Guarantee will reimburse us certain amount of joint-guarantee fees it receives, depending on the actual default ratio. Please refer to "Business — Products and Services — Guarantees — Financing Guarantees — Indirect Financing Guarantees — III. Joint-guarantee Arrangements with Guangzhou Guarantee, China United Guarantee and Anhui Guarantee Group — (ii) Joint-guarantee arrangements with China United Guarantee" for further details. In 2015, the default rate for the guarantees we provided increased. As a result, the default amount we requested China United Guarantee to pay for us increased, and the reimbursement we expected to receive from China United Guarantee decreased. The annualized average guarantee fee ratio for the four months ended October 31, 2015 was 2.9%, as compared to 3.1% for the six months ended June 30, 2015.

Other Key Ratios

The net balance of our outstanding guarantees as of October 31, 2015 was RMB4,491.0 million, which increased slightly by 2.4% as compared to that as of June 30, 2015.

Due to the general slowdown in China's economic growth which in turn impacted the financial condition of SMEs, our default rate and our default payments for our guarantee business for the ten months ended October 31, 2015 were 1.97% and RMB65.3 million, respectively. There was no significant default payment in November 2015.

SME Lending Net Interest Income

Our SME lending net interest income for the ten months ended October 31, 2015 increased by 20.7% as compared to that for the same period in 2014, which was primarily attributable to the increase by 148.4% in interest income from our micro-lending business, primarily as a result of the consolidation of Foshan Micro Credit in our financial statements since June 2014, and partially offset by the decrease of 5.1% in interest income from our entrusted loan business.

Our SME lending net interest income for the four months ended October 31, 2015 increased by 8.5% as compared to that for the same period in 2014, which was primarily attributable to the increase by 9.9% in interest income from our entrusted loan business, and to a lesser extent, by the increase of 0.5% in interest income from our micro-lending business.

Our monthly average SME lending net interest income for the four months ended October 31, 2015 decreased by 1.3% as compared to that for the six months ended June 30, 2015, which was primarily

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attributable to the decrease by 1.4% in interest income from our entrusted loan business, and partially offset by the increase of 2.0% in interest income from our micro-lending business.

Interest Income from Our Entrusted Loan Business

The Ten Months Ended October 31, 2015 Compared to the Ten Months Ended October 31, 2014

The interest income from our entrusted loan business for the ten months ended October 31, 2015 decreased by 5.1% as compared to that for the same period in 2014, which was primarily attributable to the decrease in the annualized average interest fee rate from 19.4% to 15.6%, as a result of (i) the decrease of PBOC benchmark interest rate in the ten months ended October 31, 2015; and (ii) the entrusted loans of larger amount which accounted for an increasing portion in our entrusted loan portfolio, and the interest rates for such entrusted loans generally lower in the ten months ended October 31, 2015. The decrease in the annualized average interest fee rate was partially offset by the increase in the average month end balance of entrusted loans by 18.0%.

The Four Months Ended October 31, 2015 Compared to the Four Months Ended October 31, 2014

The interest income from our entrusted loan business for the four months ended October 31, 2015 increased by 9.9% as compared to that for the same period in 2014, which was primarily attributable to the increase in average month end balance of entrusted loans by 57.0%, and partially offset by the decrease in the annualized average interest fee rate from 19.1% to 13.4%.

Monthly Average Interest Income for Our Entrusted Loan Business for the Four Months Ended October 31, 2015 Compared to the Six Months Ended June 30, 2015

The monthly average interest income from our entrusted loan business for the four months ended October 31, 2015 decreased by 1.4% as compared to that for six months ended June 30, 2015, which was primarily attributable to the decrease in the annualized average interest fee rate from 17.6% to 13.4%, and partially offset by the increase in average month end balance of entrusted loans by 29.1%.

Other Key Ratios

Our outstanding entrusted loan balance as of October 31, 2015 was RMB475.6 million, which increased by 49.1% as compared to that as of June 30, 2015.

The balance of impaired loans for the entrusted loan business increased to RMB88.2 million as of October 31, 2015 from RMB70.9 million as of June 30, 2015. The impaired loan ratio for the entrusted loan business decreased to 18.5% as of October 31, 2015 from 22.2% as of June 30, 2015 as a result of the increase of the entrusted loan balance. The allowance coverage for the entrusted loan business decreased to 29.5% as of October 31, 2015 from 33.3% as of June 30, 2015.

Interest Income from Our Micro-lending Business

The Ten Months Ended October 31, 2015 Compared to the Ten Months Ended October 31, 2014

The interest income from our micro-lending business for the ten months ended October 31, 2015 increased by 148.4% as compared to that for the same period in 2014, primarily as a result of the consolidation of Foshan Micro Credit in our financial statements since June 2014, and partially offset by the decrease in the annualized average interest fee rate for our micro-lending business from 22.0% to 18.5% as a result of the decrease of PBOC benchmark interest rate in the ten months ended October 31, 2015.

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The Four Months Ended October 31, 2015 Compared to the Four Months Ended October 31, 2014

The interest income from our micro-lending business for the four months ended October 31, 2015 increased by 0.5% as compared to that for the same period in 2014, which was primarily attributable to the increase in average month end balance of micro-lendings by 21.9%, and partially offset by the decrease in the annualized average interest fee rate from 21.2% to 17.5%.

Monthly Average Interest Income for Our Micro-lending Business for the Four Months Ended October 31, 2015 Compared to the Six Months Ended June 30, 2015

The monthly average interest income from our micro-lending business for the four months ended October 31, 2015 increased by 2.0% as compared to that for six months ended June 30, 2015, which was primarily attributable to the increase in average month end balance of micro-lendings by 12.6%, and partially offset by the decrease in the annualized average interest fee rate from 19.3% to 17.5%.

Other Key Ratios

Our outstanding micro-lending balance as of October 31, 2015 was RMB283.4 million, which slightly decreased by 1.6% as compared to that as of June 30, 2015.

The balance of impaired loans for the micro-lending business as of October 31, 2015 remained RMB3.1 million, which is the same as that as of June 30, 2015. The impaired loan ratio for the micro-lending business as of October 31, 2015 remained at 1.1%, which is the same as that as of June 30, 2015. The allowance coverage for the micro-lending business as of October 31, 2015 increased to 445.2%, as compared to 441.9% as of June 30, 2015.

The financial information for the ten months ended October 31, 2015 was extracted from our unaudited condensed consolidated interim financial statement for the ten months ended October 31, 2015 prepared by our Directors, which has been reviewed by our reporting accountants, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Other Recent Development

Subsequent to June 30, 2015 and as of October 31, 2015, we entered into cooperation agreements with three commercial banks and a cooperation agreement with Guangdong Re-Guarantee for cooperation in the contract bonds business.

Foshan Micro Credit issued two series of private placement bonds, each of which is of an amount of RMB25.0 million, in September 2015 and October 2015, respectively. The proceeds from such issuance of private placement bonds were used for the development of our micro-lending business. We consider issuance of private placement bonds as an alternative source of financing that we may use to develop our business in the future.

In addition, in preparation for our Listing, we expect to incur additional listing expenses of RMB[REDACTED] million subsequent to June 30, 2015, as further described in "— Listing Expenses" above.

Except as disclosed above and elsewhere in this document, our Directors confirm that, since June 30, 2015 and up to the date of this document, there has been no material adverse change in our financial or trading position, and there has been no event since June 30, 2015 and up to the date of this document which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings:

“Anhui Guarantee Group”	Anhui Credit Guarantee Group Co., Ltd. (安徽省信用擔保集團有限公司) is a re-guarantee institution with a registered capital of approximately RMB10.77 billion as of July 14, 2015 controlled by the government of Anhui province and an Independent Third Party
“Anhui Join-Share”	Anhui Join-Share Financing Guarantee Co., Ltd. (安徽中盈盛達融資擔保有限公司), a company incorporated on August 31, 2009 in the PRC with 51% of its equity interest being held by our Company. Details of the shareholding of the remaining 49% equity interest are set out in “History, Reorganization and Corporate Structure — Corporate Structure”
[REDACTED]	
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on April 8, 2015 as amended from time to time, a summary of which has been set out in Appendix IV to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or a public holiday in Hong Kong
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board
“China” or the “PRC”	the People’s Republic of China, excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region and Taiwan
“China Fortune Trust”	China Fortune International Trust Co., Ltd. (華鑫國際信託有限公司), a limited liability company established under the laws of the PRC and an Independent Third Party
“China United Guarantee”	China United SME Guarantee Corporation (中合中小企業融資擔保股份有限公司), a sino-foreign equity joint venture financing joint stock limited guarantee company established in 2012 by seven shareholders under the laws of the PRC with a registered capital of approximately RMB5.1 billion and a credit rating of AAA since 2012 from various PRC credit rating agencies and an Independent Third Party
“Chinese government” or “PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“CIETAC”	the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	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), formerly known as Foshan Yingda, a joint stock limited company established in the PRC on May 23, 2003 and, except where the context indicates otherwise, includes (i) all of its subsidiaries and (ii) with respect to the period before it became the holding company of its present subsidiaries, the businesses operated by its present subsidiaries or, as the case may be, their predecessors

DEFINITIONS

“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise
“Corporate Reorganization”	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in “Reorganization” under “History, Reorganization and Corporate Structure”
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company as of the date of this document
“Domestic Shares”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-established entities
“EIT Law”	The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Foshan Angel Company”	Foshan Angel Small and Medium-sized Enterprises Financing Service Center Co., Ltd. (佛山天使中小企業融資服務中心有限公司), a company incorporated in the PRC on January 19, 2012 and an Independent Third Party
“Foshan Consultancy”	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), a company incorporated in the PRC on November 11, 2005 and a wholly owned subsidiary of our Company
“Foshan Join-Share Industrial Investment”	Foshan Join-Share Industrial Investment Co., Ltd. (佛山中盈興業投資有限公司), a company incorporated in the PRC on September 29, 2007 and a wholly owned subsidiary of our Company
“Foshan Micro Credit”	Foshan Chancheng Join-Share Micro Credit Co., Ltd. (佛山禪城中盈盛達小額貸款有限公司), a company incorporated in the PRC on May 30, 2011 with 30% of its equity interest being held by our Company. Details of the shareholding of the remaining 70% equity interest are set out in “History, Reorganization and Corporate Structure — Corporate Structure”

DEFINITIONS

“Foshan Pawn”	Foshan Join-Share Pawn Co., Ltd. (佛山中盈盛達典當有限公司), a company incorporated in the PRC on November 13, 2007 and an Independent Third Party
“Foshan Venture Growth”	Foshan Venture Growth Investment Centre L.P. (佛山創業成長投資中心(有限合夥)), a limited partnership incorporated in the PRC on April 15, 2008 and a shareholder of our Company
“Foshan Yingda”	Foshan Yingda Guarantee Investment Co., Ltd. (佛山盈達擔保投資有限公司), the predecessor of the Company

[REDACTED]

“Golden Credit”	Golden Credit Rating International Co., Ltd. (東方金誠國際信用評估有限公司), a national credit rating agency in the PRC established in 2005 and headquartered in Beijing and an Independent Third Party
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[REDACTED]

“Guangdong Re-Guarantee”	Guangdong Financing Re-Guarantee Company Limited (廣東省融資再擔保有限公司) is a policy-oriented re-guarantee institution established in 2009 with a registered capital of approximately RMB5.01 billion as of July 10, 2015 and an Independent Third Party
“Guangdong Yuecai Trust”	Guangdong Yuecai Trust Co., Ltd. (廣東粵財信託有限公司), a limited liability company established under the laws of the PRC and an Independent Third Party
“Guangzhou Guarantee”	Guangzhou Financing Guarantee Center (廣州市融資擔保中心有限責任公司) is a policy-oriented guarantee institution with a registered capital of RMB515 million as of the Latest Practicable Date and an Independent Third Party
“Hangshi Pawn”	Anhui Hangshi Pawn Co., Ltd. (安徽省夯實典當有限公司), a company incorporated on April 28, 2010 in the PRC and an Independent Third Party
“HanTang Securities”	HanTang Securities Co., Ltd. (漢唐證券有限責任公司), a company went bankrupt in 2005 and an Independent Third Party. For details, see “Accountants’ Report — 5 Profit Before Taxation — (a) Impairment and provision — charged/(written back)” in Appendix I
“Heading Century”	Beijing Heading Century Consulting Co., Ltd. (北京漢鼎盛世諮詢服務有限公司), a PRC market research and consulting company and an Independent Third Party

DEFINITIONS

“H Share(s)”	ordinary shares issued by us, with Renminbi denominated nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in HK dollars and for which an application has been made for listing and permission to trade on the Stock Exchange
“H Share Registrar”	[REDACTED]
“Hefei Consultancy”	Hefei Join-Share Consultancy Service Co., Ltd. (合肥中盈盛達諮詢服務有限公司), a company incorporated on May 8, 2010 in the PRC and a wholly owned subsidiary of Anhui Join-Share
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards, which collectively include Hong Kong Accounting Standards and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants
“HKIAC”	Hong Kong International Arbitration Centre
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Underwriters”	the underwriters of the [REDACTED], whose names are set out in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated [REDACTED] relating to the [REDACTED] entered into among our Company and the Hong Kong Underwriters, as further described in “Underwriting”
“Independent Third Party(ies)”	an individual or a company who, as far as the Directors are aware after having made all reasonable enquiries is not a connected person of the Company within the meaning of the Listing Rules

DEFINITIONS

“Interim Measures”	Interim Measures for the Administration of Financing Guarantee Companies (融資性擔保公司管理暫行辦法), jointly issued by the CBRC, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the PBOC and the SAIC in 2010
	[REDACTED]
“International Underwriters”	the underwriters of the [REDACTED] and parties to the [REDACTED] Agreement as described in “Underwriting — [REDACTED]”
“International Underwriting Agreement”	the underwriting agreement relating to the [REDACTED], which is expected to be entered into among our Company and the International Underwriters on or around [REDACTED]
“Join-Share Fund Management”	Guangdong Join-Share Fund Management Co., Ltd. (廣東中盈盛達基金管理有限公司), a company incorporated on April 24, 2013 in the PRC and an Independent Third Party
“Join-Share Holding”	Guangdong Join-Share Holding Co., Ltd. (廣東中盈盛達控股股份有限公司), a company incorporated on September 10, 2013 in the PRC and an Independent Third Party
“Joint Bookrunners”	[REDACTED]
“Joint Lead Managers”	[REDACTED]
“Latest Practicable Date”	[REDACTED], being the latest practicable date prior to the printing of this document for ascertaining certain information in this document
“Listing”	listing of the H Shares on the Main Board of the Stock Exchange
“Listing Committee”	Listing Committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about [REDACTED], on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange, and, for the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOP”	the Ministry of Personnel of the PRC (中華人民共和國人事部) (now known as Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部))
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
“NSSF”	the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)

[REDACTED]

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“People’s Congress”	the legislative apparatus of the PRC, including the National People’s Congress and all the local people’s congresses (人民代表大會) (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them
“PRC Company Law”	PRC Company Law (《中華人民共和國公司法》), enacted by the NPC on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, as the same may be amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	the agreement to be entered into by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders on the Price Determination Date to record and fix the [REDACTED]
“Price Determination Date”	the date, expected to be on or around [REDACTED] but no later than [REDACTED], on which the [REDACTED] is to be fixed by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) for the purposes of the [REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

[REDACTED]

DEFINITIONS

“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Selling Shareholders”	Foshan Xincheng Investment Development Co., Ltd. (佛山新城投資發展有限公司), Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司), Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司), Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資有限公司) (formerly known as Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資公司)), Guangdong Silk-TEX Group Co., Ltd. (廣東省絲綢紡織集團有限公司), Guangdong Yuecai Venture Investment Co., Ltd. (廣東粵財創業投資有限公司)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising our Domestic Shares and H Shares
“Shareholders”	holders of our Shares
“Shenzhen Linghang”	Shenzhen Linghang Growth Venture Capital Co., Ltd. (深圳市領航成長創業投資有限公司), a company incorporated on January 30, 2011 in the PRC and an Independent Third Party
[REDACTED] or “Sole Sponsor”	China Securities (International) Corporate Finance Company Limited
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份上市的特別規定), as amended, supplemented or otherwise modified from time to time
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	member(s) of our Board of Supervisors

DEFINITIONS

“Takeovers Code” or “Hong Kong Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“we,” “us,” “Group” or “our Group”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) and, except where the context indicates otherwise, includes (i) all of its subsidiaries and (ii) with respect to the period before it became the holding company of its present subsidiaries, the businesses operated by its present subsidiaries or, as the case may be, their predecessors
“WFOE”	wholly foreign-owned enterprise

[REDACTED]

“Zhongshan Join-Share”	Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd. (中山中盈盛達科技融資擔保投資有限公司), a company incorporated in the PRC on July 8, 2014 with 35% of its equity interest being held by our Company. Details of the shareholding of the remaining 65% equity interest are set out in “History, Reorganization and Corporate Structure — Corporate Reorganization — Establishment of Zhongshan Join-Share.”
“Zhongshan Yinda”	Zhongshan Yinda Financing Guarantee Investment Co., Ltd. (中山銀達融資擔保投資有限公司), a company incorporated on October 12, 2007 in the PRC and an Independent Third Party

DEFINITIONS

Unless the context otherwise requires, references to “2012”, “2013” and “2014” in this document refer to our financial year ended December 31 of such year.

References to “provinces” of China are to provinces or municipalities under direct administration of the Chinese central government and provincial-level autonomous regions of China.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“allowance coverage ratio”	equals allowance for loan loss as divided by the balance of impaired loans
“attachment bond”	a type of surety bond used in legal proceedings whereby we guarantee the ability of a party to indemnify the counterparty against damages caused by a wrongful or false attachment by the first party
“average balance”	unless otherwise indicated in this document, average balance means the average month end balance during a given period
“average guarantee fee rate”	equals guarantee fees as divided by the average balance of guarantees
“average interest fee rate”	equals interest income of entrusted loans or micro-lending as divided by the average balance of entrusted loans or micro-lending, as the case may be
“bond offering guarantees”	a form of credit enhancement that generally increases the credit rating of the bonds issued
“branch network”	includes (i) the guarantee network, consisting of our guarantee subsidiaries, branch offices and sales offices; and (ii) the SME lending network, consisting of our entrusted loan and micro-lending subsidiaries and sales offices
“CAGR”	compound annual growth rate
“contract bond”	a type of surety bond by which the guarantor guarantees the obligee that the obligor will perform its obligations under a contract
“default payment”	in respect of guarantee business, payments the guarantor made for the default customer
“default rate”	equals the default payment the guarantor settled for the default customer as divided by the amount of guarantees released upon maturity or full repayment by the customer
“direct financing guarantee”	a type of financing guarantee by which the guarantor such as the lender provides a guarantee for repayment obligations of, among others, bond and medium term note offerings, trust financings, target asset management schemes

GLOSSARY OF TECHNICAL TERMS

“entrusted loan”	a type of loan made from entrusted loan arrangements, in which the trustee deposits his or her own funds with an intermediary bank which will on-lend the funds to borrowers the trustee selects. Upon repayment of the principal and interest on the loan, the intermediary bank returns such amount to the trustee
“exposure size”	the difference between the total net balance of our guarantees, or the total balance of our loans, as of a certain date and the value of collateral mortgaged or pledged under such guarantee or loan
“finance lease guarantee”	a type of guarantee by which the guarantor guarantees a lessor that the guarantor will settle the rentals or installments for the use of an asset, which is selected by the lessee and purchased by the lessor, if the lessee the guarantor guarantees defaults
“financing guarantee”	a type of guarantee by which the guarantor guarantees the lender that the guarantor will settle the debt if the borrower the guarantor guarantees defaults. We further divide our financing guarantee services into indirect financing guarantees and direct financing guarantees
“impaired loan ratio”	equals the balance of impaired loans as divided by the balance of loans
“indirect financing guarantee”	a type of financing guarantee by which the guarantor guarantees a bank, a micro loan company or a finance lease company that the guarantor will settle the bank financing, the micro loan company, or the finance lease company, as the case may be, if the borrower the guarantor guarantee defaults
“individual business proprietors”	citizens with business operation capacity engaging in industrial and commercial business operations after registration with the industrial and commercial administrative departments in accordance with the Regulation on Individual Business Proprietors
“joint-guarantee”	a type of guarantee by which another guarantee company will pay the guarantor certain percentage of the amount the guarantor settled for the borrowers in the event of default by the borrowers
“leverage ratio”	equals the net balance of financing guarantees as divided by net assets of the guarantee business
“loss ratio”	equals impairment losses on receivables for default guarantee payments as divided by the amount of guarantees released

GLOSSARY OF TECHNICAL TERMS

“loss/revenue ratio”	in respect of our guarantee business, equals impairment losses on receivables for default guarantee payments as divided by segment revenue from guarantee business; in respect of micro loan business, equals impairment losses on entrusted loans or micro loans as divided by business revenue from our entrusted loan or micro loan business
“micro-lending”	our loan products, typically less than RMB5.0 million, which we provide to SMEs and individual business proprietors
“non-financing guarantee”	a type of guarantee whereby the guarantor promises to pay the obligee a certain amount if the obligor fails to meet certain obligations. Non-financing guarantee products can be further divided into attachment bonds and construction contract bonds and other contract bonds
“re-guarantee”	a type of guarantee by which a re-guarantee company will settle the full amount of the guarantee’s obligation if the guarantee fails to settle the customer’s default payment
“SME(s)”	small and medium enterprise(s) pursuant to the Regulations on the Standards for Classification of Small- and Medium-sized Enterprises (中小企業劃型標準規定) promulgated by the Ministry of Industry and Information Technology, the National Bureau of Statistics, the NDRC and the Ministry of Finance on June 18, 2011
“receivables for default guarantee payments”	in respect of guarantee business, the balance of the payment we made for the default customer not yet recovered

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in "Risk Factors" and elsewhere in this document. In some cases, you can identify these forward-looking statements by words such as "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "propose," "seek," "should," "will," "would" or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our goals and strategies;
- expected growth of and changes in the PRC financial services industry;
- our ability to maintain a strong relationship with the relevant governmental authorities, our cooperative banks, cooperative financing guarantee companies or customers;
- our future business development, results of operations and financial condition;
- the number and form of financing services that we may offer;
- availability and costs of bank loans and other forms of financings;
- the performance and future development of the financial services industry and the industries that our customers are engaged in or affected by;
- the operating and financial conditions of our customers and their ability to perform their obligations under the loans guaranteed or provided by us;
- changes in political, economic, legal and social conditions in the PRC, including specific policies of the PRC government and the local authorities in the regions where we operate, particularly relating to policies encouraging financing for SMEs;
- the future competitive environment for the PRC financial services industry;
- interest rate fluctuation;
- determination of the fair value of our Shares; and
- risks identified under "Risk Factors."

FORWARD-LOOKING STATEMENTS

This document also contains market data which includes projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the financial services industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in “Risk Factors.” You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

RISK FACTORS

An investment in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statement and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those prevailing in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see "Regulations," "Appendix III — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix IV — Summary of Articles of Association."

RISKS RELATING TO OUR BUSINESS

A significant portion of our income is derived from SMEs and individual business proprietors, which may be more susceptible to adverse changes in market, general economic and industry conditions than larger enterprises, which, in turn, may materially and adversely affect our business, financial condition and results of operations.

Our business relies, to a significant extent, on SMEs and individual business proprietors, which are our target customers during the Track Record Period, to generate income. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, 92.9%, 95.0%, 95.1% and 99.0%, respectively, of our total revenue was derived from our business with SMEs and individual business proprietors. SMEs and individual business proprietors may be subject to significant fluctuations in operating results because they may be more vulnerable to rapidly evolving and volatile market conditions, require substantial additional capital to support their operations and expansion or to maintain their competitive position, and otherwise may have a weak financial position or be adversely affected by changes in the business cycle. Compared to larger enterprises, our SME and individual business proprietor customers may have relatively weak accounting controls and lack the expertise and resources to prepare accurate audited financial statements on which we rely to evaluate their creditworthiness. As a result, they are often unable to meet credit requirements typically imposed by banks in China when seeking bank financings. Various factors may affect an SME or individual business proprietor customer's ability to repay a bank loan guaranteed or the other financing services provided by us. Such factors include the failure to meet its business plan, a downturn in its industry and negative economic conditions, which are beyond our control. Accordingly, the occurrence of any of these events may pose increased risks of default by these customers.

Although we seek to manage our risk exposure through customer due diligence, credit approvals, establishing credit limits, requirements for security measures and portfolio monitoring, there can be no assurance that such measures will be effective or sufficient in managing risks that are beyond our control. In addition, the businesses of SMEs and individual business proprietors may be more susceptible to unexpected turmoils in regional financial markets as well as changes in the global credit environment. This may result in a reduction in the amount of, or tightened approval requirements for, the funding from banks or other financial institutions to SMEs and individual business proprietors in the PRC and thus may subject them to heightened liquidity pressure. If SMEs and individual business proprietors are not able to cope with such pressure and a default occurs, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Our risk management policies and procedures and internal control systems may not enable us to effectively prevent or detect risks and assess the magnitude of potential losses, which may materially and adversely affect our business, financial condition, results of operations and reputation.

We have established risk management policies and procedures intended to mitigate our exposure to risks in our product portfolio, including credit risk, operational risk and liquidity risk. These policies and procedures are based on our past experience, models and assumptions reflecting historical factors, such as default and recovery ratios. Financing services products, however, are characterized by complex structures and compound risks with rapid changes and development. We need to continue improving our risk management system to address new or potential risks that may be related to our development of new products and services and expansion of our business operations or that may be related to our existing products and services and business operations due to changes in market conditions and the regulatory environment. In addition, because our operating history coincides with a sustained period of economic expansion and growth in the Chinese economy, our historical experience may not provide a sufficient or accurate basis for us to evaluate the effectiveness of our credit assessment, risk pricing and risk management procedures in the event of less robust growth, a general economic downturn or even recession in China. As a result, our risk management policies and procedures may not enable us to effectively prevent or detect risks and assess the magnitude of potential losses to allow us to effectively manage our risk exposure, allocate resources and address market developments, any of such failure may materially and adversely affect our business, financial condition and results of operations.

Although we have established internal control systems to ensure our risk management policies and procedures are adhered to by our employees in their business activities, our internal control systems may not effectively identify or prevent any non-compliance with our policies and procedures by our staff, which may have a material adverse effect on our business, financial condition and results of operations. In addition, our risk management efforts, including our efforts to assess the value of collateral or other counter-guarantees provided by our customers, may not be as effective as we anticipate. We cannot assure you that the value of the relevant underlying collateral or other counter-guarantees will be sufficient to cover our loss in the event of a customer default. We also cannot assure you that the default rate of our customers will not increase. See "The value of assets we hold as collateral for our business may be insufficient to cover our loss in the event of a customer default." If any of these events takes place, our business, results of operations, financial condition and reputation may be materially and adversely affected.

We rely on cooperation with commercial banks, and hence failure to maintain such relationships or to build new cooperative relationships with banks could materially and adversely affect our business, financial condition, results of operations and prospects.

We maintain cooperative relationships with branches of major commercial banks as well as local banks in Guangdong and Anhui provinces. We depend, to a large extent, on our relationships with banks for acceptance of our guarantees and customer referrals. Therefore, our business growth and continuing success depend on our ability to maintain relationships with our existing cooperative banks and to develop cooperative relationships with new commercial banks to diversify the degree of reliance on any of them. As of June 30, 2015, we had established cooperative relationships with 13 commercial banks, which had agreed to grant credit lines of approximately RMB6.9 billion in aggregate to us. We have provided guarantee services to customers in transactions involving over 100 branches of these commercial banks. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the total net balance of our outstanding indirect financing guarantees provided in favor of our five largest cooperative banks accounted for 78.9%, 79.5%, 78.1% and 80.5%, respectively, of the total net balance of our indirect financing guarantees, and the total net balance of our outstanding indirect financing guarantees provided

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in favor of our largest cooperative bank accounted for 49.9%, 45.0%, 45.8% and 40.9%, respectively, of the total net balance of our financing guarantees. As of the same dates, the total credit lines granted to us by our five largest cooperative banks accounted for 68.1%, 70.6%, 68.9% and 61.7%, respectively, of the total credit lines granted to us by our cooperative banks, and the total credit lines granted to us by our largest cooperative bank accounted for 40.6%, 43.1%, 31.9% and 23.2%, respectively, of the total credit lines granted to us by our cooperative banks. Our cooperative agreements with banks generally have a term of one year, renewable annually if there are no objections from either contracting party. We cannot assure you that we will be able to successfully renew our existing cooperative agreements upon their expiration on favorable terms, or at all. When we provide guarantees for our customers, some lending banks may require us to maintain a minimum amount of security deposits for each loan we guarantee in designated bank accounts to secure our guarantee obligations. If the banks increase the security deposit amounts, we will need to commit more capital in the form of security deposits. In addition, a number of customers of our guarantee business were referred by cooperative banks with which we have established cooperative relationships. If the relationship with one or more cooperative banks deteriorates materially, or if a significant number of cooperative banks refuse to accept our guarantees, require us to increase security deposits relative to outstanding guarantees, or reduce customer referrals to us, or if we fail to build cooperative relationships with new commercial banks, our business, financial condition, results of operations and prospects may be materially and adversely affected. We have also been cooperating with other financial institutions, such as trust companies. Similar to our cooperative relationships with commercial banks, if we fail to maintain or establish cooperative relationships with these financial institutions, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We have entered into re-guarantee and joint-guarantee arrangements with other re-guarantee and guarantee companies and government authorities to enhance our credit profile, brand recognition or risk management capabilities, and failure to maintain such arrangements or to enter into new re-guarantee or joint-guarantee arrangements could materially and adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we entered into re-guarantee cooperation arrangement with Guangdong Re-Guarantee and Anhui Guarantee Group, proportional guarantee cooperation arrangements with Guangzhou Guarantee, China United Guarantee and Anhui Guarantee Group; and cooperation arrangements of government guarantee fund with relevant government institutes.

Our cooperative agreements typically have a term between one to two years. However, we cannot assure you that we will be able to renew our re-guarantee or proportional guarantee cooperative agreements on favorable terms, or at all. We also cannot assure you that the PRC government will continue its policy of encouraging re-guarantees or proportional guarantees for SME financing. In addition, the re-guarantees from Guangdong Re-Guarantee and Anhui Guarantee Group, and proportional guarantees from Guangzhou Guarantee, China United Guarantee and Anhui Guarantee cover only guarantees that meet the requirements stipulated in the relevant cooperative agreements. If we are unable to maintain our cooperative arrangements with these companies or entities, or if they do not approve our guarantee transactions, banks may be less willing to approve loans guaranteed by us or may require additional assurances from us, such as increased security deposits, all of which could have a material adverse effect on our business, particularly our guarantee business. A failure to maintain our re-guarantee or joint-guarantee arrangements may also have a negative impact on market perceptions of our overall creditworthiness and financial condition, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and prospects.

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Our business is concentrated in Guangdong province and Anhui province, and any significant deterioration in the economic development in Guangdong or Anhui provinces may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business is concentrated in Guangdong province and Anhui province, and we expect to continue to derive a majority of our revenue from these markets. As of December 31, 2012, 2013 and 2014 and June 30, 2015, 89.0%, 88.7%, 87.0% and 81.2%, respectively, of the net balance of our outstanding guarantees were originated from Guangdong province and as of the same dates, 9.7%, 10.2%, 7.7% and 11.0%, respectively, of the net balance of our outstanding guarantees were originated from Anhui province. As of the same dates, all of our outstanding entrusted loans were originated from Guangdong province and Anhui province. As of June 30, 2015, all of our outstanding micro-lending were originated from Foshan city in Guangdong province. To date, our results of operations and business development have benefited from the rapid economic growth in China generally and in Guangdong and Anhui provinces particularly, which has led to increased business activity in all sectors, in particular, in sectors populated by SMEs, which are our principal customers. A significant economic downturn in Guangdong province or in Anhui province, may undermine the financial condition of our customers in these areas and their ability to repay their loans guaranteed or granted by us, or impact adversely on the demand for our products and services in those areas. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The value of assets we hold as collateral for our business may be insufficient to cover our loss in the event of a customer default.

We require our customers or their guarantors or counter-guarantors to provide collateral to secure our guarantees or loans. Such collateral may include, in any combination of, real estate, land use rights, account receivables, vehicles, mechanical equipment, inventory, equity and other rights or assets that may serve as collateral under PRC law. During the Track Record Period, a majority of our guarantees and loans were secured by one or more types of collateral. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our outstanding guarantees were approximately RMB4,366.4 million, RMB5,218.8 million, RMB4,688.2 million and RMB4,387.5 million, respectively, and the net balance of our outstanding guarantees backed by collateral were approximately RMB2,778.8 million, RMB3,157.2 million, RMB2,827.5 million and RMB2,657.4 million, respectively. As of the same dates, the total balance of our entrusted loans were approximately RMB192.1 million, RMB86.2 million, RMB117.7 million and RMB319.0 million, respectively, and the total balance of our entrusted loans backed by collateral were approximately RMB89.2 million, RMB24.0 million, RMB90.7 million and RMB162.3 million, respectively. As of December 31, 2014 and June 30, 2015, the balance of our micro-lending were approximately RMB268.8 million and RMB287.9 million, and the balance of our micro-lending backed by collateral were approximately RMB67.8 million and RMB75.9 million. However, the value of the assets we hold as collateral for our business may be insufficient to cover our loss in the event of a customer default due to inaccurate value assessment, value decline, property damage, an inability to recover the value of collateral or other reasons.

In addition, the value of our collateral is assessed both internally and externally by registered real estate appraisers, and assessments may not be accurate. In the event that a borrower defaults due to its financial difficulties or other reasons, the relevant company to which the pledged equity securities are attached is likely to face the same or similar challenges, which could significantly affect the value and liquidity of such equity securities.

As a result of the foregoing and other factors, the value of the assets we hold as collateral for our guarantees and loans may be insufficient to cover our loss if our customers default on their obligations to us or to the lenders of the underlying indebtedness, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

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In the event of a customer default, we may be unable to effectively and timely enforce our rights to collateral and under loans.

Our claim under an unsecured guarantee or loan provided by us is treated under PRC law as a claim of a general creditor without the benefit of any security interest. To protect our interest, we generally require assets such as real estate, land use rights, account receivables, vehicles, mechanical equipment, inventory and equity interests from our customers, guarantors or counter-guarantors as collateral as permitted by PRC law. As of June 30, 2015, a majority of our outstanding guarantees and outstanding loans were secured by collateral.

Under PRC law, in order to establish a priority right to the collateral including real estate, land use rights, account receivables and equity interests, such collateral needs to be registered with the relevant department. As of June 30, 2015, we had not registered all of our interests in the collateral that requires registration because we had encountered difficulties in registering our interests in collateral registration due to lack of authoritative documents.

In addition, as of June 30, 2015, 15.1% of the net balance of our outstanding guarantees secured by collateral was registered in the name of the relevant cooperative bank or Guangdong Re-Guarantee only, primarily pursuant to the relevant cooperative agreements with the banks. As of June 30, 2015, 50.1% of the balance of our entrusted loans were secured by collateral which was registered in the name of the relevant cooperative bank only, primarily pursuant to the relevant entrusted loan agreements with the banks. As a result, we have no right to such collateral. Even if we have properly registered our collateral or such collateral does not require registration, our rights to such collateral may not have priority over other claims or we may be forced to share the collateral or proceeds from the disposal of the collateral with other creditors due to statutory rights of other creditors or other reasons.

As of June 30, 2015, 5.6%, 0.0% and 9.0% of the net balance of our outstanding guarantees, the balance of our entrusted loans and micro-lending, respectively, typically being real estate that has not been fully mortgaged by our borrowers, were registered with us having lower priority. If the borrowers providing collateral default, our security interest in the collateral may not be realized until creditors with higher priority have been paid in full and we may be subject to higher credit risks.

We will have to rely on proceedings of the PRC courts to enforce our rights. In the PRC, the procedures for repossessing, disposing of or otherwise realizing the value of collateral and the procedures for enforcing our rights to a guarantee or counter-guarantee are time-consuming, which may take 12 to 18 months or longer, and may be difficult to implement. It is uncertain whether any judgment made by local courts would be enforceable due to legal and practical reasons. There is no assurance that we will be able to realize the value of the collateral as we anticipated in a timely manner, or at all. If we are unable to successfully bring and prevail in an enforcement action with respect to any collateral, asset, guarantee or counter-guarantee on a timely basis, or the proceeds realized from such enforcement action are inadequate to cover our loss, our business, financial condition and results of operations may be materially and adversely affected.

In the event of customer default, whether we may be able to recover the default payment or outstanding loan not backed by any collateral may have a material adverse effect on our business, financial condition and results of operations.

As one of our risk control measures, we normally require a combination of guarantee and counter-guarantee made by or on behalf our customers. However, we may not be able to recover from the guarantors or counter-guarantors due to our inability to locate the guarantor or counter-guarantor, or guarantor or the counter-guarantor may not have sufficient financial resources to settle the default payment for the default customer.

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In addition, in the past, we provided unsecured guarantees on behalf of and entrusted loans to our customers in accordance with our risk management policies. As of June 30, 2015, 10.6% of the net balance of our outstanding guarantees and 20.0% of the balance of our entrusted loans were not secured with collateral or backed up by any guarantors or counter-guarantors. These products and services have different risk profiles compared to guarantees or loans that are secured with assets, and our ability to recover from these customers upon default is more limited. Upon a customer default, we may have to apply for a court order to attach the assets, such as land, property and machinery, of the default customer and resort to legal proceedings to enforce our unsecured interests against its assets.

In the PRC, the procedures for applying for court orders to attach assets of another person and liquidating or otherwise realizing the value of attached assets may be protracted or ultimately unsuccessful, and the enforcement process in the PRC may be difficult for legal and practical reasons. In general, the entire recovery process may take more than one year to fully or partially realize the value of the attached assets.

Furthermore, the default customer may have concealed, transferred or disposed of its assets beforehand, making it difficult or impossible for us to apply for attachment. Where the assets attached are mortgaged and registered in favor of third parties, such as a bank or other secured creditor, our interests will rank behind these third parties and our unsecured rights may not be enforced until secured creditors are paid in full, thereby limiting or preventing us from recovery from such assets. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The publicly available information regarding the SMEs and individual business proprietors to which we provide our financing services for our credit assessment is very limited, and we may not be able to detect fraud committed by our customers in their application for, or during the term of, our services.

There is very limited publicly available information in China about the businesses of SMEs or individual business proprietors for our assessment of their credit and financial and business performance. In addition, our SME customers often do not provide audited financial statements that are prepared in accordance with generally accepted accounting principles or that accurately reflect their operational situation. We rely on our project managers and risk control managers to conduct due diligence in respect of our SMEs and individual business proprietors and to obtain the information necessary to enable us to make credit decisions. See "Risk Management."

We cannot assure you that our due diligence will uncover all material information necessary to make a fully informed or correct credit decision, nor can we assure you that our due diligence efforts will be sufficient to detect fraud of our customers conducted in the application for, or during the term of, our services. If we approve customers' applications for our products and services in reliance on information that later turns out to be incorrect, incomplete or otherwise deficient, the effectiveness of our credit assessment and due diligence will be undermined, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we may be unable to monitor our customers' actual use of the financing we guaranteed or provided, or verify if our customers have other undisclosed private money or borrowings. We may not be able to detect our customers' suspicious or illegal transactions, such as money laundering activities, in our business and, as a result, we may suffer financial or reputational damage.

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Failure to maintain or expand our customer base may materially and adversely affect our business, financial condition, results of operations and prospects.

We believe that a large proportion of the customers of our guarantee business were referred to us by our past or existing customers, banks or other financial institutions. Our customers' ability and willingness to continue to use our products and services often depend on the operating results of their businesses and their ability to obtain financing independently, which are affected by various factors that are beyond our control. When our customers' businesses expand, their ability to obtain financing independently may improve, and they may not continue to use our products and services. If we are unable to maintain or expand our customer base due to the quality of our services, terms and fees of our guarantees or loans, competition or any other reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not maintain rapid grown or successfully implement future plans.

Our future business growth mainly depends on whether our strategy and future plans would be successfully implemented as set out in this document. The business objectives are still based on our Group's current plans and intentions, most of which are at a purely preliminary stage, and therefore, there are risks and uncertainties. Additionally, due to the factors beyond our control, including economy, environment, market demand, government policies and changes in relevant laws and regulations, we may fail to achieve the expected increase in operation and expansion, or at all. Therefore, we cannot assure that the Group's future plans will be achieved or implemented on a timely basis, or deliver the expected results, or at all. If we fail to implement our future plans and achieve our business objectives, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our inability to attract, retain and motivate qualified personnel could materially and adversely affect our growth and prospects.

Our performance depends on the talents and efforts of our highly skilled employees. As a result, our continued ability to effectively compete, manage and expand our business depends on our ability to retain and motivate our existing employees and attract new talented employees. Given our relatively lean human resources structure, the loss of services of any employee holding an important position or possessing industry expertise or experience, including those relating to matters such as risk management, credit evaluation, sales and marketing and accounting and financial management, could have a material adverse effect on our business, results of operations and prospects.

In addition, competition in the financial services industry for qualified and experienced employees has been more intense as additional banks, guarantee companies and SME lending companies have been established, and we may need to offer higher remuneration packages and other benefits to attract qualified personnel. We seek to recruit industry experts and experienced professionals from state-owned enterprises and top enterprises. We also target the best fresh college graduates, foster in-house development of our new hires and provide them with fast growth tracks towards a technical or management career.

However, there is no assurance that our human resources strategy of new hires can be successfully executed or we are able to retain the new hires once they are trained and have accumulated experience and skills. Failure to motivate, attract and retain qualified personnel and any significant increase in staffing costs may materially and adversely affect our ability to maintain our competitive position, growth and prospects.

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Our customers are concentrated in several industries and any economic downturns in those industries may have a material and adverse effect on our business, financial condition and results of operations.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, 49.4%, 46.6%, 38.0% and 33.2% of the net balance of our outstanding guarantees were for customers in the manufacturing industry, respectively. As of December 31, 2012, 2013 and 2014 and June 30, 2015, 48.6%, 22.9%, 50.3% and 56.1% of the balance of our entrusted loans were for customers in the wholesale and retail industry, respectively. As of December 31, 2014 and June 30, 2015, 34.7% and 22.4% of the total balance of our micro-lending was for customers in the manufacturing industry.

Our existing and potential customers' need for our products and services primarily depend on their business, financial condition, results of operations and plans for expansion, which depend on various factors, including their respective industry conditions. Although we have increased our cooperative channels, expanded our market coverage and innovated new types of products and services to satisfy the needs of our existing and potential customers, any downturn in the industries in which they operate would materially and adversely affect their businesses, financial conditions and results of operations and, in turn, their demand for our products and services. As a result, any significant reduction of demand for our products and services in any industries in which our customers are concentrated may materially and adversely affect our business, financial condition and results of operations.

We benefit from certain tax exemptions, the loss of which could have an adverse impact on our results of operations and financial position.

We were granted the three-year business tax exemption on revenue derived from guarantee fees in February 2010 and March 2014. Anhui Join-Share was granted a three-year business tax exemption on revenue derived from guarantee fees in October 2012. We cannot assure you that we will continue to benefit from such preferential tax treatment or that such tax policies will be extended. In addition, if we apply for an extension of the tax exemption upon expiration, we cannot assure you that such application will be approved. Any loss, reduction or inability to obtain preferential tax treatments could have an adverse effect on our results of operations and financial position.

Our inability to introduce and integrate new information technology systems or to upgrade our existing information technology systems could materially and adversely affect our competitiveness, business and results of operations.

Effective information technology systems are important to many aspects of our business operations, including transaction processing, quality control, risk management, customer services, record keeping and accounting and financial management. As of the Latest Practicable Date, we had completed the upgrade of the information technology systems for our guarantee and entrusted loan businesses to improve the support of operational, financial and administrative functionalities. See "Business — Business Strategies — Continue to enhance our information technology and other capabilities to strengthen our risk management and internal control." We believe that in order to improve our risk and financial management capabilities, we need to introduce and integrate new information technology systems and upgrade our existing information technology systems to continue to improve our existing operating system, including our existing risk management system from time to time. However, we cannot assure you that we will be able to successfully integrate the new information technology systems or to successfully upgrade our existing information technology systems on a timely or cost-effective basis, or at all, which may materially and adversely affect our competitiveness, business and results of operations. We may also face information technology risks arising from the improper performance or malfunction of our information technology system which our operations significantly rely on.

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We may not be familiar with new regions or markets we enter and may not be successful in expanding our branch network or offering new products and services.

Since our inception in Foshan city, Guangdong province, we had established business relationships with customers in more than 60 cities in China as of the Latest Practicable Date. We might continue to expand our branch network and enter other regional markets in the future. However, we may be unable to replicate our success in Foshan city, Guangdong province in other regions or new markets. We may enter markets in which we have limited, or no, experience. We may not be familiar with the local business and regulatory environment, fail to obtain relevant licences or fail to attract a sufficient number of customers due to our limited presence in that region. In addition, we may be unable to hire and train additional qualified and experienced personnel for our operations. Furthermore, competitive conditions in new markets may be different from those in our existing markets and may make it difficult or impossible for us to operate profitably in these new markets. If we are unable to manage these and other difficulties in our expansion in other regions in China, our prospects and results of operations may be materially and adversely affected.

In addition, as we continuously adjust our business strategies in response to the changing market and evolving customer needs, our new business initiatives often lead us to offer new products and services. However, because we do not have the adequate capital resources or lack the relevant experience or expertise or otherwise, we may not be able to successfully introduce new products or services to address our customers' needs if we fail to obtain relevant licenses. In addition, we may be unable to obtain regulatory approvals for our new products and services. Furthermore, our new products and services may involve increased and unperceived risks and not be accepted by the market and they may not be as profitable as we anticipated, or at all. If we are unable to introduce new products that address the needs of our customers or achieve the intended results for our new products and services, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We require substantial capital to operate our business and to sustain our growth, and we cannot assure you that we will be able to obtain adequate capital on acceptable terms, or at all.

Our operations require substantial capital due to the nature of our business, regulatory requirements as well as our expansion needs. In respect of our financing guarantee service, banks and other financial institutions typically would require us to maintain certain amount of deposit with them to guarantee our obligations under the guarantees to be given by us in respect of the loans granted by the banks and other financial institutions to our customers. Our ability to provide such deposits to banks and other financial institutions will depend on the availability of adequate financial resources.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our cash and bank deposits amounted to approximately RMB652.8 million, RMB789.3 million, RMB858.3 million and RMB582.9 million, respectively, including customer pledged deposits of approximately RMB39.5 million, RMB16.7 million, RMB14.5 million and RMB15.6 million, respectively. As of the same dates, we had placed approximately RMB214.8 million, RMB232.2 million, RMB240.3 million and RMB228.9 million, respectively, as security deposits with banks and other financial institutions pursuant to our cooperative agreements with them for the purpose of securing our obligations under the guarantees given by us in respect of our customers' loans. If we are unable to maintain an adequate level of cash and bank deposits holding or obtain adequate financial resources to provide security deposits as guarantees to banks and other financial institutions, our cooperation with banks and other financial institutions will be materially and adversely affected and which, in turn, will materially and adversely affect our operation and liquidity.

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Further, the size of guarantee which we may provide depends on the amount of our net assets. According to PRC laws and regulations, the total net balance of outstanding financing guarantees provided by a guarantee company to a single customer shall not exceed 10% of its net assets, and the total net balance of the outstanding financing guarantees provided by such company shall not exceed 10 times of its net assets. Our cooperative agreements with certain commercial banks also impose such limits on the maximum net balance of outstanding financing guarantees we may provide with reference to the amount of our net assets. As of December 31, 2012, 2013 and 2014 and June 30, 2015, net assets of our guarantee business amounted to approximately RMB1,054.9 million, RMB1,181.4 million, RMB1,357.9 million and RMB1,416.2 million, respectively. If we are not able to maintain an adequate level of net assets, the scale of financing guarantee business that we may provide will be limited and our operations will be materially and adversely affected.

To fund our ongoing micro-lending operations, existing and future capital expenditure requirements, expansion plans, business growth and other financing requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. A micro-lending company may only obtain bank loans from two banking financial institutions as its source of funds up to an aggregate outstanding principal amount of 50% of its net capital. See "Regulations." Our ability to obtain financing depends on a number of factors that are beyond our control, including our future financial condition, results of operations and liquidity position, lenders' perception of our creditworthiness, market conditions, China's overall economic conditions, relevant governmental regulatory approvals and the PRC regulations that affect the availability and costs of financing. If adequate financing is not available to us on favorable terms and in a timely manner, or at all, our ability to fund our micro-lending operations, or to develop or expand our business may be materially and adversely affected.

We may not be able to maintain our historical growth rate.

During the Track Record Period, we experienced steady growth in revenue. For the years ended December 31, 2012, 2013 and 2014, our revenue amounted to RMB236.5 million, RMB261.8 million and RMB307.3 million, respectively, representing a CAGR of 14.0% from 2012 to 2014. However, our revenue decreased by 5.2% from RMB152.9 million for the six months ended June 30, 2014 to RMB144.9 million for the six months ended June 30, 2015. Our ability to sustain continued growth depends on our ability to maintain our relationships with commercial banks, governmental authorities and other financial institutions, identify, attract and evaluate new customers, attract, train and retain qualified employees, including technical, financing services, industry specialist and risk management and internal control personnel and continue to improve our management, operational, risk management, financial and internal control systems. We cannot assure you that we will be able to maintain our historical growth rate in the future due to factors that are beyond our control, for example, increasing market saturation, competition and regulation. Our operating history also coincides with a sustained period of economic expansion and growth in China. Accordingly, our historical results may not provide a sufficient and accurate basis upon which you can evaluate our future prospects in the event of a general economic downturn, recession or other adverse developments in China. Failure to effectively manage any future growth may materially and adversely affect our business, results of operations, financial position and prospects.

We had a negative operating cash flow in 2014 and the six months ended June 30, 2015, and are unable to assure you that it will not continue in the future.

We recorded a negative operating cash flow of RMB14.2 million and RMB189.8 million in 2014 and the six months ended June 30, 2015, primarily due to the reasons listed in "Financial Information-Liquidity and Capital Resources — Cash Flows — Net Cash Generated from/(Used in) Operating Activities." We cannot assure you that we would generate sufficient cash from operating

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activities in the future. If we continue to have a negative operating cash flow which would result in fewer financial resources to implement strategy and expansion plans in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Business performance of Foshan Micro Credit has been consolidated into our Group since June 2014, and thus it is difficult for us to assess the impact of Foshan Micro Credit's business performance on our future results of operations and prospects.

We conduct micro-lending business through Foshan Micro Credit. During the Track Record Period, Foshan Micro Credit was regarded as our associated company whose business performance was reflected in our consolidated financial statements. In June 2014, we unconditionally and irrevocably entered into an acting in concert agreement with several shareholders of Foshan Micro Credit (holding 62.5% of its shares in total) and have injected additional capital into Foshan Micro Credit to acquire more shares. Not until we increased our shareholding from 20% to 30% was Foshan Micro Credit's business performance consolidated into our Group. Given that Foshan Micro Credit's business performance had not been consolidated into our Group until recently, it may be difficult for investors to evaluate Foshan Micro Credit's impact on our future results of operations and prospects based on our performance during the Track Record Period.

Our provisions for losses in relation to guarantees, entrusted loans and micro and micro-lending may not be adequate to cover actual losses, and we may need to increase our provisions for losses to cover such future losses.

As of June 30, 2015, we had accumulated a provision of RMB65.6 million, RMB23.6 million and RMB13.7 million, respectively, for losses in relation to our guarantees, entrusted loans and micro-lending, respectively. The amount of provisions we have made is based on our management's assessment of, and expectations concerning, various factors affecting the quality of our guarantee and loan portfolio, such as the customers' financial condition, repayment ability, historical default ratios, the anticipated realizable value of any collateral, national and regional economic conditions, government policies, interest rates and others, and the applicable PRC rules and regulations governing provisions for losses. Many of these factors are beyond our control. If our assessment and expectations differ from actual events, or if the quality of our product portfolios deteriorates, our provisions may not be adequate to cover our actual losses and we may need to set aside additional provisions, which could materially and adversely affect our profitability, results of operations and financial condition.

Failure to maintain our reputation and brand name could materially and adversely affect our business, results of operation, financial condition and prospects.

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to obtain business from referrals as well as to attract new customers. During the Track Record Period, we believe that a large portion of the customers of our new guarantee services were referred to us by our past or existing customers, banks or other financial institutions. We believe the building up and enhancement of our reputation and brand name depend largely on, among others, our creditability among banks and other financial institutions and other players in the financial services industry which has been developed over the years of our business operations and our ability to provide diversified services to meet the requirements of our customers and other related parties. If we fail to maintain our reputation, or our customers or their counter-parties no longer perceive our services to be of high quality, or if they should no longer perceive us as a guarantee company with high creditability for whatever reason, our reputation and brand name could be adversely affected and which, in turn, could affect our ability to maintain existing or capture future business opportunities. There is also no assurance that our past or existing customers, banks or financial institutions with whom we have business

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relationships with will continue to work with us or to refer new or potential customers to us. In the event that our existing or past customers, banks or financial institutions with whom we have business relationships cease to work with us or stops referring new customers to us or substantially reduce their referrals to us, our business, financial condition, results of operations and prospects would be materially and adversely affected.

We may not be able to detect or prevent fraud or other misconduct committed by our employees, which may have a negative impact on our reputation and business.

Employee misconduct may include approving a transaction beyond authorized credit limits, hiding key customer information in the due diligence process, engaging in fraudulent or other improper activities, or otherwise not complying with laws or our risk management procedures. It is not always possible to deter or prevent employee misconduct, and the precautions we take to prevent and to detect such activities may not be effective in all cases. We cannot assure you that future incidents of employee misconduct will not subject us to serious penalties or limitations on our business activities. We could also suffer from negative publicity, reputational damage, monetary losses or litigation losses as a result of the misconduct of our employees.

The credit ratings assigned to us may be lowered or withdrawn in the future.

We have maintained an "AA-" credit rating with stable outlook from Golden Credit since 2012, and an "AAA-" corporate rating with stable outlook from Shenzhen Lianhe Credit Information Service Co., Ltd. since September 2014. The ratings address our ability to operate and expand our business. We cannot assure you, however, that the ratings will remain for any given period of time, will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to us may materially and adversely affect our ability to raise additional capital and our ability to conduct with or further expand our guarantee business, in particular, direct financing guarantee business.

We may not continue to obtain government subsidy.

We once received government subsidies from multiple Chinese central, provincial and local government agencies to compensate for impairment loss of default payment and supplement our provisions for losses in relation to guarantees. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we obtained such government subsidies of RMB16.3 million, RMB12.2 million, RMB2.5 million and RMB2.7 million, respectively. Such government subsidies are granted solely at the discretion of the relevant government departments and in response to promote the development of SMEs and other economic policies, which are subject to change and termination. We are unable to assure you that we will continue to receive such amount government subsidy or even receive government subsidy. If such government subsidy is no longer available to us, our financial conditions may materially and adversely affected.

We do not have insurance to cover potential losses and claims arising from certain events.

Although we may require our customers to take out insurance for assets pledged to us under the guarantees or counter-guarantees and to name us as the beneficiary of such insurance policy, we do not take out any insurance in respect of the assets pledged to us under the guarantees or counter-guarantees provided to us. In cases where we do not require such insurance arrangement from our customers and our customers are unable to repay their loans, we may suffer losses arising from any damage to properties which are not covered by insurance; and the value of the relevant collateral may decrease; and if the value of the collaterals shall not be sufficient to cover our exposure under the relevant guarantee given by us

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and we are required to make payment to the counter-party of the guarantee given by us, it would have a material and adverse effect on our business, financial condition and results of operations.

We have not maintained any insurance against business interruption or against the office premises which we lease. Any payment we make to cover any uninsured losses, damages or liabilities could have a material adverse effect on our business, financial condition and results of operations. In addition, if we do not have sufficient funds to cover any uninsured losses, damages or liabilities or to replace any asset that has been destroyed, our business, financial condition and results of operations could be materially and adversely affected.

We may be involved in legal proceedings arising from our operations.

We may be involved in disputes with customers, banks and other financial institutions or other parties. These disputes may lead to legal proceedings, and may cause us to suffer costs and delay our operations; and they may also adversely affect our reputation and brand name, which, in turn, could reduce our new business opportunities. We cannot assure you that we will not be a party to any litigation or arbitration in the future. If such proceedings are commenced by or against us, our performance, business, reputation and profitability may be materially and adversely affected.

The future development and implementation of anti-money laundering laws in China may increase our obligation to supervise and report transactions with our customers, thereby increasing our compliance efforts and costs and exposing us to criminal or administrative sanctions for non-compliance.

We believe, based on the advice from our PRC legal advisors, King & Wood Mallesons, that we are not currently subject to PRC anti-money laundering laws and regulations and are not required to establish specific identification and reporting procedures relating to anti-money laundering. PRC laws and regulations relating to anti-money laundering have evolved significantly in recent years and may continue to develop. In the future, we may be required to supervise and report transactions with our customers for anti-money laundering or other purposes, which may increase our compliance efforts and costs.

Due to our dispersed shareholding base, it is relatively easy for any person acquiring our H shares from our existing Shareholders to become our controlling shareholder and this affect the stability and consistency of our decision making process or may materially and adversely affect our business, financial conditions and results in operations.

We have a dispersed shareholding base which comprised over 40 Shareholders as of June 30, 2015. Since we do not have single controlling shareholder, it is relatively easy for any person to acquire our controlling shareholding ownership or act in concerted effort with other Shareholders to obtain the decision making power of the Shareholders and this affects the stability and consistency of our decision making process or may materially and adversely affect our business, financial condition and results of operations.

Failure to obtain, renew, or retain licenses, permits or approvals may affect our ability to conduct or expand our business.

We are engaging in a regulated industry and thus, are required to hold various licenses, permits and approvals issued by relevant authorities for our business operations. We may from time to time offer new financial products, such as bond guarantees, modify our existing products and services to keep up with changing consumer preferences or market conditions, or establish new branches to expand our business network. The products or customer transactions underlying some of our guarantee products, such as the

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issuance of corporate bonds may also be subject to governmental approval and related requirements. Any non-compliance with legal or regulatory requirements, or any suspension or revocation of these licenses, permits and approvals may have a material adverse impact on our business and operations. In addition, we cannot assure you that approvals or licenses necessary for our business operations will be granted to us in a timely manner, or at all. If we experience delays in or are unable to obtain such required approvals or licenses, our operations and business and our overall financial performance will be materially and adversely affected. See "Regulation" for further details.

We may be subject to legal liabilities if we fail to protect our clients' personal or other confidential information.

We collect from personal and confidential information from our clients in the ordinary course of business. Different laws, regulations and regulatory rules require us to protect our clients' personal and confidential information. If we fail to do so, we may be subject to legal liabilities. Misconduct in processing personal data or inability to protect clients' confidential information may also leave the public and clients with a negative brand image or materially and adversely affect our reputation.

RISKS RELATING TO OUR INDUSTRY

Our business model could be materially and adversely affected by changes or fluctuations in the banking industry.

The success of our business model is related to a number of conditions in the banking industry, which may change or fluctuate. For example,

- Chinese banks have historically been cautious in lending to SMEs and individual business proprietors without the support of credit guarantees and have strict guarantee requirements for loans. This has created business opportunities for providers of credit guarantees, such as ourselves, which have developed the necessary capabilities and innovations to finance SMEs and individual business proprietors. However, a reform of the bank loan interest rate regime or internal risk management practices at lending banks may result in banks lending more frequently to SMEs and individual business proprietors without requiring credit guarantees and compensate by setting interest rates according to risk;
- our business model relies on cooperating with banks. However, banks may stop or significantly cut back their reliance on our credit guarantees for their lending to SMEs and individual business proprietors due to factors that are beyond our control. For example, due to the collapse of several major guarantee companies in China in 2012, certain commercial banks reduced their cooperation with financing guarantee companies since then; and
- our business may also be subject to the factors affecting the banking industry, such as the spike in the interbank rates and the subsequent cash crunch fears as reported in the second and third quarters of 2013, which further caused capital shortage, as well as the increasing non-performing loan ratios as reported by the banking industry in 2014. Such factors adversely affecting the banking industry may result in a liquidity crunch and the subsequent reductions in the amount of, or tightened approval requirements for the loans available to our customers or us. As a result, we may experience reduced demand for our guarantees and less funding available to make loans, and if our customers' businesses are negatively affected due to the cash crunch or tightened liquidity, our risks of customer default may increase.

If any of these events takes place and we fail to adequately respond to such changes, our business, financial condition, results of operations or prospects may be materially and adversely affected.

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We are subject to extensive regulatory requirements and supervision by national, provincial and local governmental authorities, which may materially and adversely affect our business, financial condition and results of operations.

As a provider of various financing services, including financing and non-financing guarantees, entrusted loans and micro-lending, we are subject to extensive national, provincial and local laws, rules, regulations, policies and measures with regard to our guarantee and loan operations, capital structure, pricing and provisioning policy, an overview of which is set forth in "Regulations." These laws, rules, regulations, policies and measures are issued by different central government ministries and departments as well as provincial and local governmental authorities, and may be enforced by different local authorities in each region in which we operate. In addition, the PRC governmental authorities may issue new laws or regulations, which may affect our business operations. In May 2014, the CBRC and the PBOC jointly issued the Administrative Measures of SME Lending Companies (Draft) 《小額貸款公司管理辦法》(徵求意見稿). Furthermore, the local authorities have broad discretion in implementing and enforcing the applicable rules and regulations. For example, the financial affairs office of the Guangdong Government issued the Administrative Measures of SME Lending Companies in Guangdong Province (Trial) 《廣東省小額貸款公司管理辦法(試行)》 in January 2009, which stipulates that the provincial or municipal financial affairs office is entitled to approve incorporation applications, scope of business and qualification of directors and senior officers of micro-lending companies and the county government is responsible for supervising the daily operation, capital supplementing system, loan management system and internal control of micro-lending companies to enhance risk management and enforce supervision actions on micro-lending companies according to their asset loss provision and asset quality conditions. As a result, there are significant uncertainties in the interpretation and implementation of such laws, rules, regulations, policies and measures, which increase our compliance burden and may potentially restrain our flexibility in conducting our business, including product innovation. We rely on verbal clarifications from local governmental authorities from time to time which may be inconsistent with the regulations concerned.

Given the complexity, uncertainties and frequent changes in these laws, rules, regulations, policies and measures, including changes in their interpretation and implementation, our business activities and growth may be materially and adversely affected if we do not respond to the changes in a timely manner or fail to fully comply with the applicable laws, rules, regulations, policies and measures, including as a result of ambiguities in them. Any non-compliance may subject us to sanctions by regulatory authorities, monetary penalties, or restrictions on our activities or revocation of our licenses, which could have a material adverse affect on our business, financial condition and results of operations.

We may face increasing competition from existing and new market participants.

China's financial services industry for SMEs has experienced substantial growth in recent years, following the rapid development of the Chinese economy and the emergence of a large number of SMEs. According to the CBRC, there were approximately 8,185 financing guarantee companies and according to the PBOC Investigation and Statistics Department, 7,839 micro-lending companies in China as of December 31, 2013.

For our guarantee business, our major competitors include state-owned or foreign-invested guarantee companies which have a strong presence in the regions in which we operate. For our micro-lending business, our major competitors include regional SME lending companies, rural banks and wealthy individuals who lend to SMEs. Some of our competitors may have lower pricing, a larger customer base, a more established business reputation, more solid business relationships with banks and governmental authorities, a more mature risk control mechanism or more extensive experience than we do. As we expand our presence in the PRC, we expect to compete with competitors from other regions,

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some of which have better knowledge of the target customers and the local business environment and may have stronger relationships with local banks than we do. If we are unable to maintain our current level of profitability and market share as a result of increased competition, our business, financial condition and results of operations may be materially and adversely affected.

The growth of the PRC financial services industry may not be sustainable.

The PRC financial services industry, in particular, the segment of the industry involving guarantee, entrusted loan and micro-lending companies, has experienced rapid growth in recent years. However, such growth may not be sustainable, and could be slowed or halted by a number of factors, including:

- a downturn or unfavorable change in the PRC economy;
- a downturn or unfavorable change in the global economy, particularly any change which affects our SME customers;
- an unfavorable change in the PRC regulatory environment; and
- an unfavorable change in the PRC credit market.

If growth of the PRC financial services industry slows down or suspends, demand for our products and services may experience a significant decline, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO THE PRC

China's economic, political and social conditions, as well as laws, regulations and policies, could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Substantially all of our assets are located in China, and substantially all of our income is derived from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social conditions, government policies and legal developments in China. China's economy differs from the economies of most developed countries in many aspects, including but not limited to, the extent of government intervention in the economy, the general level of economic development and growth rates, uncertainty in the implementation and enforcement of laws, content of and regulation over capital investment, government control of foreign exchange and allocation of resources.

Before its adoption of reform and open door policies beginning in 1978, the PRC was primarily a planned economy. Since that time, the PRC Government has been reforming the PRC economic system, and has also begun reforming the government structure in recent years. These reforms have resulted in significant economic growth and social progress. Although the PRC Government still owns a significant portion of the productive assets in the PRC, economic reform policies since the late 1970s have emphasized autonomous enterprises and the utilization of market mechanisms, especially where these policies apply to businesses such as ours. Although we believe these reforms will have a positive effect on our overall and long-term development, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on our future business, financial condition and results of operations.

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Our ability to continue to expand our business is dependent on a number of factors, including general economic and capital market conditions and credit availability from banks or other lenders. Stricter lending policies may affect our customers' ability to obtain financing which may in turn adversely affect our growth and financial condition. We cannot give any assurances that further measures to control growth in lending will not be implemented in a manner that may adversely affect our growth and profitability over time. In addition, the global economic recession and market volatility that persisted in the past two years may continue and therefore we may not be able to sustain the growth rate we have historically achieved.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or HKFRS, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under HKFRS in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries.

Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the [REDACTED], do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of H Shares.

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Non-PRC resident individuals of the PRC are required to pay PRC individual income tax at a 20% rate under the Individual Income Tax Law (中華人民共和國個人所得稅法). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the foreign individuals reside reduce, or provide an exemption for, the relevant tax obligations. Pursuant to the Notice on the Issues Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No.045 (Guo Shui Fa [2011] No.348) 《關於國稅發[1993] 045號文件廢止後有關個人所得稅征管問題的通知(國稅發[2011] 348號)》 (“IIT Notice”) issued by the SAT on June 28, 2011, non-PRC resident individual shareholders of a domestic non-foreign invested enterprise issuing H shares may be entitled to preferential tax treatments in accordance with the tax arrangements between Mainland China and Hong Kong. Pursuant to IIT Notice, a convenient tax rate of 10% shall apply to the dividends paid by a company issuing H Shares to foreign individuals in general. When a tax rate of 10% is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (ii) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (iii) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For non-PRC resident enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the EIT Law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders Which are Overseas Non-resident Enterprises (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) issued by the State Administration of Taxation, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or applicable treaty between China and the jurisdiction of the residence of the relevant Non-PRC resident enterprise.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and rules due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC's tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our H Shares and on gains realized on the sale or other disposition of our H Shares. The PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially and adversely affected.

The PRC national economy and economies in different regions of the PRC may be materially and adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC, in particular, the cities in which we operate. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, SARS, H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1) and Ebola virus disease. For instance, two serious earthquakes and their respective aftershocks hit Sichuan province in May 2008 and April 2013 and both resulted in tremendous

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mortality, injury and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. In April 2013, there were reports of cases of H7N9 avian flu in southeast China, including deaths in Shanghai and Jiangsu, Zhejiang and Anhui provinces. A recurrence of SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our business, which in turn may materially and adversely affect our financial condition and results of operations.

Uncertainty in the PRC legal system may make it difficult for us to predict the outcome of any disputes that we may be involved in.

Our core business is conducted within China and is governed by PRC laws and regulations. We and all of our subsidiaries are organized under PRC laws. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws and regulations relating to the financial services industry. However, as these laws and regulations have not been fully developed and also due to the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors.

In general, the PRC judiciary is relatively inexperienced in enforcing the laws and regulations that currently exist, leading to a degree of uncertainty as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. In addition, the introduction of new PRC laws and regulations and the interpretation of existing PRC laws and regulations may be subject to policy changes reflecting domestic political or social changes. As the PRC legal system develops changes to existing laws by promulgation of new laws, the preemption of local regulations by national laws may have a material adverse effect on our business, financial condition, results of operations. All of these uncertainties may limit the legal protections available to our investors and Shareholders.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and substantially all of our assets and subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and senior management reside within the PRC and their respective assets may also be located within the PRC. As a result, it may not be possible to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement of court judgments in the PRC or Hong Kong from the jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible. In addition, although we will be subject to the Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules.

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RISKS RELATING TO THE [REDACTED]

An active trading market in our H Shares may not develop, which could have a material adverse effect on our H Share price and on your ability to sell your H Shares.

Prior to the completion of the [REDACTED], there was no public market for our H Shares. The initial [REDACTED] range for our H Shares will be determined by us and the Sole Global Coordinator (on behalf of the Underwriters) and may differ significantly from the market price of our H Shares following the completion of the [REDACTED]. We have applied to the Stock Exchange for the listing of, and permission to deal in, our H Shares. However, a listing on the Stock Exchange does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the completion of the [REDACTED] or that the market price of our H Shares will not decline following completion of the [REDACTED]. In addition, we cannot assure you that the completion of the [REDACTED] will result in the development of an active and liquid public trading market for our H Shares. If an active public market for our H Shares does not develop, the H Shares could trade at a price lower than their initial offering price and you may not be able to resell your H Shares for an extended period of time, or at all.

The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new products and services, strategic cooperation or acquisitions, addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies and litigation or fluctuations in the market prices could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our H Shares.

There has been no prior market for our H Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [REDACTED], there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among us and the Joint Bookrunners on behalf of the Underwriters, and the [REDACTED] may differ significantly from the market price of our H Shares following the [REDACTED]. In addition, there can be no guarantee that: (i) an active trading market for our H Shares will develop; or (ii) if such a trading market does develop, it will be sustained following the completion of the [REDACTED]; or (iii) the market price of our H Shares will not decline below the [REDACTED]. Factors such as variations in our revenue, earnings and cash flows or any other developments of the Company may affect the volume and price at which our H Shares will be traded.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our H Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, you and other purchasers of our H Shares in the [REDACTED] will experience an immediate dilution in unaudited pro forma net tangible book value. In order to expand our business, we may consider offering and issuing additional Shares or equity-linked securities in the future. You and other purchasers of our H Shares may experience further dilution in the net tangible book value per Share if we issue additional Shares at a price lower than the net tangible book value per Share at the time of their issue.

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This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, those set forth in "Forward-Looking Statements."

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

We cannot assure you of the accuracy of facts, forecasts and statistics derived from various official governmental publications and the Heading Century Report contained in this document.

Facts, forecasts and other statistics in this document relating to the PRC, the PRC economy and certain industries have been derived from various official government publications and Heading Century Report. However, we cannot guarantee the quality or reliability of the source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. We have, however, exercised reasonable care in the reproduction and extraction of such facts, forecasts and statistics from the relevant official government publications and the Heading Century Report for the purpose of inclusion in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this document may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy as may be the case elsewhere. Our Directors have reviewed and considered these uncertainties to the facts, forecasts and other statistics contained in this document.

You should read the entire document carefully and not place any reliance on any information contained in press articles or other media regarding us and the [REDACTED] in making your investment decision.

You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is

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not contained in, or is different from what is contained in, this document. Prior or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [REDACTED], in addition to marketing materials published by us in compliance with the Listing Rules. We have not authorized any such press and media reports, and the financial information, financial projections, valuations and other information purportedly about us contained in such unauthorized press and media coverage may be untrue and may not reflect what is disclosed in this document. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any such information or publication, and accordingly do not accept any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. To the extent that any such information appearing in the press and media is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for them, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our H Shares, you should rely only on the information included in this document.

Future offerings or sales of our H Shares could adversely affect the prevailing market price of our H Shares and result in dilution.

Future offerings or sales of our H Shares by us or our Shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our H Shares to decline. In addition, Domestic Shares can be converted into H Shares after Listing subject to relevant laws and regulations and approvals. See “Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions — Hong Kong Laws and Regulations — (a) Summary of Material Differences Between Hong Kong and PRC Company Law — (iii) Restrictions on Shareholding and transfer of Shares” in Appendix III to this document for details of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also have a material adverse effect on our ability to raise capital at a time and at a price deemed appropriate.

We have significant discretion as to how we will use the net proceeds of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For details of our intended use of proceeds, see “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this [REDACTED].

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price for our H Shares and trading volume may decline.

The trading market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our H Shares to decline.

RISK FACTORS

We cannot assure you that we will distribute dividends at the same amount as we did in the past, or at all, in the future.

We distributed dividends of RMB83.5 million, RMB109.7 million, RMB72.0 million and RMB80.0 million, respectively, for the years ended December 31, 2012, 2013 and 2014 and for the six months ended June 30, 2015. We cannot assure you in the future, our Company will distribute any dividends or distribute dividends at the same amount as we did in the past. Potential investors should be aware that the declaration, payment and amount of any future dividends are subject to the discretion of our Directors, and will mainly depend upon our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors prevailing at the time. See “Financial Information — Dividends and Distributable Reserves.” We are also subject to certain restrictions under PRC law. See “— Payment of dividends is subject to restrictions under PRC law.” Any failure to declare dividends for a year may cause the market price or trading volume of our H shares to decline.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

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INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wu Liejin (吳列進)	Room 2201, Baoli No. One Gongguan Zhiyuan No.20, Denghu West Road Nanhai District Foshan, Guangdong PRC	Chinese
Mr. Xie Yongdong (謝勇東)	Room 3007, No. 67, Shuiyin Road Yuxiu District Guangzhou, Guangdong PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Zhang Minming (張敏明)	Room 908, Block 1, Sijikangcheng Qiuyunyuan Xiqiao Town, Nanhai District Foshan, Guangdong PRC	Chinese
Ms. Gu Lidan (顧李丹)	Room 1303, Block 8, Furongyuan South, Guicheng Yicui Garden Nanhai District Foshan, Guangdong PRC	Chinese
Ms. Wu Yanfen (吳艷芬)	Block A, Huijing Palace, Yanbuliangui Road Nanhai District Foshan, Guangdong PRC	Chinese
Mr. Huang Guoshen (黃國深)	Room 5B, Block C, Zhujiang Dijing Mingquan Mansion Yiyuan Road Guangzhou, Guangdong PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Wu Xiangneng (吳向能)	Room 306, No. 204, Huajing East Road Tianhe District Guangzhou, Guangdong PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. Leung Hon Man (梁漢文)	Room A, 15/F, Block 1, Cascades No. 93, Chung Hau Street Ho Man Tin, Kowloon Hong Kong	Chinese (Hong Kong)
Mr. Liu Heng (劉恒)	No.10, Ziteng 2nd Street, Jinxiu Xiangjiang Garden Nancunzhen, Panyu Guangzhou, Guangdong PRC	Chinese
<i>Supervisors</i>		
Mr. Li Qi (李琦)	Room 609, Block 16 No. 5, Xinming Second Road Chancheng District Foshan, Guangdong PRC	Chinese
Ms. Feng Qunying (馮群英)	Room 501, Building 34 Shidai Qingcheng, Luocun Street Nanhai District Foshan, Guangdong PRC	Chinese
Mr. Wang Wei (王維)	Room 2506, No. 113, Guangzhou Middle Avenue Dongshan District Guangzhou, Guangdong PRC	Chinese
Mr. Liang Yi (梁毅)	Room 1403, Block 9, Second Zone No. 8, Hujing Road Chancheng District Foshan, Guangdong PRC	Chinese
Mr. Liao Zhenliang (廖振亮)	Room A2603, Jinrun Mansion No. 361, Longkou West Tianhe District Guangzhou, Guangdong PRC	Chinese
Mr. Zhong Jian (鍾堅)	No. 16, Twelfth Street Chencun Biguihuacheng Huaxinyuan Shunde District Foshan, Guangdong PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to "Directors, Supervisors, Senior Management and Employees."

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor China Securities (International) Corporate Finance
Company Limited
18/F
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Sole Global Coordinator [REDACTED]

Joint Bookrunners [REDACTED]

Joint Lead Managers [REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

[REDACTED]

Legal advisors to our Company

As to Hong Kong Law
Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

As to PRC law
King & Wood Mallesons
55th Floor, Guangzhou International Finance Centre
No. 5, Zhujiang West Road
Guangzhou
PRC

Legal advisors to the Sole Sponsor

As to Hong Kong law
Deacons
5th Floor
Alexandra House
18 Chater Road
Central, Hong Kong

As to PRC law
Jun He Law Offices
Suite 1301, 13th Floor
E Building, G.T, Land Plaza
13 Zhujiang East Road, Tianhe District
Guangzhou, 510623, Guangdong
PRC

Auditors and reporting accountants

KPMG
Certified Public Accountants
8th Floor, Prince Building
10 Charter Road, Central
Hong Kong

Receiving banks

[REDACTED]

Compliance advisor

KGI Capital Asia Limited
41st Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office	Unit 2202–2212, 22/F, Chuangye Building No.215 Fenjiang Middle Road Foshan, Guangdong PRC
Head office in the PRC	Unit 2202–2212, 22/F, Chuangye Building No.215 Fenjiang Middle Road Foshan, Guangdong PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen’s Road East Wanchai, Hong Kong
Company’s website	<u>www.join-share.com</u> <i>(information contained in this website does not form part of the prospectus)</i>
Joint Company Secretaries	Mr. Wong Yat Tung 18/F, Tesbury Centre 28 Queen’s Road East Wanchai, Hong Kong <i>(An associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators)</i> Mr. Zheng Zhengqiang Room 1102, Block 29 No. 63 Chao’an South Road Chancheng District Foshan, Guangdong PRC
Authorized representatives	Mr. Wu Liejin Room 2201, Baoli No. One Gongguan Zhiyuan No.20, Denghu West Road Nanhai District Foshan, Guangdong PRC Mr. Wong Yat Tung 18/F, Tesbury Centre 28 Queen’s Road East Wanchai, Hong Kong
Audit committee	Wu Xiangneng (吳向能) (<i>Chairman</i>) Leung Hon Man (梁漢文) Huang Guoshen (黃國深)

CORPORATE INFORMATION

Remuneration and Appraisal committee	Leung Han Man (梁漢文) (<i>Chairman</i>) Liu Heng (劉恒) Wu Xiangneng (吳向能) Zhang Minming (張敏明) Xie Yongdong (謝勇東)
Nomination committee	Wu Liejin (吳列進) (<i>Chairman</i>) Leung Han Man (梁漢文) Liu Heng (劉恒) Wu Xiangneng (吳向能) Wu Yanfen (吳艷芬)
Risk Management Committee	Zhang Minming (張敏明) (<i>Chairman</i>) Wu Liejin (吳列進) Xie Yongdong (謝勇東) Huang Guoshen (黃國深) Wu Xiangneng (吳向能)
Strategy Committee	Wu Liejin (吳列進) (<i>Chairman</i>) Zhang Minming (張敏明) Xie Yongdong (謝勇東) Gu Lidan (顧李丹) Liu Heng (劉恒)
Compliance advisor	KGI Capital Asia Limited 41st Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
Principal bankers	China Construction Bank Corporation Guangdong Branch No. 509, Dongfeng Middle Road Yuexiu District Guangzhou, Guangdong PRC Bank of China Limited Foshan Branch 2 Renmin West Road Chancheng District Foshan, Guangdong PRC
H Share Registrar	[REDACTED]

INDUSTRY OVERVIEW

Certain facts, information, statistics and data relating to China's economy and the industry in which we operate that are presented in this section and elsewhere in this document are derived from publicly available government official sources (including various publications issued by PRC government entities) as well as a report we commissioned from Heading Century. See "— Sources of Information." We believe that such sources are appropriate sources, and statistics below, including forward-looking information for future periods as identified have been extracted and reproduced after reasonable care has been taken. The information from official government publications and Heading Century may not be consistent with other information and statistics compiled within or outside China. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, or any of our respective directors, officers, representatives or affiliates, the Sole Sponsor, Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of their respective affiliates or advisors, or any other party involved in the [REDACTED] and no representation is given as to its accuracy or correctness and accordingly it should not be unduly relied on. Our Directors confirm that after taking reasonable care there is no adverse change in the market information since the date of the Heading Century Report.

SOURCES OF INFORMATION

In connection with the [REDACTED], we have commissioned a research report from Heading Century, or the Heading Century Report, for use in part in this document to provide prospective investors with necessary information on the economy of the PRC, the industry and market segments in which we operate and our competitive position, including forward-looking information. Heading Century has charged us a fee of approximately RMB350,000 for the preparation of the Heading Century Report.

Heading Century is an independent national market research and consulting company in China, offering a range of services including consulting services on [REDACTED] in China, new third market businesses, which shares are unlisted but traded through securities companies, and mergers and acquisitions, information services on the primary market by analyzing its data, establishing a risk advisory system and conducting investment researches on industry data for venture capital and private equity, and investment services including wealth management, business innovation of investment banks and financial intermediary services. Founded in 2006, it has 21 offices in the PRC with approximately 270 industry consultants. Heading Century's independent research was undertaken through both primary and second researches. Primary research involved interviews with industry participants, including guarantee and SME lending companies, industry experts and industry associations, as well as governmental authorities, including financial affairs offices of Guangdong and Anhui provinces and economic and information management offices of Guangdong and Anhui provinces. Secondary research involved reviewing company reports, publicly available industry almanacs, information research reports and data based on Heading Century's research database.

Heading Century has adopted and considered the following assumptions and publications when making projections on the market scale and industry trends in its report:

- China's and global economic growth is forecasted to grow at a steady rate;
- national and local laws and regulations as well as governmental and industry policies in relation to financing guarantee and SME lending during the forecast period have been effectively implemented and are not subject to material change;
- no outbreak of national diseases or other *force majeure* events nationally or globally, which would affect the demand and supply of financing guarantee and SME lending services;

INDUSTRY OVERVIEW

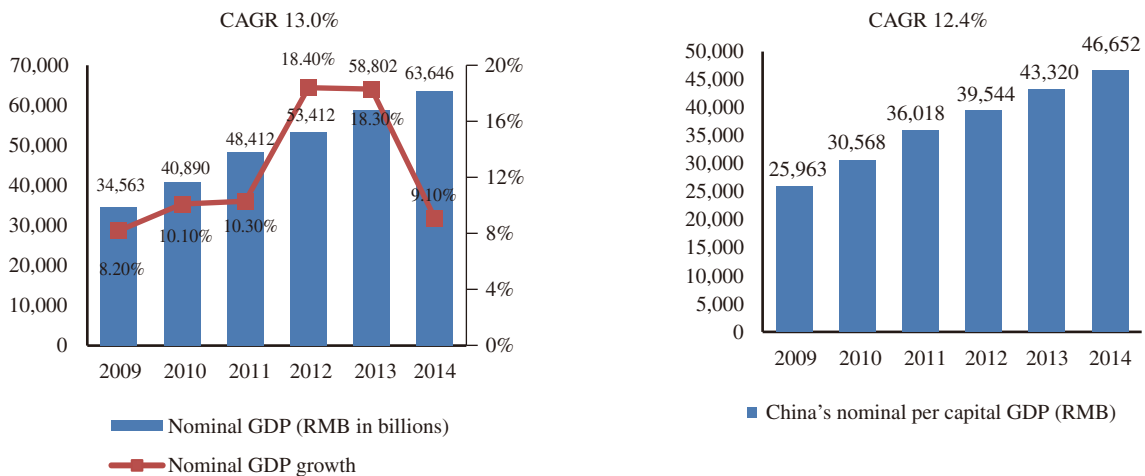
- the 12th five-year plan of China (from 2011 through 2015);
- the 12th five-year plan for SME development (十二五中小企業成長規劃); and
- the SMEs Promotion Law of China (中華人民共和國中小企業促進法).

Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Heading Century Report which may qualify, contradict or have an impact on the information in this section.

MACROECONOMIC OVERVIEW

The Economy in China

China's economy has experienced rapid growth in the past 30 years and the Chinese government has recently implemented economic stimulus policies to boost economic growth. The following charts set forth the historical nominal GDP and its growth rate and the historical nominal GDP per capita in the PRC for the periods indicated:



Source: The National Bureau of Statistics of China

According to the Organization for Economic Cooperation and Development, China's economy is expected to grow by approximately 7.5% in 2015. Under the Chinese government's 12th five-year plan, China has set an annual economic growth target of approximately 7% for 2011 through 2015. In 2011, the International Monetary Fund also estimated that China's nominal GDP may reach approximately RMB81.4 trillion by 2016. In general, an increase in GDP lowers the risks faced by the financing guarantee and SME lending industries, as borrowers are more likely to repay loans under good economic conditions.

The Economy of Guangdong Province, Foshan City and Anhui Province

Guangdong Province

According to the National Bureau of Statistics of China, in 2014, Guangdong province's nominal GDP was approximately RMB6,779 billion, approximately twice that of 2009, and Guangdong province's nominal GDP grew at a CAGR of 11.4% from 2009 through 2014. Guangdong province has been at the

INDUSTRY OVERVIEW

forefront of China's economic development, and its nominal GDP has ranked first among the provinces in China for 27 consecutive years from 1998 to 2014, according to the National Bureau of Statistics of China.

Foshan City

According to the Foshan Municipal Bureau of Statistics, Foshan city's GDP increased from approximately RMB482 billion in 2009 to approximately RMB760 billion in 2014, representing a CAGR of 9.5%. In 2014, Foshan city's nominal GDP ranked third among all municipalities in Guangdong province, according to the Foshan Municipal Bureau of Statistics, and ranked 17th among all municipalities in China, according to the National Bureau of Statistics of China.

Anhui Province

According to the National Bureau of Statistics of China, from 2009 to 2014, Anhui province's nominal GDP increased from approximately RMB1,006 billion in 2009 to approximately RMB2,085 billion in 2014, representing a CAGR of 15.7%. Anhui province's nominal GDP ranked 14th among the provinces in China in 2014, according to the National Bureau of Statistics of China.

OVERVIEW OF SMES IN CHINA

We focus on providing financing services to SMEs and therefore the conditions of China's SME sector would affect the industry which we operate in.

According to the SAIC, there were a total of approximately 15.6 million registered SMEs in China as of December 31, 2014, which accounted for approximately 95.5% of all registered enterprises in China. According to the MIIT, the portion of China's nominal GDP derived from SMEs accounted for approximately RMB41,370 billion in 2014, or more than 65% of the nation's total nominal GDP. The total nominal GDP of SMEs grew at a CAGR of 15.1% from 2009 to 2014.

As of December 31, 2014, China's SMEs held outstanding domestic bank loans in a principal amount of approximately RMB33.4 trillion, accounting for approximately 65.6% of all bank loans outstanding in China, according to the PBOC. Furthermore, according to the PBOC, new loans made to SMEs totaled approximately RMB3.8 trillion in 2014, accounting for approximately 75.9% of all domestic bank loans made in the same year.

The central government and local governments in China have implemented several rules and regulations to facilitate financing of SMEs. See "Regulations – Relevant Policies on SMEs."

In September 2009, the State Council issued the Opinions of the State Council on Further Promoting the Development of Small and Medium Enterprises (國務院關於進一步促進中小企業發展的若干意見), which encouraged financial institutions to provide more financing methods and channels, including direct financing, finance lease, pawn and trust financing, to SMEs. In July 2010, the PBOC, CBRC, CSRC and China Insurance Regulatory Commission jointly issued the Opinions on Further Improving Financial Services for Small and Medium Enterprises (進一步做好中小企業金融服務工作的若干意見), in order to further improve the financial services available to SMEs and to broaden their financing channels by further improving the reform and innovation of credit management system and financial products to meet the demand of small and medium enterprises, enhancing the efficiency of approval process and implementing various supervision measures on the financial service as well as providing convenient and prompt credit service to the small and medium enterprises which satisfy conditions. In June 2011, MIIT issued the Notice on the Printing of Standards for the Classification of SMEs (關於印發

INDUSTRY OVERVIEW

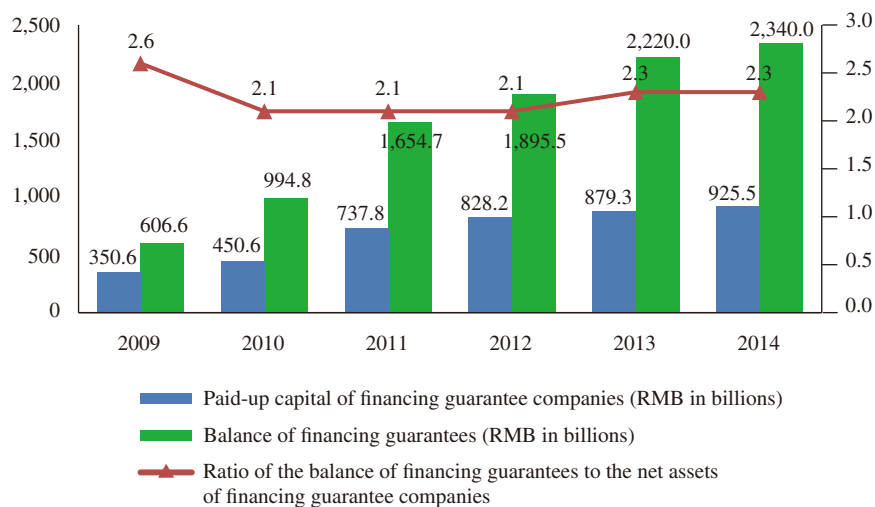
中小企業劃型標準規定的通知), specifying the classification of medium-size, small-size and micro-size enterprises. The purpose of such classification is to enable small- and micro-size enterprises to benefit from credit support by expanding the scope of coverage of SMEs. In April 2012, the State Council issued the Opinions on Further Supporting the Healthy Development of Small- and Micro-size Enterprises (關於進一步支持小型微型企業健康發展的意見), which further strengthen the credit support and financing services for the development of small- and micro-size enterprises by implementing policies to support financing of SMEs.

OVERVIEW OF THE FINANCING GUARANTEE INDUSTRY IN CHINA

The Size of the Financing Guarantee Industry

From 2009 through 2014, the number of financing guarantee companies in China increased from 5,547 to 7,898, representing a CAGR of 7.3%. The number of financing guarantee companies increased rapidly, mainly due to the economic stimulus scheme introduced by the PRC government following the global financial crisis, the overall increase in bank lendings and the increasing numbers of SMEs with their increasing financing needs. Since 2011, the strengthening of regulations by the CBRC, such as stipulating the requirements to establish a financing guarantee company, is slowing down the increase in the number of China's financing guarantee companies and encourage financing guarantee companies to further strengthen their risk management. According to the inter-ministerial joint meeting on financing guarantees, as of December 31, 2014, the average registered capital for all the financing guarantee companies in China was RMB107 million, and at least 0.7% of those financing guarantee companies had registered capital of RMB1 billion or more.

The following chart depicts the aggregate paid-up capital of the financing guarantee companies in China, the balance of financing guarantees and the ratio of the balance of financing guarantees to the net assets of the financing guarantee companies:



Source: The CBRC

As of December 31, 2014, the total balance of financing guarantees provided for SMEs represented approximately 76.5% of the total balance of financing guarantees, according to the CBRC. The financing guarantee industry has also played an active role in meeting the financing needs of SMEs. According to the CBRC, the number of SMEs backed by financing guarantees accounted for approximately 93.6% of the total number of enterprises backed by financing guarantees as of December 31, 2014.

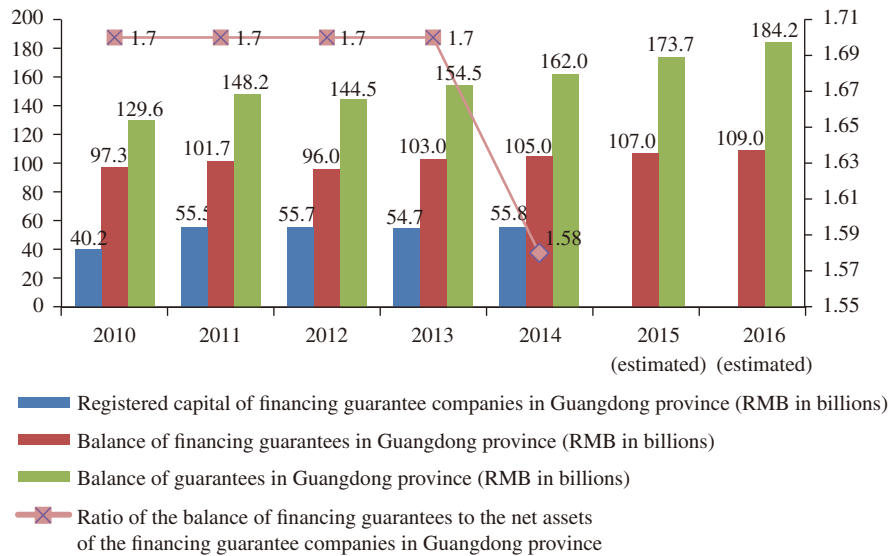
INDUSTRY OVERVIEW

The Financing Guarantee Industry in Guangdong Province, Foshan City and Anhui Province

The Financing Guarantee Industry in Guangdong Province

The financing guarantee industry in Guangdong province has been growing over the past few years. According to the financial affairs office of Guangdong provincial government, there were 326 registered financing guarantee companies in Guangdong as of December 31, 2010. The number increased to 355 as of December 31, 2014, and is expected to further increase to 402 as of December 31, 2016.

The following chart sets forth the balance of guarantees and the balance of financing guarantees in Guangdong province as of the end of the year indicated:



Source: The financial affairs office of Guangdong provincial government, Heading Century

The Financing Guarantee Industry in Foshan City

According to the Foshan SME Bureau, in Foshan city, there were 27 registered financing guarantee companies as of December 31, 2009, and this number decreased to 22 as of December 31, 2014 as a result of the restructuring of financing guarantee industry in Guangdong province since 2012.

The rapidly growing economy and increasing number of SMEs with increasing needs for funding and credit support in Foshan city have continuously created market opportunities for financing guarantee industry and financing guarantee companies in Foshan city. However, due to the collapse of several major guarantee companies in Foshan city in 2013 as a result of illegal and irregular business operation, certain commercial banks reduced their cooperation with financing guarantee companies since then, resulting in a slower growth in the financing guarantee industry in Foshan city. According to the Foshan SME Bureau, in 2009, the increased number of the enterprises which had obtained financing guarantees was 1,694, and the balance of financing guarantees was approximately RMB7.8 billion as of December 31, 2009. As of December 31, 2014, the increased number of the enterprises which had obtained financing guarantees was 1,035, and the balance of financing guarantees was approximately RMB6.1 billion.

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The Financing Guarantee Industry in Anhui Province

According to the financial affairs office of Anhui provincial government, in Anhui province, there were 577 registered financing guarantee companies as of December 31, 2010, and the number decreased to 357 as of December 31, 2014. The decrease was primarily as a result of the strengthened regulations, which stipulate certain requirements for financing guarantee companies, and the industrial consolidation since 2010 in Anhui province.

According to the financial affairs office of Anhui provincial government, the balance of financing guarantees provided for SMEs in Anhui province increased to approximately RMB145.4 billion as of December 31, 2014 from approximately RMB95.5 billion as of December 31, 2011, which accounted for approximately 97.1% and 92.3%, respectively, of the balance of financing guarantees in Anhui province as of December 31, 2014 and 2011.

Regulatory Environment

The central government in China has adopted a series of policies to encourage and regulate the development of financing guarantee industry, including:

- In March 2010, as approved by the State Council, seven central government departments, including the CBRC and the NDRC, jointly issued the Interim Measures, which established a regulatory framework for China's financing guarantee industry.
- In March 2009 and February 2011, the MIIT and the SAT jointly issued the Notices on the Exemption from Business Tax (關於公佈免徵營業稅中小企業信用擔保機構名單有關問題的通知), which provide for business tax exemption for certain eligible SME credit guarantee institutions.
- In April 2012, the Ministry of Finance and SAT jointly issued the Notice on Pre-EIT Deduction of Reserve Fund of SME Credit Guarantee Companies (關於中小企業信用擔保機構有關準備金企業所得稅稅前扣除政策的通知), which provides certain favorable tax policies for financing guarantee companies.
- In December 2014, Li Keqiang, Premier of the State Council, issued written instructions through the national teleconference on exchange of experience in promoting the development of the financing guarantee industry (全國促進融資性擔保行業發展經驗交流電視電話會議), emphasizing that the development of the financing guarantee industry is key to solving the financing difficulties that SMEs and the participants in the agricultural industry are currently facing.
- In June 2015, the MIIT and the MOF jointly issued the Notice on Reimbursement for Losses for Providing Guarantees to SMEs (關於做好中小企業信用擔保代償補償有關工作的通知), which provides a detailed guidance for cooperation between commercial banks and guarantee companies to share risks, and provides for governmental subsidies for guarantee companies which serve SMEs.
- In July 2015, the State Council Executive Meeting (國務院常務會議) reiterated the importance of developing the financing guarantee industry, and proposed a series of measures to promote such development, including: (i) encouraging the establishment of government guarantee funds, and the cooperation of local governments, commercial banks and financing guarantee companies to share risks; (ii) encouraging the development of state-owned financing guarantee companies, and the consolidation and restructuring of the financing guarantee industry; and

INDUSTRY OVERVIEW

(iii) further strengthening the implementation of business tax exemption and pre-EIT deduction of reserve fund for eligible guarantee companies.

In July 2015, Guangdong provincial government issued Certain Opinions on the Innovation and Improvement of the Investment and Financing Mechanism for SMEs (廣東省人民政府關於創新完善中小微企業投融資機制的若干意見), which provides that the Guangdong provincial government shall allocate RMB6.6 billion to support the development of SMEs, by means of, among others, establishing a special fund to reimburse the losses for providing guarantees or micro-lendings to SMEs in Guangdong. In addition, the local governments in Guangdong province and Anhui province have also adopted other relevant policies to encourage the development of the financing guarantee industry in these provinces. See “Regulations — Financing Guarantee Industry — Administration on Financing Guarantee companies.”

Competitive Landscape

The market concentration rate of the financing guarantee industry in China is low, and the market has yet to see any dominant players to emerge.

According to the Heading Century Report, as of December 31, 2014, the registered capital of the 10 largest non-state owned financing guarantee companies in aggregate accounted for approximately 11.5% of the total registered capital of all the financing guarantee companies in Guangdong province. The following table sets forth the 10 largest non-state owned financing guarantee companies in Guangdong province in terms of registered capital as of December 31, 2014:

Ranking	Company	Registered Capital (RMB in millions)
1.	Shenzhen Yinlianbao Financing Guarantee Co., Ltd. (深圳市銀聯寶融資擔保股份有限公司)	1,334
2.	Guangdong Yinda Financing Guarantee Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司)	1,040
3.	Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (廣東中盈盛達融資擔保股份有限公司)	800
4.	Shenzhen Zhongjin Chuangzhan Financing Guarantee Co., Ltd. (深圳市中金創展融資擔保股份有限公司)	700
5.	Shenzhen Huirong Financing Guarantee Co., Ltd. (深圳市匯融融資擔保有限公司).	600
6.	Guangdong Jidda Financing Guarantee Co., Ltd. (廣東捷信融資擔保有限公司).	500
7.	Rongtong Financing Guarantee Co., Ltd. (融通融資擔保有限公司).	500
8.	Guangdong Weixin Financing Guarantee Investment Co., Ltd. (廣東偉信融資擔保投資有限公司).	430
9.	Shenzhen Industrial Financing Guarantee Co., Ltd. (深圳市興業融資擔保有限公司).	353
10.	Shenzhen Fuhai Rongji Financing Guarantee Co., Ltd. (深圳市富海榮基融資擔保有限公司)	352

Source: The Guangdong people’s government, the Guangdong SAIC

INDUSTRY OVERVIEW

The following table sets forth the 10 largest financing guarantee companies in Guangdong province in terms of registered capital as of December 31, 2014:

Ranking	Company	Registered Capital (RMB in millions)
1.	Guangdong Financing Re-Guarantee Company Limited (廣東省融資再擔保有限公司).....	2,810
2.	Shenzhen Small and Medium Enterprises Credit Financing Guarantee Group Co., Ltd. (深圳市中小企業信用融資擔保集團有限公司).....	1,800
3.	Shenzhen Yinlianbao Financing Guarantee Co., Ltd. (深圳市銀聯寶融資擔保股份有限公司)	1,334
4.	Guangdong Yinda Financing Guarantee Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司)	1,040
5.	Shenzhen Small and Medium Enterprises Financing Guarantee Co., Ltd. (深圳市中小企業融資擔保有限公司).....	1,000
6.	Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (廣東中盈盛達融資擔保股份有限公司)	800
7.	Great Wall Financing Guarantee Co., Ltd. (長城融資擔保有限公司)	739
8.	Shenzhen Zhongjin Chuangzhan Financing Guarantee Co., Ltd. (深圳市中金創展融資擔保股份有限公司).....	700
9.	Shenzhen HTI Financing Guarantee Co., Ltd. (深圳市高新投融資擔保有限公司).....	600
10.	Shenzhen Huirong Financing Guarantee Co., Ltd. (深圳市匯融融資擔保有限公司)	600

Source: The Guangdong people's government, the Guangdong SAIC

According to the Heading Century Report, in Guangdong province, the target customer bases of the state-owned financing guarantee institutions and non-state owned financing guarantee institutions are different. The major state-owned financing guarantee institutions are policy-oriented. They select customers mainly to facilitate governmental authorities to implement certain policies, for example, to encourage the development of certain industries, or to support the development of certain geographic areas. Non-state owned financing guarantee institutions are market-oriented. They select customers mainly to maximize their economic profits.

INDUSTRY OVERVIEW

The following table sets forth the five largest non-state owned financing guarantee companies in Foshan city in terms of revenue as of December 31, 2014 and their respective registered capitals, total balance of guarantees and market shares:

Ranking	Company	Revenue	Registered Capital	Market Share
		(RMB in millions)	(RMB in millions)	%
1.	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)	147.2	800.0	63.8
2.	Guangdong Success Finance Co., Ltd. (廣東集成融資擔保有限公司)	47.0	330.0	20.4
3.	Guangdong Wendang Financing Guarantee Co., Ltd. (廣東穩當融資擔保有限公司)	9.8	220.0	4.3
4.	Guangdong Zhuming Financing Guarantee Co., Ltd. (廣東助民融資擔保有限公司)	8.1	253.0	3.5
5.	Guangdong Zhanhong Financing Guarantee Co., Ltd. (廣東展鴻融資擔保有限公司)	6.2	308.0	2.7

Source: The Foshan Municipal Financial Affairs Bureau

The following table sets forth the five largest non-state owned financing guarantee companies in Hefei city of Anhui province in terms of net profit as of December 31, 2014 and their respective ratios of balance of financing guarantees to net assets and registered capitals:

Ranking	Company	Net Profit	Balance of Financing Guarantees to Net Assets	Registered Capital
		(RMB in millions)		(RMB in millions)
1.	Anhui Zhongcheng Investment Guarantee Co., Ltd. (安徽中誠投資擔保有限責任公司)	12.2	7	100.0
2.	Anhui Join-Share Financing Guarantee Co., Ltd. (安徽中盈盛達融資擔保有限公司)	10.6	3	150.0
3.	Anhui Huijin Guarantee Co., Ltd. (安徽匯金擔保有限公司)	3.7	2	200.0
4.	Anhui Jing'an Guarantee Co., Ltd. (安徽靜安擔保有限公司)	3.3	1	110.0
5.	Anhui Guojin Guarantee Co., Ltd. (安徽國金擔保有限公司)	1.6	1	100.0

Source: The Hefei Financial Affairs Bureau

INDUSTRY OVERVIEW

Key Barriers to Entry

Brand Awareness

In selecting a financing guarantee company, banks and SMEs will take its brand awareness into account. Banks and SMEs will typically evaluate the risk management system when selecting a financing guarantee company. Large state-owned financing guarantee companies prefer non-state owned financing guarantee companies with a renowned brand when selecting their joint-guarantee or re-guarantee cooperative partners.

Relationships with banks

The business scale of financing guarantee institutions depends on their relationships with banks, since their guarantees have to be recognized by the relevant bank granting the loans. Due to the high risk nature of the industry, banks conduct a prudent evaluation on financing guarantee institutions.

High registered capital requirements

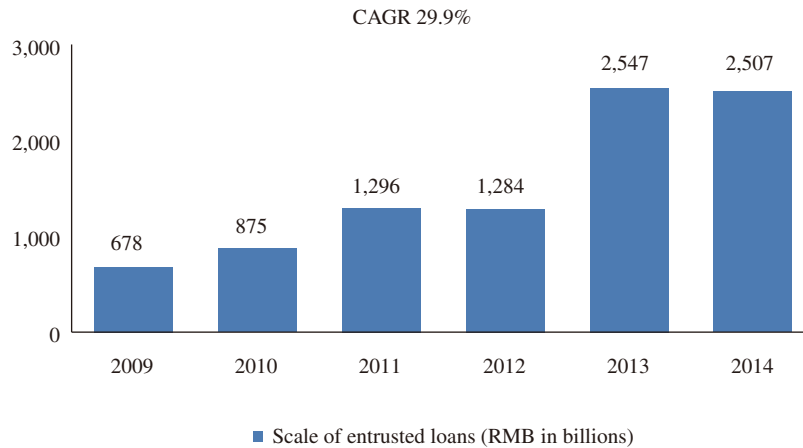
According to the Interim Measures, the minimum registered capital of financing guarantee companies requiring registration is RMB5 million, and the registered capital has to be paid-up capital. Under the Implementation Rules of Guangdong Province for the Interim Measures (廣東省《融資性擔保公司管理暫行辦法》實施細則) which became effective since November 2010, the minimum registered capital is required to be from RMB50 million to RMB100 million for the incorporation of financing guarantee companies in different regions within Guangdong province. For example, the minimum registered capital required to establish a financing guarantee company in Foshan city is RMB100 million. As of Anhui province, the Anhui provincial government financial affairs office issued the Notice on the General Requirements of the Twelfth Five-year Plan of the Financing Guarantee Industry of the Province (關於全省融資性擔保行業“十二五”佈局規劃總體要求的通知), which provides that newly established financing guarantee institutions should generally have a registered capital of no less than RMB150 million, and the registered capital has to be paid-up capital.

OVERVIEW OF THE ENTRUSTED LOAN INDUSTRY IN THE PRC

Since 2011, entrusted loan business in the PRC has been developing rapidly. As an off-balance sheet business for the banks, entrusted loans can increase investment channels. Due to China's monetary policy, the PBOC increased the deposit reserve requirements of commercial banks, and the CBRC controlled the size of loans available from local financing platforms. As a result, the gap between the size of loans financial institutions and the financing needs of SMEs becomes increasingly prominent. As such, in the past few years, many enterprises with urgent financing needs have increasingly turned to entrusted loans, making entrusted loans the second biggest source of credits.

INDUSTRY OVERVIEW

The following chart sets forth the scale of the entrusted loans in the PRC for the periods indicated:



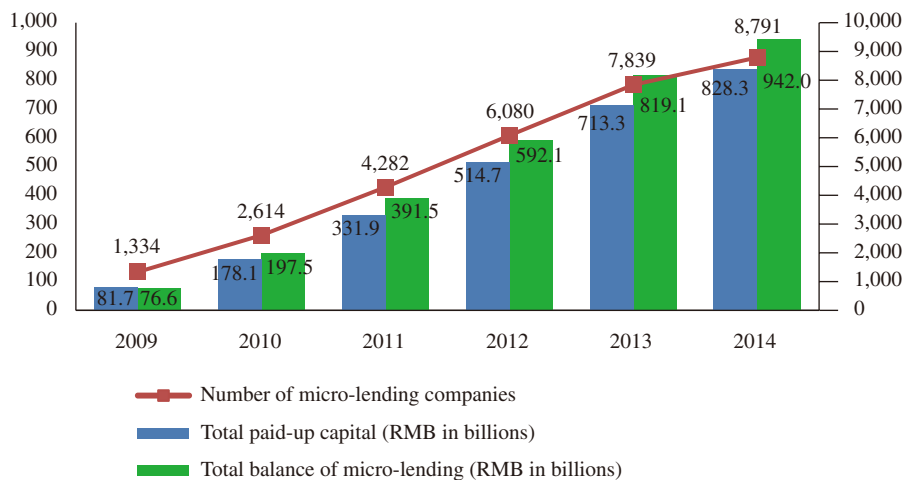
Source: The PBOC

There are three types of entrusting party, namely enterprises, individuals and financial institutions. Enterprises include general enterprises, as well as investment companies, asset management companies, guarantee companies and micro-lending companies. The sources of funds mainly come from enterprises, especially the listed companies. According to the Heading Century Report, there were 290 listed companies that granted entrusted loans totaling RMB100 billion in 2014, with a trend of continued increase. The proportion of entrusted loans among non-affiliated enterprises has increased. The funds obtained were mainly used in developed areas and for medium-size enterprises, with interest rates ranging from 6% to 24% per annum. Entrusted loans among affiliated enterprises generally have interest rates lower than the loan interest rates.

OVERVIEW OF THE MICRO-LENDING INDUSTRY IN CHINA

The Size of the Micro-lending Industry

According to the PBOC, the scale of micro-lending companies expanded rapidly in the recent years. The following chart sets forth the number of micro-lending companies in China, their total paid-up capital and total balance of micro-lending as of the end of the year as indicated:



Source: The PBOC

INDUSTRY OVERVIEW

The National Bureau of Statistics of China, the PBOC and the World Bank estimate that the total balance of micro-lending will increase to approximately RMB2,367.9 billion in 2018, representing a CAGR of 25.9% from 2014. The rapid growth of the micro-lending industry in China in the recent years is mainly because large commercial banks exited from counties, and it has been difficult for SMEs to gain financings from medium and large financial institutions due to their poor credit system. The development of the micro-lending industry in China is also supported by local policies and regulations.

The Micro-lending Industry in Guangdong Province and Foshan City

The Micro-lending Industry in Guangdong Province

The following table sets forth the number of micro-lending companies in Guangdong province and their total balance of micro-lending as of the end of the year as indicated:

	As of December 31,					
	2009	2010	2011	2012	2013	2014
Number of micro-lending companies	63	98	167	234	326	400
Total balance of micro-lending (RMB in billions)	3.7	9.1	17.9	28.4	44.1	61.4
Total paid-up capital (RMB in billions).....	4.7	8.5	16.4	26.2	42.4	60.0

Source: *The PBOC*

The Micro-lending Industry in Foshan City

The following table sets forth the number of micro-lending companies in Foshan city (excluding Shunde district, which is considered a separate administrative region on par with Foshan city) and their total balance of micro-lending as of the end of the year as indicated:

	As of December 31,					
	2009	2010	2011	2012	2013	2014
Number of micro-lending companies	4	5	6	8	25	39
Total balance of micro-lending (RMB in billions)	0.4	0.8	1.3	1.6	4.8	9.0
Total registered capital (RMB in billions)	0.6	0.7	0.9	1.2	4.8	8.0

Source: *The PBOC and Foshan Municipal Micro-lending Industry Association*

Regulatory Environment

The central government in China has adopted a series of policies and guidance to encourage and regulate the development of micro-lending industry, including the Relevant Policies for Micro-lending Companies and Similar Institutions (小額貸款公司及類似機構相關政策) and the Guidance on Pilot Operation of Micro-lending Companies (關於小額貸款公司試點的指導意見) jointly issued by PBOC and CBRC in 2008, which established a regulatory framework for China's micro-lending industry. The local governments in Guangdong province have also adopted relevant policies. See "Regulations — The Microcredit Industry — Regulatory Policies of the Microcredit Industry."

INDUSTRY OVERVIEW

Competitive Landscape

Currently, micro-lending companies in China cannot operate across regions and their loans must only be granted in their respective locations of registration. According to the Heading Century Report, although there were 8,791 micro-lending companies in China in 2014, most of them were situated in different locations and therefore, fierce competition is not expected to occur in the near future. For certain locations, due to the high local capital demand, there is also no fierce competition even if two or more micro-lending companies were established in the same location.

However, recent regulatory changes have begun to promote increased competitions. According to the Micro Credit Association of Guangdong province, to support the development of micro-lending, the financial affairs offices of several provinces, including Guangdong province, allow micro-lending companies to operate across regions within the province, expanding the local competition to competition within the province. Competition is further intensified since micro-lending companies from different provinces have established affiliations with one another. Furthermore, financial affairs office of Guangdong province has removed the restriction that micro-lending companies can only operate within the province by granting a license to one micro-lending company to grant loans to its online members nationwide.

Key Barrier to Entry

According to the Guidance on the Pilot Operation of Micro-lending Companies, registered capital of micro-lending companies shall consist of paid-in capital only and must be paid in one go in full by the investors or founding members. Registered capital of a limited liability company shall not be less than RMB5 million and that of a company limited by shares shall not be less than RMB10 million.

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Set out below is a brief overview of the PRC laws and regulations relating to our business operations within the territory of the PRC.

FINANCING GUARANTEE INDUSTRY

Nationwide Regulatory Authorities

Prior to April 25, 2003, the State Economic and Trade Commission (國家經濟貿易委員會) ("SETC") was primarily responsible for guiding the pilot establishment of a national SME credit guarantee system in order to facilitate the development of SMEs. On June 14, 1999, the SETC issued the Guidance on Establishing SMEs Credit Guarantee System (關於建立中小企業信用擔保體系試點的指導意見) ("SETC Guidelines").

On April 25, 2003, as the SETC was reorganized as the NDRC as part of the organizational reform of the State Council, the NDRC started to assume the responsibility of promoting the development of SMEs and building the investors' independent decision making gradually, the banks' independent loan examination, the various financing forms, the standards of the intermediary services and the new effective investment and financing regime of the governmental macro-control policies, pursuant to the Provisions of the State Council on Main Responsibilities, Internal Institutions, and Personnel of the NDRC (國家發展和改革委員會主要職責內設機構和人員編制規定) promulgated on April 25, 2003.

On July 11, 2008, the responsibility of guiding and supporting the SMEs was transferred from the NDRC to the Ministry of Industry and Information pursuant to the Provisions on Main Responsibilities, Internal Institutions and Personnel of Ministry of Industry and Information (工業和信息化部主要職責內設機構和人員編制規定) promulgated on July 11, 2008.

On February 3, 2009, pursuant to the Notice on Further Specifying the Supervisory Responsibilities for Financing Guarantee Business issued by the General Office of the State Council (國務院辦公廳關於進一步明確融資性擔保業務監管職責的通知), the State Council set up the Financing Guarantee Committee (國務院融資性擔保業務監管部際聯席會議), which is led by the CBRC, and attended by other governmental authorities such as the NDRC, the Ministry of Industry and Information, the Ministry of Finance, the PBOC, the SAIC and the Legal Affairs Office of the State Council.

Local Regulatory Authorities

Regulatory Authorities in Guangdong Province and Foshan City

According to the Implementation Rules of Guangdong Province for the Interim Administrative Measures for Financing Guarantee Companies (廣東省《融資性擔保公司管理暫行辦法》實施細則) ("Implementation Rules of Guangdong"), the Financial Affairs Office of the People's Government of Guangdong Province ("provincial financial affairs office") and all financial affairs bureaus (offices) of cities at prefecture-level or above ("municipal financial affairs bureaus (offices)") are the regulatory authorities of the financing guarantee companies in Guangdong province. The provincial financial (affairs) office is responsible for examination and approval of the establishment, change and termination of financing guarantee companies in Guangdong province and their branches. The provincial financial affairs office is also responsible for the daily regulation and risk treatment of the provincial financing guarantee companies.

Pursuant to the Implementation Rules of Guangdong, the people's government of cities at the prefecture-level or above shall be the first person-in-charge for the risk treatment of financing guarantee companies. The financial affairs bureaus or offices of all cities shall be responsible for the preliminary

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examination or the examination and approval work in connection with the financing guarantee companies and their branches within their own administration area, and assume the daily regulation and risk treatment of such companies and branches. Therefore, the regulatory authority of financing guarantee companies in Foshan city is the Foshan Financial Affairs Bureau.

Regulatory Authorities in Anhui Province and Hefei City

According to the Administrative Measures of Financing Guarantee Companies in Anhui Province (Trial) (安徽省融資擔保公司管理辦法(試行)), the regulatory authority refers to the financial affairs regulatory authorities at county level or above or authorities assigned by the government to assume the liabilities to supervise and regulate the financing guarantee companies in their respective jurisdictions. The Anhui Financial Affairs Office is the regulatory authority of the financing guarantee companies in Anhui province.

Pursuant to the Interim Regulatory Measures of Financing Guarantee Companies in Hefei City (合肥市融資性擔保公司監管暫行辦法), Hefei Financial Affairs Office is the regulatory authority of the financing guarantee companies in Hefei city.

Status as Non-Financing Institutions

According to the SETC Guidelines, the financing guarantee companies are not financing institutions and shall not conduct any financing business. Furthermore, in the official response by the enterprise registration bureau of the SAIC on July 8, 1999 to inquiries made by certain provincial industry and commerce administration authorities, SAIC confirmed that the financing guarantee companies were not financing institutions.

Administration on Financing Guarantee Companies

Prior to the Decision of the State Council on Amending the Decision of the State Council on Establishing Administrative Licenses for the Administrative Examination and Approval Items Really Necessary to Be Retained issued on January 29, 2009, (國務院關於修改《國務院對確需保留的行政審批項目設定行政許可的決定》的決定), the establishment of a financing guarantee company required approval from or registration with relevant regulatory authorities above mentioned. Since January 29, 2009, the establishment of a financing guarantee company should be approved by the authority appointed by provincial government ("FGC Administration").

Pursuant to the Interim Measures, financing guarantee companies shall obtain the Business License for Financing Guarantee Institutions (融資性擔保機構經營許可證). Furthermore, the financing guarantee companies are also required to obtain approvals from the financing guarantee company Administration with respect to certain matters, including changes in company name, organization form, registered capital, registered address, business scope, directors, supervisors, senior management, shareholder holding equity more than 5%, division or merger, and amendment of articles of association. Moreover, subject to the relevant provisions of the state, the amount of guarantee fees that may be collected by the financing guarantee companies may be determined with reference to the level of risk involved in the transaction and through negotiations between the financing guarantee companies and person for whom the guarantee is provided. The regulatory threshold for the outstanding guarantee balances undertaken by a financing guarantee company is 10 times of the company's net assets. A financing guarantee company must set aside 50% of its guarantee fee income for each year as unearned premium reserves, and no less than 1% of its year-end net balance of the guarantee liabilities as guarantee indemnity reserves. If the accumulated guarantee indemnity reserves reach 10% of the net balance of the guarantee liabilities in a specific year, guarantee indemnity reserves for that year may be set aside on the

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basis of the difference of the year-end net balance of the guarantee liabilities between that year and the preceding year. The measures for the provision on the basis of the difference for the use of the guarantee indemnity reserve shall be formulated by the respective regulatory authorities.

In respect of business scope, the financing guarantee companies may carry out some or all of the following financing guarantee businesses upon the approval of the regulatory authorities: loan guarantee, guarantee of acceptance of bills, trade financing guarantee, project financing guarantee, guarantee of letters of credit and other financing guarantee business. Concurrent business scope upon the approval of the regulatory authorities include litigation preservation guarantee, bid guarantee, advance payment guarantee, project contract performance guarantee, guarantee for making final payment on schedule and other guarantees of performance of agreements, financing consulting, financial consulting and other intermediary services related to the guarantee business, investment with the financing guarantee companies' own funds and other businesses regulated by the regulatory authorities. Moreover, financing guarantee companies shall not engage in absorbing deposits, granting loans, granting loans under entrustment, making investment under entrustment, and other activities prohibited by the regulatory authorities.

The net balance of the financing guarantee liabilities provided by a financing guarantee company shall meet the following requirements:

- to an individual guaranteed customer, it shall not exceed 10% of the financing guarantee company's net assets;
- to an individual guaranteed customer and its affiliated parties, it shall not exceed 15% of the financing guarantee company's net assets; and
- to a bond issuance by an individual guaranteed customer, it shall not exceed 30% of the financing guarantee company's net assets.

Investment by a financing guarantee company of its own funds shall be limited to fixed-earning financial products with relatively high credit ratings, including treasury bonds, financial bonds and debt financing instruments of large-size enterprises and other investments not creating a conflict of interest, and the total amount of the investment shall be no more than 20% of its net assets. The regulatory authority may raise the requirements on the percentage of guarantee compensation reserve according to the liability risk circumstances of a specific company or pursuant to the prudent regulatory requirements. A financing guarantee company shall classify the risks involved in its guarantee business, and manage and measure such risks accordingly.

According to the Notice on Issuing the Material Risk Incidents Reporting System of Financing Guarantee Institutions (中國銀監會關於印發《融資性擔保機構重大風險事件報告制度》的通知) which was promulgated by the CBRC and became effective on September 6, 2010, financing guarantee companies shall make a brief report to the financing guarantee company Administration in time after the occurrence of material risk incidents and make a detailed report of material risk incidents within 24 hours.

Pursuant to the Notice on Issuing the Guidelines for Administration of Financing Guarantee Institutions Business License (中國銀監會關於印發《融資性擔保機構經營許可證管理指引》的通知) which was promulgated by the CBRC and became effective on September 6, 2010, the validity of financing guarantee institutions business license is five years, and if the financing guarantee company need to renew the financing guarantee institutions business license, it has to submit renewal application to the license-issuing authority 90 days in advance.

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In accordance with the Interim Measures for the Post-holding Qualifications of Directors, Supervisors, and Senior Management of Financing Guarantee Companies (融資性擔保公司董事、監事、高級管理人員任職資格管理暫行辦法) which became effective on September 27, 2010, the qualification of directors, supervisors, and senior management personnel of financing guarantee companies shall be approved by the financing guarantee company Administration.

The Notice on Issuing the Guidelines for Information Disclosure of Financing Guarantee Companies (中國銀監會關於印發《融資性擔保公司信息披露指引》的通知) which was promulgated by the CBRC and became effective on November 25, 2010 stipulates that financing guarantee companies shall disclose annual report, temporary report on material incidents and other information required by the laws, regulations, rules and the relevant regulatory authority.

The Notice on Issuing the Guidelines for Internal Control of Financing Guarantee Companies (中國銀監會關於印發《融資性擔保公司內部控制指引》的通知) which was promulgated by the CBRC and became effective on November 25, 2010 provides that financing guarantee companies shall establish and improve internal control system.

Under the Notice on Issuing the Guidelines for the Corporate Governance of Financing Guarantee Companies (中國銀監會關於印發《融資性擔保公司公司治理指引》的通知) which was promulgated by the CBRC and became effective on November 25, 2010, financing guarantee companies shall improve the corporate governance mechanism, establishing an organizational framework which is mainly composed of the general meeting, board of directors, board of supervisors and senior management level, making institutional arrangement for the relations of responsibilities, rights and interests of the checks and balance among all subjects, and making sure that financing guarantee companies establish a clear governance structure, a scientific decision-making mechanism, a reasonable incentive mechanism and an effective restraint mechanism.

Financial Guarantee Regulations and Rules in Guangdong Province

Pursuant to the Implementation Rules of Guangdong Province for the Interim Administrative Measures for Financing Guarantee Companies (廣東省《融資性擔保公司管理暫行辦法》實施細則) which was promulgated by the People's Government of Guangdong Province on September 27, 2010 and became effective on November 1, 2010, an application for the establishment of a financing guarantee company and its branch of a financing guarantee company in Guangdong province must be submitted to the Guangdong Financial Affairs Office and thereafter must undergo examination, approval and finally obtain a business license from the Guangdong Financial Affairs Office before applying to the relevant Administration of Industry and Commerce for registration. The financing guarantee companies established in areas such as Foshan city in Guangdong province must have a minimum registered capital of RMB100 million, all of which shall be paid in currency by investors.

Financial Guarantee Regulations and Rules in Anhui Province

Pursuant to the Administrative Measures of Financing Guarantee Companies in Anhui Province (Trial) (安徽省融資擔保公司管理辦法(試行)) which was promulgated by the People's Government of Anhui Province on January 12, 2014 and became effective on March 1, 2014, an application for the establishment of a financing guarantee company and its branch in Anhui province must be submitted to the Anhui Financial Affairs Office for its examination and approval. An operation permit will be issued to the financing guarantee company upon the approval of the Anhui Financial Affairs Office. With such permit, the financing guarantee company may apply for the registration with the relevant Administration of Industry and Commerce.

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The Notice of Anhui Financial Affairs Office on Issuing the Guidelines on Examination and Approval for the Establishment of Financing Guarantee Companies in Anhui Province (Trial) (安徽省金融辦關於印發《安徽省融資性擔保公司設立審批工作指引(試行)》的通知) which became effective on June 20, 2010 provides the essential points on both preparation for the establishment of financing guarantee companies in Anhui Province and examination by relevant governmental authorities.

Under the Implementation Rules of Anhui Province on Interim Measures for the Post-holding Qualifications of Directors, Supervisors, and Senior Management of Financing Guarantee Companies (安徽省《融資性擔保公司董事、監事、高級管理人員任職資格管理暫行辦法》實施細則) which became effective on December 27, 2010, where the registered capital of a financing guarantee company is more than RMB50 million, the qualification of the company's directors, supervisors, and senior management shall be initially approved by the financing guarantee company regulatory authority at the prefecture level, and then subject to final approval by the Anhui Financial Affairs Office; where the registered capital of a financing guarantee company is less than RMB50 million, the qualification of the company's directors, supervisors, and senior management shall be approved by the financing guarantee company regulatory authority at the prefecture level, and then be filed for record to the Anhui Financial Affairs Office.

Guarantee in General

The Guarantee Law of the PRC (中華人民共和國擔保法) ("Guarantee Law") which became effective on October 1, 1995 and its judicial interpretation issued by the Supreme People's Court on December 8, 2000 are the principal general laws governing the guarantee business. According to the Guarantee Law and its judicial interpretation, the guarantor has a right of recourse against the primary obligor or to demand other guarantors (if any) to discharge the portion of obligation which they should respectively assume. The Guarantee Law and its judicial interpretation also provide that where a mortgagee has not received full repayment of the debt due, he may agree with the mortgagor to receive such repayment by converting the collateral into value or obtaining proceeds from the auction or sale of the property. If they fail to reach such agreement, the mortgagee may initiate legal proceedings in the court.

The Property Law of the PRC (中華人民共和國物權法) ("Property Law") was promulgated by the NPC on March 16, 2007 and came into effect on October 1, 2007. According to the Property Law, property includes immovable property and moveable property. Property rights are defined as the exclusive rights enjoyed by the property right holder to directly control the specific property. Property rights are comprised of the rights of ownership, the usufruct and the security interest on property. The Property Law provides that the owner of an immovable or movable property is entitled to possess, use, benefit from and dispose of the immovable or movable property in accordance with the relevant laws. The owner may, in accordance with the relevant law, create a security interest over the property in favor of a creditor. Likewise, when engaging in finance or business transactions, to protect the rights of creditors, security interest may be created over a debtor's or relevant third party's property to guarantee the performance of the debtor's obligations in accordance with the Property Law and other relevant laws. Where such a security interest has been created and the debtor does not fulfill its obligations or otherwise defaults under the terms of the agreement with the creditor, unless otherwise provided by the relevant laws or agreements (if any), the creditor will be entitled to the priority in having its claims paid with the relevant property.

Security interests that may be created pursuant to the Property Law include mortgages over property (in respect of which the owner does not transfer possession to the creditor) and pledges over moveable property (in respect of which the owner transfers possession to the creditor). Mortgage agreements and pledge agreements should be made in writing and must ordinarily include the following information: the

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type and amount of the secured debt; the period for the debtor to repay the debt; and the name, quantity, quality and condition of the mortgaged or pledged property, the scope of security. Pledge agreements should also specify the time for delivery of the pledged property; and mortgage agreements should specify the location of the mortgaged property as well as the legal owner or the permitted user of the mortgaged property.

The Enterprise Bankruptcy Law of the PRC (中華人民共和國企業破產法) ("Bankruptcy Law") was promulgated by the NPC on August 27, 2006 and came into effect on June 1, 2007. The Bankruptcy Law sets out procedures for enterprise bankruptcy, and seeks to provide a fair resolution for the settlement of debts, safeguard the legitimate rights and interest of creditors and debtors, and maintain market order. The Bankruptcy Law provides that an enterprise will be liquidated if the enterprise fails to pay off its debts due and the enterprise's assets are, or are demonstrably, insufficient to clear such debts.

Bankruptcy proceedings are governed by the court in the jurisdiction in which the relevant debtor is domiciled. Debtors facing bankruptcy may file an application with the court for reorganization, compromise or liquidation. During a period of reorganization, a debtor may continue to manage and operate its assets under the supervision of a bankruptcy administrator. Secured creditors are not permitted to enforce their security during reorganization. However, if there is a possibility of damage to or serious depreciation of the secured asset, the secured creditor is entitled to make an application to the court for enforcement of the security. Secured creditors may exercise their security right over a particular asset immediately upon the court rules on a compromise.

In the event that the debtor is not able to pay off the debt due, the creditors may file an application with the court for the reorganization or liquidation of a debtor. Where an application for bankruptcy is accepted by the court, a bankruptcy administrator will be appointed to the debtor and debtors of the debtor or property holders of the debtor must pay off all debts or deliver all relevant properties to the administrator. Bankruptcy proceedings shall be binding on the property of the relevant debtor beyond the territory of the PRC. Where a debtor is declared bankrupt, the debtor's properties are deemed insolvent properties. Creditors must claim their rights within a period, determined by the court, ranging from 30 days to three months from the date the court accepts the application for bankruptcy. If a creditor fails to claim its rights during the period determined by the court and still does not claim upon the distribution of the debtor's insolvent properties, the creditor forfeits its right to share in the distribution of the insolvent properties.

The Bankruptcy Law provides that secured creditors enjoy priority of repayment over non-secured creditors in respect of the property over which security was created. However, in the case that a secured creditor forfeits its priority of repayment over a particular secured property, or if the proceeds from the disposal of the secured property are insufficient to discharge the secured debt, the secured creditor's priority in repayment in respect of any outstanding debt or his right to repayment in respect of such outstanding debt will rank *pari passu* with other non-secured creditors.

After the debts of secured creditors, the costs associated with the bankruptcy proceedings and all relevant community liabilities have been paid, insolvent properties are liquidated and applied to the repayment of debts in the following order: the salaries and medical and disability subsidies and pension expenses due to employees by the debtor, the basic pension insurance and basic medical insurance expenses due to the individual accounts of employees of the debtor, compensations that shall be paid to the employees as prescribed by laws and administrative laws and regulations, the debtor's outstanding tax payment, and finally non-secured creditors.

Interim Measures for the Administration of the Special Funds for the Development of SMEs (中小企業發展專項資金管理暫行辦法)

On April 10, 2014, the Ministry of Finance, MIIT, Ministry of Science and Technology and MOFCOM promulgated the Interim Measures for the Administration of Special Funds for the

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Development of SMEs (“Measures for Special Funds”). The special funds shall be established for the special expenditure for supporting SME credit guarantee institutions (“guarantee institutions”) and SME credit re-guarantee institutions (“re-guarantee institutions”) to enhance their capital strength and expand the size of SME financing guarantee and re-guarantee business.

The Measures for Special Funds further provide that the guarantee institutions or re-guarantee institutions shall be supported by the special funds in various forms, including business subsidy, incremental business reward, capital input, compensation for repayment, and innovation reward:

- *Business subsidy*: the special funds subsidize, on the basis of no more than 2% of the annual average balance of guarantee amount, the financing guarantee business for SMEs, especially micro- and small-sized enterprises, conducted by guarantee institutions; and subsidize, on the basis of no more than 0.5% of the annual average balance of guarantee amount, the financing re-guarantee business for SMEs conducted by re-guarantee institutions;
- *Incremental business reward*: the special funds provide subsidies to guarantee institutions on the basis of no more than 3% of the increase amount of the financing guarantee business for micro and small-sized enterprises in that year; and provide subsidies to re-guarantee institutions on the basis of no more than 1% of the increase amount of the financing guarantee business for micro and small-sized enterprises in that year;
- *Capital input*: the special funds provide the support of capital input on the basis of no more than 30% of the investment amount of a provincial-level governmental body of finance, to guarantee institutions or re-guarantee institutions for which the provincial-level governmental body of finance in the middle and western areas of China directly or indirectly makes capital contribution or capital increase, and entrusts a local capital contributor to perform the capital contributor’s duty on behalf of the special funds;
- *Compensation for repayment of guaranteed financing*: the central authority and a local authority jointly make capital contribution to set up an account of compensation fund for repayment of the guaranteed financing and entrust a provincial-level re-guarantee institution to manage the special account, and the capital contribution from the special funds does not exceed 60% of this compensation fund. When a provincial-level re-guarantee institution compensates, on the basis of not less than 50% of the amount of the repayment of the guaranteed financing. For the financing guarantee business for micro and small-sized enterprises conducted by a guarantee institution, the compensation fund shall compensate the financing guarantee institution on the basis of not more than 30% of the repayment amount. The recovered amount from the repayment shall be returned to the compensation fund account on a pro rata basis; and
- *Innovation reward*: the special funds provide the reward of not more than RMB1 million to a guarantee institution that actively explores and innovates the financing guarantee business for micro- and small-sized enterprises and achieves significant promotion effect.

A guarantee institution, which is selected by the provincial level governmental body of finance in a competitive way to engage in the credit guarantee business for government procurement, may apply for the subsidy of the special funds pursuant to the Measures for the Special Funds.

A guarantee institution or re-guarantee institution may apply for the subsidy in one or more of the above support modes at the same time, but the amount of the subsidy from the special funds received in the year by a single guarantee institution shall not exceed RMB20 million, or the amount of the subsidy

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from the special funds received in the year by a single re-guarantee institution shall not exceed RMB30 million (except for the mode of capital input).

The amount of the capital contribution from the special funds to a single account of the compensation fund for repayment of the guaranteed financing in the year shall not exceed RMB300 million.

Notice of the General Office of the State Council on Circulating the Opinions on Strengthening the SME Credit Guarantee System (國務院辦公廳轉發發展改革委等部門關於加強中小企業信用擔保體系建設意見的通知)

In order to facilitate the development and improve the regulatory environment of financing guarantee institutions for SMEs, the General Office of the State Council issued the Notice of the General Office of the State Council on Circulating the Opinions on Strengthening the SME Credit Guarantee System ("Opinions on SME Guarantee System") which came into effect on November 23, 2006. Under the Opinions on SME Guarantee System, investors of credit guarantee institutions for SMEs ("guarantee institutions") are encouraged to increase their capital injections in the guarantee institutions; and for guarantee institutions mainly engaging in providing loan guarantee for SMEs, the guarantee fees could be in line with the operating risks and costs. The basic rate of guarantee fee may be 50% of the corresponding bank loan interest rate, and the actual rate may be subject to adjustment ranging from 30% to 50% above or below the basic rate based on the risk of the specific project or may be agreed by the contracting parties upon the prior approval of the relevant regulatory authority. The Opinions on SME Guarantee System further encourage the banks and registration authorities for mortgage and pledge to better cooperate with guarantee institutions.

Guidance on Establishing SME's Credit Guarantee System (關於建立中小企業信用擔保體系試點的指導意見)

According to the Guidance on Establishing SME's Credit Guarantee System, which were promulgated by the National Economic and Trade Commission on June 14, 1999 and simultaneously came into force, SME's credit guarantee system is made up of three levels, namely the municipal, provincial and national level, and covers the business of guarantee and re-guarantee, where the guarantee business is operated on municipal basis, and the re-guarantee on provincial basis.

Notice on Issues Concerning Exemption from Business Tax for SME Credit Guarantee Institutions (關於中小企業信用擔保機構免徵營業稅有關問題的通知)

Pursuant to the Notice on Issues Concerning Exemption from Business Tax for SME Credit Guarantee Institutions promulgated by the MIIT and the SAT on March 19, 2009 and came into force on the same day, and the Notice on Issues Concerning the Publication of the List of SME Credit Guarantee Institutions Exempted from Business Tax promulgated by MIIT and SAT (關於公佈免徵營業稅中小企業信用擔保機構名單有關問題的通知) on February 16, 2011 and came into force on the same day (collectively, the "Notices on the Exemption from Business Tax"), the following requisite conditions must be met when SME credit guarantee institutions apply for business tax exemption:

- the institution shall be duly registered as an enterprise legal person mainly engaging in providing guarantee services for SMEs upon the approval by competent departments authorized by the government (administration department of SMEs), and the paid-up capital of the institution shall exceed RMB20 million;
- the guarantee service fee charged by the SME credit guarantee institutions, the purpose of which is not to make profit, shall not exceed 50% of the corresponding bank loan interest;

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- the institution, the fund of which is mainly used for guarantee business, shall have (i) a sustainable trading record of more than two years, (ii) sound internal management, (iii) the ability to provide guarantees for SMEs, (iv) outstanding operation performance, and (v) sound mechanisms including the pre-assessment, the supervision during the guarantee period, the recourse after the repayment and the disposal for the guaranteed project.
- the accumulative amount of guarantee provided to SMEs in industrial, agriculture and trading shall account for more than 80% of its total accumulative guaranteed amount for two years. The accumulative guaranteed amount, where each of the guarantee is below RMB8 million, shall account for more than 50% of its total accumulative guaranteed amount;
- the net balance of the guarantee to a single guaranteed enterprise shall not be more than 10% of the net asset of the institution itself;
- the annual newly-increased amount of guarantee business is more than three times of the net asset and the default rate is less than 2%; and
- the institution shall accept the supervision by the administrative departments of SMEs of the local people's government, and submit the materials relating to its guarantee business and financial accounts to the administrative department of SMEs of the local people's government in accordance with relevant requirements.

The term of exemption from business tax shall be three years, commencing on the date when guarantee institutions complete the formalities for tax exemption with the competent taxation authorities. The guarantee institution, for which the term of exemption from business tax is expired, may apply for the exemption from business tax again if it still meets the requirements set out above.

The Notices on the Exemption from Business Tax also provide the application procedures. Upon the voluntary application by guarantee institutions, and the examination, verification and recommendation by provincial-level administration departments of SMEs and provincial-level local taxation departments, the MIIT and SAT shall examine, approve and issue a list of enterprises entitled to tax exemption. Guarantee institutions included in the list shall file applications with competent taxation authorities with relevant documents to go through tax exemption formalities, and local taxation authorities shall review and approve such applications based on the list issued by the MIIT and SAT. Upon the completion of tax exemption formalities, guarantee institutions may be entitled to the business tax exemption.

Notice on Pre-tax Deduction of Enterprise Income Tax of the Reserves of SME Credit Guarantee Institutions (財政部國家稅務總局關於中小企業信用擔保機構有關準備金企業所得稅稅前扣除政策的通知)

On April 11, 2012, the Ministry of Finance and SAT jointly issued the Notice on Pre-tax Deduction of Enterprise Income Tax of the Reserves of SME Credit Guarantee Institutions ("Pre-tax Deduction Notice"), which was retrospectively effective from January 1, 2011 and ceases to be effective on December 31, 2015. For the purpose of this Pre-tax Deduction Notice, a qualified SME financing guarantee institution could be entitled to the following pre-tax deduction policies:

- the guarantee compensation reserve provided by qualified SME credit guarantee institutions as per the proportion of not more than 1% of the guarantee liability balance at the end of the current year is allowed to be deducted before enterprise income tax, and meanwhile the guarantee compensation reserve balance provided in the previous year shall be converted into income of the current period;

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- the undue liability reserve provided by qualified SME credit guarantee institutions as per the proportion of not more than 50% of the premiums of the current year is allowed to be deducted before enterprise income tax, meanwhile the balance of undue liability reserve provided in the previous year shall be converted into income of the current period; and
- compensatory loss actually incurred to the SME credit guarantee institutions shall, if complying with the provisions of relevant tax laws and regulations on pre-tax deduction for asset loss, be offset by the guarantee compensation reserve deducted before tax, and any insufficiency (if any) shall be deducted prior to the enterprise income tax.

Notice of the General Office of the State Council on Forwarding the Opinions on Promoting the Standardized Development of the Financing Guarantee Industry (關於促進融資性擔保行業規範發展的意見)

On June 21, 2011, the General Office of the State Council circulated the Opinions on Promoting the Standardized Development of the Financing Guarantee Industry (“Opinions on Promoting the Standardized Development”) promulgated by the CBRC, the NDRC and other relevant departments which came into force on the same day. Pursuant to the Opinions on Promoting the Standardized Development, larger financing guarantee institutions with stronger capacities are encouraged to set up branches or carry out business in counties and western regions, and financing guarantee institutions in counties are encouraged to strengthen the financing guarantee services for SMEs and enterprises that are in rural areas, run by farmers or engaging in the agricultural industry. In addition, private capital and foreign capital are encouraged to invest in the financing guarantee industry pursuant to the laws, so as to consolidate the industry’s capital strength, facilitate market competition, and meet the diversified financing guarantee needs at various levels and from various fields.

General Rules on Credit of PRC (中華人民共和國貸款通則)

The General Rules on Credit were promulgated by the PBOC on June 28, 1996 and came into effect on August 1, 1996. The General Rules on Credit define a “loan provider” as a Chinese-funded financing institution established in the PRC that engages in the provision of loans. One type of loan defined in and regulated in accordance with the General Rules on Credit is entrusted loan. Entrusted loans refer to a loan arrangement whereby the governmental departments, enterprises or individuals (the “fund provider”) provide the fund of the loans and entrust the financial institution (the “loan provider”) to disburse to the specified borrower, supervise and assist the repayment of the loans, of which the purpose, the amount, the period and the interest rate are determined by the fund provider. The loan provider of the entrusted loan shall only charge handling fees, and shall not bear any loan risks. The term “specified borrower” (確定的貸款對象) is specified by the fund provider to receive the entrusted loan. The General Rules on Credit do not set any restriction or prohibition on the provision of entrusted loans to specified borrowers who are related parties to the fund provider. While the loan provider exercises supervision over the repayment from the specified borrower, the loan provider does not assume any risk of default in repayment by the specified borrower. In accordance with the General Rules on Credit and the relevant judicial interpretation from the Supreme People’s Court of the PRC, in an entrusted loan arrangement, the relationship between the loan provider and the fund provider is that of trustee and trustor; and the relationship between the loan provider and the specified borrower is that of lender and borrower. No creditor/debtor relationship exists between the fund provider and the specified borrower. The General Rules on Credit require that loan providers must be authorized by and have been granted a Financing Institution License (金融機構法人許可證) or a Financing Institution Operation License (金融機構營業許可證) from the PBOC; and must have registered with SAIC. The General Rules on Credit further provide that enterprises which are not authorized and registered as loan providers cannot be engaged in intercompany loan transactions or the provision of loans through unauthorized means. An intercompany

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loan is a loan provided directly from one company to another where the loan provider is not authorized and registered as loan provider. The General Rules on Credit provide that the PBOC may impose sanctions against an intercompany loan provider and enforce a penalty of up to five times of the income received from the provision of the intercompany loan.

THE MICROCREDIT INDUSTRY

Nationwide Regulatory Authorities

As of the date of this document, there is no nationwide administrative regulatory authority for the microcredit industry. The CBRC and the PBOC jointly promulgated the Guidance on the Pilot Programs for Microcredit Company ("Microcredit Company Guidance") (關於小額貸款公司試點的指導意見) on May 4, 2008. In accordance with the Microcredit Company Guidance, the provincial governments may launch the pilot operation of microcredit companies within their prefectural regions if they could designate a competent department, financial affairs office or other relevant institutions to be responsible for the supervision and administration of microcredit companies and willing to take responsibility for handling the microcredit companies' risks. Currently, the microcredit industry in the PRC is primarily regulated by the financial affairs offices or commerce regulatory authorities of the relevant provinces, autonomous regions or municipalities directly under the central government of the PRC.

Local Regulatory Authorities

All provinces, autonomous regions, and municipalities directly under the central government of the PRC must appoint their own regulatory authority for the microcredit industry. Currently, the microcredit industry in the PRC is primarily regulated by the financial affairs offices ("financial affairs offices") of the people's governments of the relevant provinces, autonomous regions and municipalities directly under the central government of the PRC. According to the Administrative Rules of Guangdong Province on Microcredit Companies (Trial) (廣東省小額貸款公司管理辦法(試行)), the Guangdong Financial Affairs Office is the regulatory authority for microcredit company pilot in Guangdong province.

Pursuant to the Rules on the Supervision and Administration of Microcredit Companies in Foshan City (Trial) (佛山市小額貸款公司監督管理細則(試行)), the Foshan Financial Affairs Bureau is responsible for the supervision and administration of the microcredit companies located in Foshan city.

Regulatory Policies of the Microcredit Industry

Guidance on the Pilot Programs for Microcredit Company.

According to the Microcredit Company Guidance, a microcredit company is a limited liability company or joint stock limited liability company, operating microcredit businesses excluding absorbing public deposits. The number of shareholders of microcredit companies shall meet the quorum requirement. A limited liability company shall be established with the capital contributions from no more than 50 shareholders; a joint stock limited liability company shall be established with the capital contributions from no less than two but no more than 200 promoters, of whom half or more shall have a domicile within the territory of China. The registered capital shall be no less than RMB5 million for a limited liability microcredit company and RMB10 million for joint stock limited liability microcredit company, and shall be contributed in cash in a lump sum. No single natural person, legal entity, other social organization and their respective affiliated parties can hold more than 10% of the total registered capital of a microcredit company.

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To establish a microcredit company, the investors shall apply to the competent governmental body at provincial level and, upon approval, register at the administration of industry and commerce where the company will be domiciled and obtain the business license. Within five days after the registration, the microcredit company shall submit relevant materials to the local public security department and local branches of the CBRC and the PBOC.

Subject to the provisions of the Microcredit Company Guidance, the main capital source of the microcredit company shall be the capital paid by shareholders, donated capital and the capital borrowed from at most two banking financial institutions. Within the scope prescribed by laws and regulations, the balance of the capital borrowed by a microcredit company from banking financial institutions shall not exceed 50% of its net capital. The balance of loans provided by the microcredit company to a same borrower may not exceed 5% of the net capital of the microcredit company.

The interest rate and term of the capital borrowed by a microcredit company shall be agreed between by the microcredit company and the banking financial institutions involved through negotiation, and the interest rate shall take the Shanghai inter-bank offered rate as the benchmark. Microcredit companies shall operate on the market-oriented principle. The loan interest rate shall not be higher than the upper limit prescribed by the judicial departments and shall not be lower than 0.9 time of the benchmark of the PBOC corresponding interest rate. The specific floating range thereof shall be independently determined according to the market-oriented principle.

In accordance with the Microcredit Company Guidance, the investors of the microcredit companies (including the natural persons, legal entities and social organizations) and the natural persons to serve as the directors, supervisors and the senior management of the microcredit companies cannot have any criminal record or bad credit record.

Microcredit companies shall be subject to public supervision and shall not illegally raise funds in any form. The relevant provincial government shall be responsible for handling the illegal fund-raising activities, if any, pursuant to the relevant provisions of the State Council. For the cross-province illegal fund-raising activities, where necessary, the provincial government may request the ministerial-level joint committee for illegal fund-raising (處置非法集資部際聯席會議) to coordinate the handling of these illegal activities. Other activities against the PRC laws and regulations shall be punished by the local administrative departments in accordance with relevant laws and regulations. If a crime has been committed, criminal liability shall be imposed in accordance with the law. The PBOC shall trace and monitor the interest rate and capital flow of microcredit companies and incorporate them in the credit information system. Microcredit companies shall provide information concerning the borrower, loan amount, guarantee for loan and loan repayment to the credit information system.

With regards to the rules of departments of the State Council, the Legislation Law of the PRC (中華人民共和國立法法) provides that (1) the ministries and commissions of the State Council, the PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules. Matters governed by the rules of departments shall be those for the enforcement of the laws or the administrative regulations, decisions and orders of the State Council; (2) the rules of departments shall be promulgated by orders signed by the heads of the departments. Our PRC legal advisors advised that the Microcredit Company Guidance as a regulatory document promulgated by the departments of the State Council is not one of the rules of departments of the State Council with mandatory force as defined in the Legislation Law of the PRC. In practice, the administration rules on microcredit companies formulated by some provinces are inconsistent with the requirements under the Microcredit Company Guidance in respect of the shareholding structure. In addition, pursuant to the Opinions of the State Council on Further

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Supporting the Sound Development of Small and Micro Enterprises (國務院關於進一步支持小型微型企業健康發展的意見) circulated on April 19, 2012, the restriction on the percentage of equity interest held by a single investor in a microcredit companies can be eased appropriately. According to the Circular on Strengthening the Supervision and Administration of Shadow Banks issued by the General Office of the State Council (Guobanfa [2013] No.107) (國務院辦公廳關於加強影子銀行監管有關問題的通知(國辦發[2013]107號)), the CBRC and the PBOC should formulate unified regulations and rules on supervision and administration of the microcredit companies. As advised by our PRC legal advisors, based on their anonymous phone enquiry with the Shenzhen Financial Affairs Office, such unified regulations and rules have yet to be promulgated by the CBRC and the PBOC.

Circular on Opinions on Hearing Loan-related Cases by the People's Courts Printed and Distributed by the Supreme People's Court (最高人民法院印發《關於人民法院審理借貸案件的若干意見》的通知)

Pursuant to the Circular on Opinions on Hearing Loan-related Cases by the People's Courts Printed and Distributed by the Supreme People's Court promulgated by the Supreme People's Court on August 13, 1991, private lending interest rates can be appropriately higher than bank loan interest rates, over which local courts in different regions may exercise discretion in specific cases according to local financial conditions. However, private lending interest rates shall not exceed four times of the corresponding bank loan interest rates. The interest rate over this limit shall not be protected.

Microcredit Regulations and Rules in Guangdong Province

Administrative Rules of Guangdong Province on Microcredit Companies (Trial) (廣東省小額貸款公司管理辦法(試行))

Pursuant to the Administrative Rules of Guangdong Province on Microcredit Companies (Trial) promulgated by Guangdong Financial Affairs Office, to apply for establishment of microcredit companies, the major promoter (or the largest shareholder) shall meet the following requirements:

- it shall be a key local company with standardized management, good credit record and strong capital and the company's registered address and domicile shall be in the pilot county-level region or any of its branches is located in the pilot county-level region if the registered address and the domicile of its headquarter is located in the pilot prefecture-level region;
- it shall have sound corporate governance; and
- its net assets in the financial year prior to application shall be no less than RMB50 million (no less than RMB20 million in the mountainous regions); the asset-liability ratio shall be no more than 70%; it has continuously operated with profits for the latest three consecutive years and the total profit is more than RMB10 million (no less than RMB5 million in the mountainous regions), and the latest year's net profit shall be more than RMB3 million (no less than RMB1.5 million in the mountainous regions).

If there are two major promoters (or the largest shareholders), both of them shall meet the above requirements.

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To establish a microcredit company, the following requirements shall be met:

- the company shall have the articles of association required by the Company Law of the PRC;
- for a limited liability company, the registered capital shall be no less than RMB30 million (no less than RMB15 million in the mountainous regions); for a joint stock limited liability company, the registered capital shall be no less than RMB50 million (no less than RMB20 million in the mountainous regions); all capital must be from an authentic and legitimate source and must be paid-in currency in a lump sum. During the pilot period, the maximum registered capital is RMB200 million. For the company which operates well and meet all the relevant regulatory requirements, it may apply for capital increase;
- the shareholding of the major promoters (or the largest shareholders) together with its affiliates shall be less than 45%; the shareholding of each major promoter (or the largest shareholder) together with its affiliates shall be less than 20%; the shareholding of other single shareholder together with its affiliates shall be less than 10%, and the shareholding of a single shareholder shall be no less than 1%. The shares or equity interests held by the major promoters (or the largest shareholders) should not be transferred within three years after the establishment of the company, and the shares or equity interests held by other shareholders should not be transferred within two years after the establishment of the company;
- it has qualified senior management personnel with the relevant expertise and professional experience;
- it has qualified employees with the relevant expertise and professional experience;
- it has necessary organizations and management system;
- has necessary business places, safety protection measures and other business related facilities for business which meet the relevant regulatory requirements; and
- other conditions required by the competent provincial governmental body.

Microcredit Regulations and Rules in Foshan City

Rules on the Supervision and Administration of Microcredit Companies in Foshan City (Trial) (佛山市小額貸款公司監督管理細則(試行))

On December 2, 2013, the Foshan Government announced the Rules on the Supervision and Administration of Microcredit Companies in Foshan City (Trial) ("Foshan Rules"). The microcredit companies referred to in the Foshan Rules mean the microcredit companies with the independent legal person status in the forms of limited liability companies or joint stock companies which are established in Foshan city (excluding Shunde district).

Regulatory Responsibilities

I. Responsibilities of the Foshan Financial Affairs Bureau

The Foshan Financial Affairs Bureau is in charge of policy-making, regulation of important issues, and coordinating with the financial affairs office of each district as regards management of cross-district risks. Its major responsibilities include: making the development plans and the relevant policies of

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microcredit companies in its administrative area; reviewing and approving (where appropriate) the application for establishing new microcredit companies and its branches, adding business scope (except financial consulting), and submitting to the Guangdong Financial Affairs Office for its review (establishment of new microcredit company in the Financial Street shall be approved by the Foshan Financial Affairs Bureau); reviewing and approving (where appropriate) the application for operation, qualifications of the proposed directors, supervisors, and senior management, and application for change of the name, registered capital, registered address, organizational form and senior management, and reporting to the Guangdong Financial Affairs Office; organizing relevant governmental department, the Foshan Financial Service Center and financial affairs offices in each district to conduct inspections on microcredit companies' operation status; urging and directing financial affairs offices in each district to supervise microcredit companies and to prevent and handle the risks relating to the microcredit companies; imposing punishments on microcredit companies when they violate the relevant laws and regulations.

II. Responsibilities of the District Financial Affairs Office

Financial affairs offices in each district are in charge of daily management, business guidance, inspections and handling of risks of microcredit companies. Its major responsibilities include: informing microcredit companies in their respective administrative areas of supervision information and supervision regulations and policies; conducting continuous and dynamic supervision on microcredit companies' capital adequacy, reserve adequacy for asset loss, non-performing loan ratio, risk management, internal control, concentration of risks, connected transactions in accordance with laws and regulations; urging the microcredit companies to improve their capital supplementing mechanisms, loan management system, internal control, and risk management; reviewing preliminarily the application for changing the name, registered capital, registered address, organizational form and senior management of the microcredit companies preliminarily in their respective administrative areas; organizing relevant governmental departments to conduct inspections on microcredit companies' operation status; urging and directing microcredit companies to prevent and handle risks of the companies, and giving advice.

III. Off-site and On-site Supervision

All microcredit companies in Foshan must install a unified off-site supervision system developed by the Guangdong Financial Affairs Office, and must disclose information about loans, financing and accounting in the system. Microcredit companies must file with the district financial affairs office and the Foshan Financial Service Center the information regarding their opening of bank accounts, and must file with the district financial affairs office the information of capital flow in their bank accounts quarterly. The Foshan Financial Affairs Bureau will rate the microcredit companies annually. Administrative Measures of Classification of the Microcredit Companies of Foshan City (Trial) (佛山市小額貸款公司分類管理辦法(試行)) divide microcredit companies into four classes: A, B, C, and D, and provides the following compliance criteria for rating of the microcredit companies, including: (1) whether the registered capital has been fully paid up; (2) whether there is illegal fund-raising, illegal collecting of public deposits, debt collecting with illegal methods, usury or money laundering; (3) whether the shareholders, actual controller or senior management benefit themselves or others illegally by taking advantage of the company; (4) whether there is any change of important matters without the necessary approvals or authorizations; (5) whether the company refuses the inspection, survey or interview from the regulatory authorities; and (6) whether there is other illegal activity.

The Foshan Financial Affairs Bureau organizes an annual on-site inspection upon microcredit companies in Foshan, which focuses on the relevant document, books of the company, receipts, capital flow in bank accounts and computer system information. In addition, staffs and persons involved will be asked about relevant situation of the companies. Moreover, microcredit companies that are rated as class "C" or "D" in the previous year shall be inspected twice a year.

REGULATIONS

RELEVANT POLICIES ON SMEs

In September 2009, the State Council issued the Opinions of the State Council on Further Promoting the Development of Small and Medium Enterprises (國務院關於進一步促進中小企業發展的若干意見), which encouraged financial institutions to provide more financing methods and channels, including direct financing, finance lease, pawn and trust financing, to SMEs. In June 2010, the PBOC, CBRC, CSRC and China Insurance Regulatory Commission jointly issued the Opinions on Further Improving Financial Services for Small and Medium Enterprises (進一步做好中小企業金融服務工作的若干意見), in order to further improve the financial services available to SMEs and to broaden their financing channels by further improving the reform and innovation of credit management system and financial products to meet the demand of small and medium enterprises, enhancing the efficiency of approval process and implementing various supervision measures on the financial service as well as providing convenient and prompt credit service to the small and medium enterprises which satisfy conditions. In June 2011, MIIT issued the Notice on the Printing of Standards for the Classification of SMEs (關於印發中小企業劃型標準規定的通知), specifying the classification of medium-size, small-size and micro-size enterprises. The purpose of such classification is to enable small- and micro-size enterprises to benefit from credit support by expanding the scope of coverage of SMEs. In April 2012, the State Council issued the Opinions on Further Supporting the Healthy Development of Small- and Micro-size Enterprises (關於進一步支持小型微型企業健康發展的意見), which further strengthen the credit support and financing services for the development of small- and micro-size enterprises by implementing policies to support financing of SMEs.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

BACKGROUND

Our history dates back to May 23, 2003, when our predecessor, Foshan Yingda, was established in the PRC as a limited liability company in Foshan, PRC, with a registered capital of RMB55 million, principally engaged in the business of the provision of financing guarantee and commenced business in July 2003. On July 20, 2005, Foshan Yingda was renamed as Guangdong Zhongyingshengda Guarantee Investment Co., Ltd. (廣東中盈盛達擔保投資有限公司) which was subsequently converted into a joint stock limited liability company and renamed as Guangdong Join-Share Guarantee Investment Co., Ltd. (廣東中盈盛達擔保投資股份有限公司) on March 12, 2009. On April 21, 2011, Guangdong Join-Share Guarantee Investment Co., Ltd. was renamed as Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (廣東中盈盛達融資擔保投資有限公司).

As of the Latest Practicable Date, we had 42 Shareholders, with 23 being individual Shareholders and 18 being corporate Shareholders and one limited partnership shareholder. Our top 10 largest Shareholders held approximately 5.22%, 5.22%, 5.22%, 4.99%, 4.88%, 4.63%, 4.34%, 4.00%, 3.91% and 3.71% interests in our Company immediately prior to the [REDACTED]. The limited partnership shareholder is Foshan Venture Growth (holding 4.99% interests in our Company immediately prior to the [REDACTED]), of which Mr. Xie Yongdong is the general partner and the executive partner.

BUSINESS DEVELOPMENT AND MILESTONES

The following sets out the significant milestones in the history of our business development:

- | | |
|------|--|
| 2003 | Our predecessor was established in Foshan, Guangdong and was primarily engaged in the business of the provision of financing guarantee. |
| 2005 | Our predecessor Foshan Yingda was renamed as Guangdong Zhongyingshengda Guarantee Investment Co., Ltd. (廣東中盈盛達擔保投資有限公司). |
| 2006 | Our Company was recognized as “the Most Nationwide Influential SME Credit Guarantee Institution” (全國最具影響力中小企業信用擔保機構) by the Joint Conference of the Persons in Charge of the National SME Credit Guarantee Institutions (全國中小企業信用擔保機構負責人聯席會議). |
| 2008 | Our Chairman Wu Liejin was recognized as one of the ten “Leading Persons in SME Credit Guarantee Institutions” (中小企業信用擔保機構領軍人物) by the Joint Conference of the Persons in Charge of the National SME Credit Guarantee Institutions. |
| 2009 | Our Company was converted into a joint stock limited liability company and renamed as Guangdong Join-Share Guarantee Investment Co., Ltd. (廣東中盈盛達擔保投資股份有限公司).

Anhui Join-Share was established and our Company was the controlling shareholder of such company. |
| 2010 | Our Company was awarded the Third Prize for Financial Innovation in Guangdong province in the year of 2010 (2010年廣東省金融創新獎三等獎) by the government of Guangdong province. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- 2011
- Our Company commenced the SME lending business in July 2011 through Foshan Micro Credit.
- Our Company obtained financing guarantee institution business license (融資性擔保機構經營許可證).
- Our Company was renamed as 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).
- Our Company was recognized as “2010 Top 30 National Guarantee Institutions” (2010年全國擔保機構三十強) by the Joint Conference of Persons in Charge of the National SME Credit Guarantee Institutions.
- 2012
- Our Company was recognized as “the Most Nationwide Credible SME Credit Guarantee Institution” (全國最具公信力中小企業信用擔保機構) by the Joint Conference of the Persons in Charge of the National SME Credit Guarantee and Re-guarantee Institutions.
- Our Chairman Wu Liejin was granted with “Financial Outstanding Talent Award” (金融優秀人才獎) by the People’s Government of Foshan City.
- 2013
- Our Company was recognized as one of the “Top 30 Guarantee Institutions for SMEs in China” (全國中小企業信用擔保機構三十強) by the Joint Conference of the Persons in Charge of the Guarantee Institutions for SMEs in China.
- 2014
- Zhongshan Join-Share was established.
- Our Company was recognized as the “Financing Guarantee Company with the Highest Growth Rate of the Year” (年度最具成長性融資擔保公司) by Financial Times/Institution of Financial Research of Chinese Academy of Social Sciences (《金融時報》/中國社會科學研究院金融研究所).
- 2015
- One of the trademarks of our Company was recognized as Guangdong Famous Trademark.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Upon our establishment on May 23, 2003, Foshan Yingda had a registered capital of RMB55 million, which was contributed by six founders, all of which had been fully paid in cash. The following table sets forth the information about the six founders of our Company.

Founders	Shareholding percentage	Principal Business /experience	Source of fund
Guangzhou Yinda Guarantee Service Co., Ltd. (廣州銀達擔保服務有限公司) ¹	18.18%	credit guarantee, financial information consultancy, wealth management and network service	own financial resources
Foshan Fuside Technology Venture Capital Co., Ltd. (佛山市富思德科技創業投資有限公司) ²	18.18%	high-tech projects investment and consultancy	own financial resources
Shunde Lecong Jinfa Trading Co., Ltd. (順德市樂從進發貿易有限公司) ³	9.1%	domestic commercial, material supply and marketing industry	own financial resources
Mr. Huang Guoshen	18.18%	please refer to "Directors, Supervisors, Senior Management and Employees"	own financial resources
Ms. Wu Yanfen	18.18%	please refer to "Directors, Supervisors, Senior Management and Employees"	own financial resources
Mr. Zhang Xuanjian (張旋鑾)	18.18%	private entrepreneur	own financial resources

¹ Guangzhou Yinda Guarantee Service Co., Ltd. was renamed as Guangdong Yinda Guarantee Investment Co., Ltd. (廣東銀達擔保投資有限公司) in June 2003 and Guangdong Yinda Guarantee Investment Group Co., Ltd. (廣東銀達擔保投資集團有限公司) in July 2005, now known as Guangdong Yinda Financing Guarantee Investment Group Limited (廣東銀達融資擔保投資集團有限公司).

² Foshan Fuside Technology Venture Capital Co., Ltd. was renamed as Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司) in April 2006.

³ Shunde Lecong Jinfa Trading Co., Ltd. is now known as Guangdong Jinfa Iron and Steel Enterprise Co., Ltd. (廣東進發鋼鐵實業有限公司).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

During the Track Record Period, due to the dispersed shareholding of our Company, the then Shareholders of our Company underwent various share transfers which involved minor changes in the shareholding structure of our Company. We also underwent a few material changes to our registered capital as follows:

On November 9, 2012, the registered capital of our Company was increased from RMB522 million to RMB645 million, and eight then existing shareholders and seven new shareholders subscribed the increased registered capital.

Name	Date of agreement	Capital Contribution	Settlement date of the capital	Shareholding before the capital increase	Shareholding after the capital increase	Relationship with the Company
(RMB)						
Guangdong Jinfa Iron and Steel Enterprise Co., Ltd. (廣東進發鋼鐵實業有限公司)	July 23, 2012	1,500,000	July 30, 2012	32,680,800	33,680,800	5.22% Independent Third Party
Huang Guoshen (黃國深)	July 23, 2012	1,500,000	July 30, 2012	32,680,800	33,680,800	5.22% Non-executive Director
Zhang Yubing (張玉冰)	July 23, 2012	1,500,000	July 30, 2012	32,680,800	33,680,800	5.22% Independent Third Party
Foshan Venture Growth	July 29, 2012	5,387,820	July 30, 2012	21,828,120	25,420,000	3.94% Connected person
Wu Yanfen (吳豔芬)	July 20, 2012	8,505,000	July 30, 2012	21,330,000	27,000,000	4.19% Non-executive Director
Guangdong Silk-Tex Group Co., Ltd. (廣東省絲綢紡織集團有限公司)	July 13, 2012	4,500,000	July 30, 2012	9,180,000	12,180,000	1.89% Independent Third Party
Foshan Xincheng Investment Development Co., Ltd. (佛山新城投資發展有限公司)	July 18, 2012	42,000,000	July 30, 2012	-	28,000,000	4.34% Independent Third Party
Guo Tao (郭濤)	July 12, 2012	5,829,000	July 30, 2012	21,114,000	25,000,000	3.88% Independent Third Party
Guangdong Chengwei Trading Development Co., Ltd. (廣東成威商貿發展有限公司)	July 15, 2012	30,000,000	July 30, 2012	-	20,000,000	3.10% Independent Third Party
Li Shenhua (李深華)	July 13, 2012	30,000,000	July 30, 2012	-	20,000,000	3.10% Independent Third Party
Wu Liejin (吳列進)	July 20, 2012	1,278,180	July 30, 2012	17,694,890	18,547,010	2.88% Executive Director

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name	Date of agreement	Capital Contribution (RMB)	Settlement date of the capital	Shareholding before the capital increase	Shareholding after the capital increase	Relationship with the Company
Beijing Guodian Tongda Electrical and Mechanical Technology Co., Ltd. (北京國電通達機電技術有限公司)	July 17, 2012	15,000,000	July 30, 2012	–	10,000,000	1.55% Independent Third Party
Huang Yong (黃勇)	July 18, 2012	15,000,000	July 30, 2012	–	10,000,000	1.55% Independent Third Party
Zhan Changchun (詹長春)	July 18, 2012	15,000,000	July 30, 2012	–	10,000,000	1.55% Independent Third Party
Ye Shangying (葉尚英)	July 12, 2012	7,500,000	July 30, 2012	–	5,000,000	0.78% Independent Third Party

On December 17, 2013, the registered capital of our Company was increased from RMB645 million to RMB709.5 million by crediting the capital reserve of RMB64.5 million as registered capital. Following such increase, all respective shareholding interests of the then Shareholders remained unchanged.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On December 27, 2013, the registered capital of our Company was increased from RMB709.5 million to RMB800 million, which was contributed by 14 then existing Shareholders and two new Shareholders.

Name	Date of agreement	Capital Contribution (RMB)	Settlement date of the capital	Shareholding before the capital increase	Shareholding after the capital increase	Relationship with the Company
Huang Guoshen (黃國深)	December 16, 2013	6,501,345.6	December 19, 2013	37,048,880	41,760,000	5.22% Non-executive Director
Zhang Yubing (張玉冰)	December 12, 2013	6,501,345.6	December 19, 2013	37,048,880	41,760,000	5.22% Independent Third Party
Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司)	December 15, 2013	13,593,441.6	December 19, 2013	31,909,680	41,760,000	5.22% Independent Third Party
Foshan Venture Growth	December 14, 2013	16,502,040	December 19, 2013	27,962,000	39,920,000	4.99% Connected person
Zhou Weijie (周偉杰)	December 14, 2013	6,629,520	December 19, 2013	20,196,000	25,000,000	3.13% Independent Third Party
Huang Desheng (黃德勝)	December 13, 2013	1,022,856	December 19, 2013	6,058,800	6,800,000	0.85% Independent Third Party
Foshan Xincheng Investment Development Co., Ltd. (佛山市新城投資發展有限公司)	December 16, 2013	5,409,600	December 19, 2013	30,800,000	34,720,000	4.34% Independent Third Party
Guo Tao (郭濤)	December 15, 2013	3,450,000	December 19, 2013	27,500,000	30,000,000	3.75% Independent Third Party
Guangdong Jiashijie Household Holding Co., Ltd. (廣東家世界家居控股有限公司)	December 10, 2013	3,842,472	December 19, 2013	22,215,600	25,000,000	3.13% Independent Third Party
Li Shenhua (李深華)	December 13, 2013	4,140,000	December 19, 2013	22,000,000	25,000,000	3.13% Independent Third Party
Wu Liejin (吳列進)	December 14, 2013	15,012,523.2	December 19, 2013	20,401,711	31,280,351	3.91% Executive Director
Huang Yong (黃勇)	December 11, 2013	1,932,000	December 19, 2013	11,000,000	12,400,000	1.55% Independent Third Party

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name	Date of agreement	Capital Contribution (RMB)	Settlement date of the capital	Shareholding before the capital increase	Shareholding after the capital increase	Relationship with the Company
Foshan Huixi Construction Hardware Products Co., Ltd. (佛山市匯禧建築五金製品有限公司) ⁴	December 13, 2013	1,022,856	December 19, 2013	0.85%	6,800,000	0.85% Independent Third Party
Ye Shangying (葉尚英)	December 18, 2013	3,450,000	December 19, 2013	0.78%	8,000,000	1.00% Independent Third Party
Foshan Shunde Ceramic Sanitary Ware Co., Ltd. (佛山市順德區樂華陶瓷潔具有限公司)	December 1, 2013	24,840,000	December 19, 2013	-	18,000,000	2.25% Independent Third Party
Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司)	December 12, 2013	11,040,000	December 19, 2013	-	8,000,000	1.00% Independent Third Party

Immediately before the Corporate Reorganization, our Company had 43 Shareholders and 10 subsidiaries.

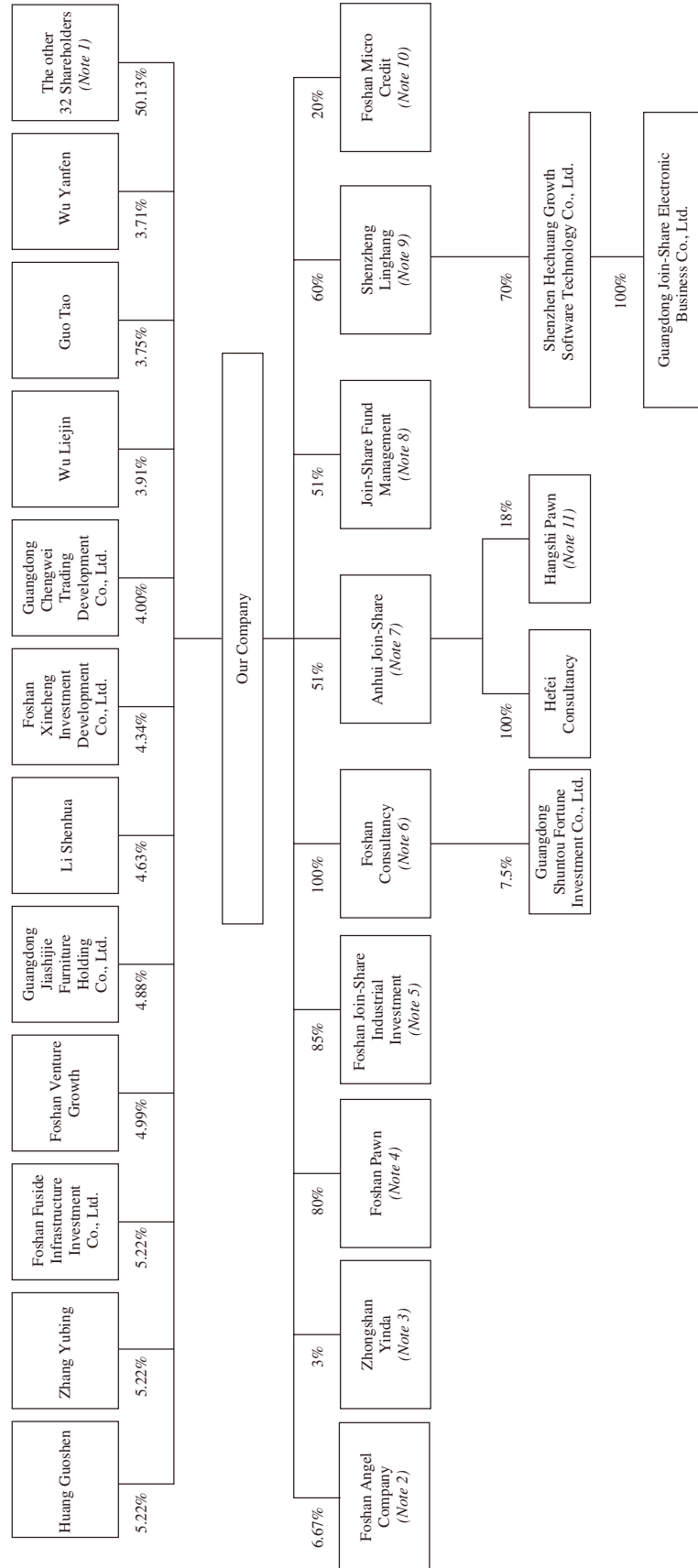
⁴ Foshan Huixi Construction Hardware Products Co., Ltd. (佛山市匯禧建築五金製品有限公司) was renamed as Guangdong Huixi Hardware Industrial Co., Ltd. (廣東匯禧五金實業有限公司) on April 20, 2015.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

Simplified shareholding structure immediately before Corporate Reorganization

Set out below is a simplified corporate structure consisting of our major subsidiaries which are material to the performance of our Group and certain investee companies during the Track Record Period immediately before the Corporate Reorganization:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

Note 1. The remaining 32 Shareholders of our Company are as follows:

Name	Shareholding Percentage
Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資有限公司) ⁵	3.66%
Foshan Shunde Ceramic Sanitary Ware Co., Ltd. (佛山市順德區樂華陶瓷潔具有限公司)	3.62%
Zhou Weijie (周偉杰)	3.13%
Mai Caiqiong (麥彩瓊)	3.03%
Yan Haobing (嚴浩冰)	2.61%
Liu Guanghong (劉廣洪)	2.37%
Foshan Vetur Investment Co., Ltd. (佛山創業投資有限公司)	2.02%
Guangdong Real Faith Enterprises Group Co.,Ltd. (廣東昭信企業集團有限公司)	1.69%
Guangdong Silk-Tex Group Co., Ltd. (廣東省絲綢紡織集團有限公司)	1.67%
ShenZhen OFC Investment Management Ltd. (深圳市東方富海投資管理有限公司)	1.58%
Huang Yong (黃勇)	1.55%
Yuan Shaobin (原紹彬)	1.51%
Chen Zhongxin (陳中信)	1.51%
Xie Chenhan (謝晨翰)	1.49%
Beijing Guodian Tongda Electrical and Mechanical Technology Co., Ltd. (北京國電通達機電技術有限公司)	1.38%
Zhan Changchun (詹長春)	1.38%
Guangdong Genuin Electric Co. Ltd. (廣東正野電器有限公司)	1.26%
Long Guoan (龍國安)	1.26%
Li Qizhao (李啟照)	1.26%
Duan Xiaoguang (段小光)	1.26%
Wang Zhenghu (王正虎)	1.26%
Chen Daqiong (陳大瓊)	1.26%
Ye Shangying (葉尚英)	1.00%
Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司)	1.00%
Liang Hui zhi (梁慧枝)	0.88%
Foshan Yuxingxiang Industry and Trade Co., Ltd. (佛山市宇興翔工貿實業有限公司)	0.88%
Foshan Huixi Construction Hardware Products Co.,Ltd. (佛山市匯禧建築五金製品有限公司)	0.85%
Huang Desheng (黃德勝)	0.85%
Foshan Nanhai Zhujiang Power Development Co., Ltd. (佛山市南海珠江電業發展有限公司)	0.83%
Foshan Datang Textile Fabric Printing and Dyeing Co., Ltd. (佛山大唐紡織印染服裝面料有限公司)	0.76%
Cheng Yongjie (程永杰)	0.76%
Lin Xiaozhen (林小珍)	0.56%

Save for their interests in our Company, these shareholders were Independent Third Parties.

Note 2. The remaining 93.33% equity interests in Foshan Angel Company were owned by 13 Independent Third Parties save for their interests therein.

Note 3. The remaining 97% equity interests in Zhongshan Yinda were owned by two Independent Third Parties save for their interests therein.

Note 4. The remaining 20% equity interests in Foshan Pawn were owned by Foshan Shunde Xingyuan Metal Products Co., Ltd. (佛山市順德區新元金屬製品有限公司) as to 12% which was not related to the Company save for being a substantial shareholder of Foshan Pawn and He Xuming (何旭明) as to 8%, who was an Independent Third Party save for his interests in Foshan Pawn.

Note 5. The remaining 15% equity interests in Foshan Industrial Investment were owned by Lin Xiaozhen (林小珍) and she was not related to the Company save for being a substantial shareholder of Foshan Industrial Investment.

Note 6. Foshan Consultancy also owned (i) 0.59% equity interests in Goody Technology Co., Ltd. (顧地科技股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code of 002694; and (ii) 7.5% equity interests in Guangdong Shuntou Fortune Investment Co., Ltd. (廣東順投財富投資有限公司), the remaining 92.5% equity interests in Foshan Consultancy were owned by Independent Third Parties.

⁵ Guangdong Yuecai Venture Investment Co., Ltd. (廣東粵財創業投資有限公司) entered into an entrustment agreement, with Guangdong Technology Venture Investment Co., Ltd. on May 18, 2009 pursuant to which, Guangdong Technology Venture Investment Co., Ltd. held 10,500,000 shares of our Company on trust for Guangdong Yuecai Venture Investment Co., Ltd.. On February 25, 2014, Guangdong Yuecai Venture Investment Co., Ltd. entered into a supplemental agreement with Guangdong Technology Venture Investment Co., Ltd. to confirm after several rounds of capital increase of our Company, the shares of our Company that were subject to the entrustment arrangement had increased to 21,205,800 shares from 10,500,000 shares. On September 3, 2014, Guangdong Yuecai Venture Investment Co. Ltd. entered into a

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

termination agreement with Guangdong Technology Venture Investment Co., Ltd., terminating such entrustment arrangement and confirming that Guangdong Technology Venture Investment Co., Ltd. held 21,205,800 shares of our Company on trust for Guangdong Yuecai Venture Investment Co., Ltd.. PRC counsels are of the view that such entrustment arrangement does not violate PRC laws and regulations.

Note 7. The remaining 49% equity interests in Anhui Join-Share were owned by the following parties:

Name	Shareholding Percentage
Anhui Chenhui Real Estate Co., Ltd. (安徽晨輝置業有限公司)	[REDACTED] %*
Hefei Haiheng Investment Holding Company (合肥海恒投資控股集團公司)	[REDACTED] %*
Foshan Zhongzhixin Furniture Co., Ltd. (佛山中至信家具有限公司)	[REDACTED] %*
Lin Haoying (林毫英)	3.33%#
Anhui Decheng Investment and Development Co., Ltd. (安徽省德誠投資發展有限公司)	3.33%#
Hefei Zhongjian Construction Machinery Group Co., Ltd. (合肥中建工程機械有限責任公司)	3.33%#

* Save for being substantial shareholders of Anhui Join-Share, they were not related to the Company.

Save for their interests in Anhui Join-Share, these shareholders were Independent Third Parties.

Note 8. The remaining 49% equity interests in Join-Share Fund Management were owned by Guangzhou Qinglin Capital Investment Management Co., Ltd. (廣州青林資本投資管理有限公司) as to 40% which was not related to the Company save for being a substantial shareholder of Join-Share Fund Management and by Yuan Shaobin as to 9%, an Independent Third Party save for its interests in Join-Share Fund Management.

Join-Share Fund Management also owned 5% equity interests in Guangdong Join-Share Number One Investment L.P. 廣東中盈盛達壹號投資合夥企業(有限合夥), and the remaining 95% equity interests were owned by Independent Third Parties.

Note 9. The remaining 40% equity interests in Shenzhen Linghang were owned by Guangzhou Qinglin Capital Investment Management Co., Ltd. as to 20%, Guangdong Heyin Innovation Investment L.P. (廣東合銀創新投資合夥企業(有限合夥)) as to 10% and Guangdong Heyin Venture Capital Co., Ltd. (廣東合銀創業投資有限公司) as to 10% save for being substantial shareholders of Shenzhen Linghang, they were not related to the Company.

Shenzhen Linghang held minority equity interests in the companies listed below:

Name	Shareholding Percentage
Shenzhen Shensaier Co., Ltd. (深圳市深賽爾股份有限公司)	1.68%
Shenzhen Jianyi Decoration Group Co., Ltd. (深圳市建藝裝飾集團股份有限公司)	1.29%
Foshan Yiqiang Electronic Co., Ltd. (佛山市億強電子有限公司)	5%
Shenzhen Julong Science and Education High-Tech Co., Ltd. (深圳市巨龍科教高技術股份有限公司)	1.33%
Guangzhou Zhongheng Optoelectronics Technology Co., Ltd. (廣州眾恒光電科技技術有限公司) ..	1%
Shenzhen Prosunpro Solar Energy Co., Ltd. (深圳市鵬桑普太陽能股份有限公司)	0.73%

Save for their interests in Shenzhen Linghang, these shareholders were Independent Third Party.

Note 10. The remaining 80% equity interests in Foshan Micro Credit were owned by the following parties:

Name	Shareholding Percentage
Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司)	8%
Foshan Nanhai Xiqiao Hengjian Concrete Co., Ltd. (佛山市南海區西樵恒建混凝土有限公司)	8%
Guangdong Jinyitao Ceramics Co., Ltd. (廣東金意陶陶瓷有限公司)	6.67%
Foshan City Faenza Sanitary Ware Co., Ltd. (佛山市法恩潔具有限公司)	6.67%
Foshan Haoyingke Trading Co., Ltd. (佛山市浩盈科貿易有限公司)	3.33%
Foshan Jinyuan Zhidi Real Property Co., Ltd. (佛山金源置地房地產有限公司)	3.33%
Xiao Hua (蕭華)	8%
Jia Feng (賈鋒)	8%
Qiu Bo (邱波)	8%
Huang Xianping (黃顯平)	6.67%
Xu Zhifen (許志芬)	6.67%
Liao Cuiyan (廖翠顏)	3.33%
Xu Yue (許越)	3.33%

Save for their interests in Foshan Micro Credit, these shareholders were Independent Third Parties.

Note 11. The remaining 82% equity interests in Hangshi Pawn were owned by Independent Third Parties save for their interests in Hangshi Pawn.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

To focus on the core business of our Group, we undertook the followings steps for the purpose of the Corporate Reorganization:

1. Disposal of Foshan Pawn, Join-Share Fund Management, Shenzhen Linghang, Foshan Angel Company, Zhongshan Yinda, Guangdong Shunton Fortune Investment Co., Ltd., and Hangshi Pawn

i. Foshan Pawn

Foshan Pawn was principally engaged in pawn business which is different from our core business. Pursuant to an equity transfer agreement dated June 6, 2014, our Company disposed of 48% and 32% equity interests in Foshan Pawn to two Independent Third Parties at a consideration of RMB6.48 million and RMB4.32 million, respectively, which was determined after arm's length negotiation among the parties and has been fully settled. The disposal was completed on June 26, 2014.

ii. Join-Share Fund Management

Join-Share Fund Management was principally engaged in investment management and consulting which is different from our core business. Pursuant to an equity transfer agreement dated June 25, 2014, our Company disposed of 51% equity interests in Join-Share Fund Management to Join-Share Holding⁶, at a consideration of RMB5.1 million which was determined with reference to the then registered capital of Join-Share Fund Management and has been fully settled. The disposal was completed on June 26, 2014.

iii. Shenzhen Linghang

Shenzhen Linghang was principally engaged in venture capital investment which is different from our core business. Pursuant to an equity transfer agreement dated June 25, 2014, our Company disposed of 60% equity interests in Shenzhen Linghang to Join-Share Holding at a consideration of approximately RMB26.91 million, which was determined after arm's length negotiation between the parties and has been fully settled. The disposal was completed on June 26, 2014.

iv. Foshan Angel Company

Foshan Angel Company was principally engaged in planning and coordinating investment and financing projects, providing financing information by online service which is different from our core business. Pursuant to an equity transfer agreement dated June 7, 2014, our Company disposed of 6.67% equity interests in Foshan Angel Company to Join-Share Holding at a consideration of RMB200,000, which was determined with reference to the then registered capital of Foshan Angel Company and has been fully settled. The disposal was completed on June 25, 2014.

⁶ Join-Share Holding was established on September 10, 2013 in the PRC by the then Shareholders at the relevant time. It acquired subsidiaries disposed by our Company during the Corporate Reorganization and such subsidiaries are primarily engaged in the business of fund management and equity investment, which are different from the core business of our Company. Currently, it is owned by 40 corporate and individual shareholders, most of whom are also our Shareholders. The top five largest shareholders are Huang Guoshen, Zhang Yubing, Guangdong Jiashijie Furniture Holding Co., Ltd., Li Shenhua and Guangdong Chengwei Trading Development Co., Ltd. (廣東成威商貿發展有限公司) holding approximately 5.22%, 5.22%, 5.10%, 4.8% and 4.52% interests, respectively in Join-Share Holding. The management team of our Company are separate and independent from Join-Share Holding save and except that four out of five directors of Join-Share Holding are our non-executive Directors, namely Zhang Minming, Gu Lidan, Wu Yanfen and Huang Guoshen, who are not involved in the day-to-day management of our Company. Considering the aforesaid factors, Join-Share Holding is an Independent Third Party.

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v. *Zhongshan Yinda*

Zhongshan Yinda was principally engaged in the provision of guarantee and investment. At the request of Guangdong Yinda Financing Guarantee Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司), the controlling shareholder of Zhongshan Yinda and an Independent Third Party, and considering that the proposed establishment of Zhongshan Join-Share to carry on financing guarantee in Zhongshan area, an equity transfer agreement was entered into by our Company and Guangdong Yinda Financing Guarantee Investment Group Co., Ltd. on June 18, 2014. Pursuant to the equity transfer agreement, our Company disposed of 3% equity interest in Zhongshan Yinda to Guangdong Yinda Financing Guarantee Investment Group Co., Ltd. at a consideration of RMB6.96 million, which was determined after arm's length negotiation between the parties and has been fully settled. The disposal was completed on June 27, 2014.

vi. *Guangdong Shuntou Fortune Investment Co., Ltd.*

Guangdong Shuntou Fortune Investment Co., Ltd. was principally engaged in investment business which is different from our core business. Pursuant to an equity transfer agreement dated June 13, 2014, Foshan Consultancy disposed of 7.5% of the equity interests in Guangdong Shuntou Fortune Investment Co., Ltd. to an Independent Third Party, at a consideration of RMB3.45 million which was determined after arm's length negotiation between the parties and has been fully settled. The disposal was completed on June 25, 2014.

vii. *Hangshi Pawn*

Hangshi Pawn was principally engaged in pawn business which is different from our core business. On November 9, 2010, Anhui Join-Share entered into an equity transfer agreement with an Independent Third Party, to dispose of its 18% equity interests in Hangshi Pawn. Due to the counterparty's personal reason, Anhui Join-Share did not complete the registration of change of shareholders with State Administration for Industry and Commerce of the PRC. According to the letter of civil mediation issued by the court on December 9, 2014, Anhui Join-Share and the Independent Third Party agreed to terminate the aforesaid equity transfer agreement under the mediation by the court.

On November 25, 2014, Anhui Join-Share entered into an equity transfer agreement with another Independent Third Party to dispose of all equity interests it held in Hangshi Pawn, at a consideration of RMB2.3 million which was determined after arm's length negotiation between the parties and has been fully settled. The disposal was completed on December 30, 2014.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

2. Capital increase of Foshan Micro Credit

Pursuant to eight capital increase agreements dated June 10, 2014 entered into between Foshan Micro Credit and the following eight shareholders respectively, our Company and seven Independent Third Parties agreed to contribute an aggregate amount of RMB50 million, to Foshan Micro Credit. Subsequent to the above capital increase, the registered capital of Foshan Micro Credit increased from RMB150 million to RMB200 million.

Set forth below is a summary of the above-mentioned capital increase:

Name	Date of agreement	Capital contribution (RMB)	Settlement date of the capital contribution	Shareholding before the capital increase	Shareholding after the capital increase	Relationship with the Company
Cen Yanzhen (岑燕珍)	June 10, 2014	5,000,000	June 17, 2014	N/A	2.5%	an Independent Third Party
Foshan City Faenza Sanitary Ware Co., Ltd.	June 10, 2014	4,500,000	June 18, 2014	6.67%	7.25%	an Independent Third Party
Our Company	June 10, 2014	6,000,000	June 18, 2014	20%	18%	–
Guangzhou Shaxi International Hotel Supplies City Co., Ltd. (廣州沙溪國際酒店用品城有限公司) ...	June 10, 2014	15,000,000	June 17, 2014	N/A	7.5%	an Independent Third Party
Jia Feng	June 10, 2014	4,000,000	June 18, 2014	8%	8%	an Independent Third Party
Guangdong Jinyitao Ceramics Co., Ltd. ...	June 10, 2014	4,500,000	June 18, 2014	6.67%	7.25%	an Independent Third Party
Foshan Jinyuan Zhidi Real Property Co., Ltd.	June 10, 2014	5,000,000	June 18, 2014	3.33%	5%	an Independent Third Party
Xu Zhifen	June 10, 2014	6,000,000	June 18, 2014	6.67%	8%	an Independent Third Party

3. Acquisition of equity interest in Foshan Micro Credit and Foshan Join-Share Industrial Investment

i. Foshan Micro Credit

Pursuant to two equity transfer agreements dated June 27, 2014, our Company acquired 6% and 6% equity interests in Foshan Micro Credit from two Independent Third Parties at a consideration of RMB13.2 million and RMB13.2 million, respectively, which were determined after arm's length negotiation between the parties and has been fully settled. The above

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

acquisitions were completed on June 27, 2014. Subsequent to the above acquisitions, our Company held 30% equity interests in Foshan Micro Credit and the remaining 70% equity interests were held by the following shareholders:

Names	Shareholding Percentage
Jia Feng	8%
Xu Zhifen	8%
Guangzhou Shaxi International Hotel Supplies City Co., Ltd.	7.5%
Foshan City Faenza Sanitary Ware Co., Ltd.	7.25%
Guangdong Jinyitao Ceramics Co., Ltd.	7.25%
Foshan Zhonggewei Electronic Co., Ltd.	6%
Xiao Hua	6%
Foshan Jinyuan Zhidi Real Property Co., Ltd.	5%
Huang Xianping	5%
Foshan Haoyingke Trading Co., Ltd.	2.5%
Xu Yue	2.5%
Liao Cuiyan	2.5%
Cen Yanzhen	2.5%

Other than Huang Xianping and Xu Yue, all the other shareholders of Foshan Micro Credit have entered into a concert party agreement with our Company. For further details about the concert party agreement, please refer to "Principal Subsidiaries-2. Foshan Micro Credit" in this section.

ii. Foshan Join-Share Industrial Investment

Pursuant to an equity transfer agreement dated June 18, 2014, our Company acquired 15% equity interest in Foshan Join-Share Industrial Investment from an Independent Third Party at a consideration of RMB948,600, which was determined after arm's length negotiation between the parties and has been fully settled. The above acquisition was completed on June 30, 2014. Subsequent to above acquisition, Foshan Join-Share Industrial Investment became a wholly owned subsidiary of our Company.

4. Establishment of Zhongshan Join-Share

On September 9, 2014, our Company entered into a shareholders cooperative agreement with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. (中山市健康科技產業基地發展有限公司)⁷, Zhongshan Transportation Development Group Co., Ltd. (中山市交通發展集團有限公司) and Zhongshan Changqing New Industry Co., Ltd. (中山市長青新產業有限公司), pursuant to which, they agreed to establish Zhongshan Join-Share for the purpose of leveraging on the fund and credit sources of Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., and Zhongshan Transportation Development Group Co., Ltd. which are state-owned companies and expanding our business in Zhongshan area. Upon the establishment, the

⁷ Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. is wholly owned by the Public Property Committee Management Office of Zhongshan Torch Hi-tech Industrial Development Zone (中山火炬高技術產業開發區公有資產管理委員會辦公室), which is an administration department of Zhongshan Torch Hi-tech Industrial Development Zone (中山火炬高技術產業開發區), where Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. is located. Zhongshan Torch Hi-tech Industrial Development Zone is a national level new hi-tech industrial development zone, which was jointly established by the Ministry of Science and Technology of the PRC (中華人民共和國科技部), the People's Government of Guangdong Province (廣東省人民政府) and the Zhongshan Municipal Government (中山市政府) in 1990.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

registered capital of Zhongshan Join-Share was RMB200 million, which was contributed by our Company, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., Zhongshan Transportation Development Group Co., Ltd. and Zhongshan Changqing New Industry Co., Ltd. as to 35%, [REDACTED]%, [REDACTED]% and 5% of the equity interest of Zhongshan Join-Share, respectively. On September 19, 2014, to further clarify the rights and obligations of the parties in Zhongshan Join-Share, our Company entered into a supplemental shareholders cooperative agreement with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., Zhongshan Transportation Development Group Co., Ltd. and Zhongshan Changqing New Industry Co., Ltd..

Pursuant to the shareholders cooperative agreement and the supplemental agreement, (1) Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. agreed to act in concert with our Company in shareholders meetings and board meetings of Zhongshan Join-Share and not to participate in the management of Zhongshan Join-Share; (2) our Company and Zhongshan Changqing New Industry Co., Ltd. undertook to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. that Zhongshan Join-Share shall pay a fixed return on equity at a rate of 6% based on the registered capital balance owned by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. per fiscal year until the equity interest of Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. in Zhongshan Join-Share is reduced to 5%, Zhongshan Join-Share shall use the return on equity attributable to our Company to make up the shortfall in the event that Zhongshan Join-Share is unable to fulfill the aforesaid payment obligations; (3) our Company undertook to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. that our Company will use internal resources to acquire the equity interests of Zhongshan Join-Share held by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. through procedures in compliance with the PRC Laws until the equity interest of Zhongshan Join-share held by of Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. is reduced to 5%; (4) the return on equity of Zhongshan Join-Share attributable to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. pro rate exceeding the fixed return on equity at a rate of 6% belongs to our Company.

On September 9, 2014, our Company has entered into a concert party agreement with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. in connection with its 45% equity interests in Zhongshan Join-Share which our Company is obliged to acquire, who is the shareholder holding 50% equity interest in Zhongshan Join-Share. Pursuant to the concert party agreement, (1) our Company and Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. unconditionally agreed to act in concert when casting their votes at shareholders meetings of Zhongshan Join-Share with regards to any issue including but not limited to appointment of directors, material matters in daily operation, distribution of dividends, business operation and assets disposal; (2) our Company has the right to make proposals or temporary proposals to the shareholders meetings according to the articles of associations of Zhongshan Join-Share; (3) Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. unconditionally and irrevocably agreed to follow the instruction of our Company to vote on the matters to be discussed at the shareholders meetings of Zhongshan Join-Share; and (4) Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. would only nominate our Company as its proxy to attend shareholders meetings of Zhongshan Join-Share, and cast its vote according to the instruction of our Company on each matter to be discussed at the shareholders meetings.

Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. agreed to enter into the concert party agreement so as to rely and leverage on our capability and experience in the guarantee industry to develop and operate guarantee business. We have not paid any consideration or benefits to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. in connection with entering into the concert party agreement.

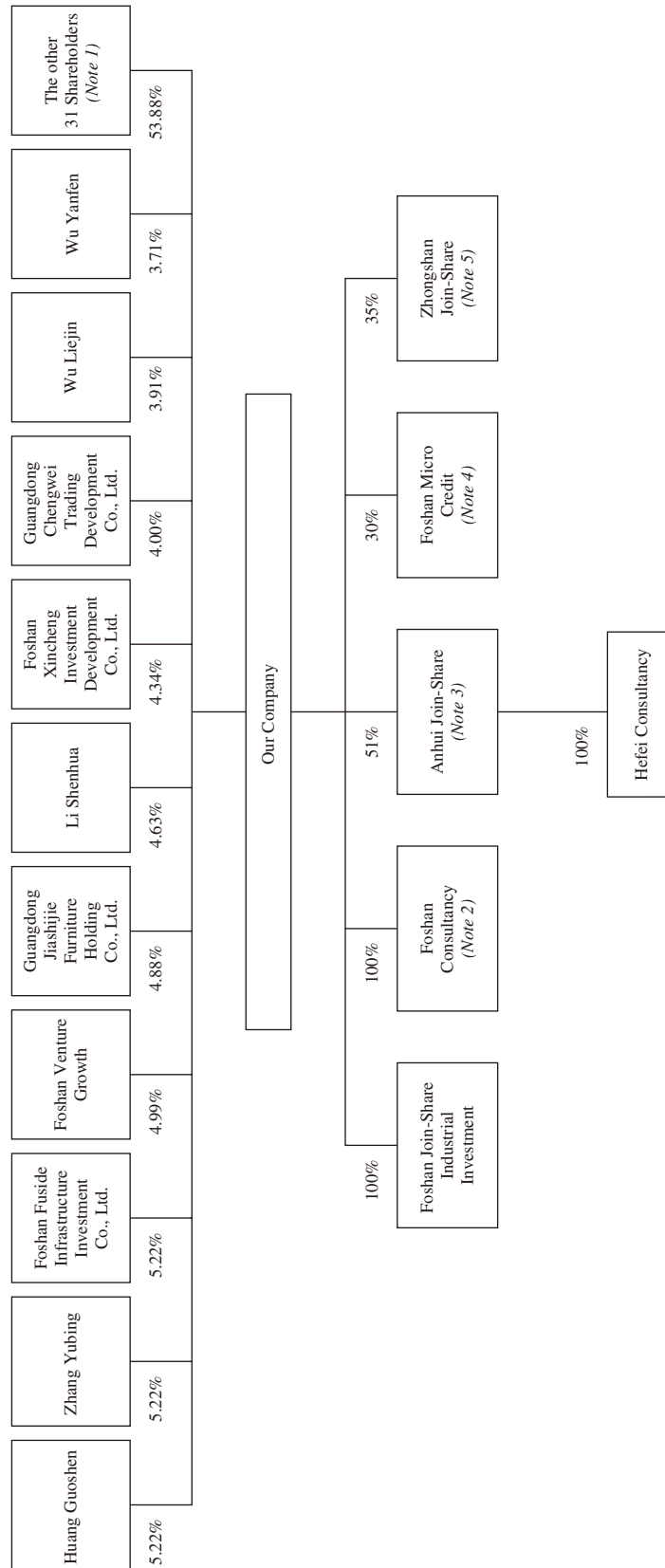
As a result, our Company is considered to have control in Zhongshan Join-Share according to HKFRS and the financial results of Zhongshan Join-Share have been consolidated and accounted for as a subsidiary of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Approvals

Our PRC legal advisors confirm that we have obtained all the necessary approvals from, and have duly filed with, the relevant PRC government authorities with respect to the above Corporate Reorganization and the Corporate Reorganization has complied with all applicable laws, rules and regulations. Each of the above acquisitions and disposals has been properly and legally completed. Our Directors also confirm that each of the above acquisitions and disposals has been properly and legally completed.

Set out below is a simplified corporate structure consisting of our major subsidiaries which are material to the performance of our Group during the Track Record Period after the completion of the above Corporate Reorganization:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

Note 1. The remaining 31 Shareholders of our Company are as follows:

Name	Shareholding Percentage
Foshan Shunde Ceramic Sanitary Ware Co., Ltd. (佛山市順德區樂華陶瓷潔具有限公司)	3.62%
Foshan Huixi Construction Hardware Products Co.,Ltd. (佛山市匯禧建築五金製品有限公司)	3.36%
Zhou Weijie (周偉杰)	3.13%
Mai Caiqiong (麥彩瓊)	3.03%
Guangdong Yuecai Venture Investment Co., Ltd. (廣東粵財創業投資有限公司)	2.65%
Yan Haobing (嚴浩冰)	2.61%
Yang Qing (楊青)	2.50%
Chen Zhongxin (陳中信)	2.39%
Liu Guanghong (劉廣洪)	2.37%
Xie Chenhan (謝晨翰)	2.05%
Foshan Vetur Investment Co., Ltd. (佛山創業投資有限公司)	2.02%
Guangdong Real Faith Enterprises Group Co.,Ltd. (廣東昭信企業集團有限公司)	1.69%
Guangdong Silk-TEX Group Co., Ltd. (廣東省絲綢紡織集團有限公司)	1.67%
ShenZhen OFC Investment Management Ltd. (深圳市東方富海投資管理有限公司)	1.58%
Huang Yong (黃勇)	1.55%
Yuan Shaobin (原紹彬)	1.51%
Beijing Guodian Tongda Electrical and Mechanical Technology Co., Ltd. (北京國電通達機電技術有限公司)	1.38%
Zhan Changchun (詹長春)	1.38%
Guangdong Genuin Electric Co. Ltd. (廣東正野電器有限公司)	1.26%
Li Qizhao (李啟照)	1.26%
Duan Xiaoguang (段小光)	1.26%
Wang Zhenghu (王正虎)	1.26%
Chen Daqiong (陳大瓊)	1.26%
Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資有限公司)	1.01%
Ye Shangying (葉尚英)	1.00%
Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司)	1.00%
Liang Huizhi (梁慧枝)	0.88%
Huang Desheng (黃德勝)	0.85%
Foshan Nanhai Zhujiang Power Development Co., Ltd. (佛山市南海珠江電業發展有限公司)	0.83%
Foshan Datang Textile Fabric Printing and Dyeing Co., Ltd. (佛山大唐紡織印染服裝面料有限公司)	0.76%
Cheng Yongjie (程永杰)	0.76%

Save for their interests in our Company, these Shareholders are Independent Third Parties.

Note 2. Foshan Consultancy also owned 0.59% equity interests in Goody Technology Co., Ltd. (顧地科技股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code of 002694.

Note 3. The remaining 49% equity interests in Anhui Join-Share were owned by the following parties:

Name	Shareholding Percentage
Anhui Chenhui Real Estate Co., Ltd.	[REDACTED] %*
Hefei Haiheng Investment Holding Company	[REDACTED] %*
Foshan Zhongzhixin Furniture Co., Ltd.	[REDACTED] %*
Lin Haoying	3.33%#
Anhui Decheng Investment and Development Co., Ltd.	3.33%#
Hefei Zhongjian Construction Machinery Group Co., Ltd.	3.33%#

* Save for being substantial shareholders of Anhui Join-Share, they were not related to the Company.

Save for their interests in Anhui Join-Share, these shareholders were Independent Third Parties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Note 4. The remaining 70% equity interests in Foshan Micro Credit were owned by the following parties:

<i>Name</i>	<i>Shareholding Percentage</i>
<i>Jia Feng</i>	8%
<i>Xu Zhifen</i>	8%
<i>Guangzhou Shaxi International Hotel Supplies City Co., Ltd.</i>	7.5%
<i>Foshan City Faenza Sanitary Ware Co., Ltd.</i>	7.25%
<i>Guangdong Jinyitao Ceramics Co., Ltd.</i>	7.25%
<i>Foshan Zhonggewei Electronic Co., Ltd.</i>	6%
<i>Xiao Hua</i>	6%
<i>Foshan Jinyuan Zhidi Real Property Co., Ltd.</i>	5%
<i>Huang Xianping</i>	5%
<i>Foshan Haoyingke Trading Co., Ltd.</i>	2.5%
<i>Xu Yue</i>	2.5%
<i>Liao Cuiyan</i>	2.5%
<i>Cen Yanzhen</i>	2.5%

Save for their interest in Foshan Micro Credit, these shareholders were Independent Third Parties.

Note 5. The remaining 65% of the equity interests in Zhongshan Join-Share were owned by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. as to [REDACTED]%, Zhongshan Transportation Development Group Co., Ltd. as to [REDACTED]%, both of which were not related to our Company save for being substantial shareholders of Zhongshan Join-Share and Zhongshan Changqing New Industry Co., Ltd. as to 5%, which was an Independent Third Party save for its interests in Zhongshan Join-Share.

PRINCIPAL SUBSIDIARIES

1. Anhui Join-Share

On August 31, 2009, Anhui Join-Share was established in the PRC with an initial registered capital of RMB150 million. Anhui Join-Share commenced business in December 2009. As of the Latest Practicable Date, Anhui Join-Share had a registered capital of RMB150 million and was held as to 51% by our Company. Anhui Join-Share is principally engaged in financing guarantee business and consulting service. It has obtained approval for providing financing guarantee services from the respective competent government authorities.

2. Zhongshan Join-Share

Zhongshan Join-Share was incorporated on July 8, 2014 in the PRC with an initial registered capital of RMB200 million. Zhongshan Join-Share commenced business in September 2014. As of the Latest Practicable Date, Zhongshan Join-Share had a registered capital of RMB[REDACTED] and was held as to 35% by our Company. Zhongshan Join-Share is principally engaged in financing guarantee, non-financing guarantee and consulting services.

On September 9, 2014, by entering into a concert party agreement with Zhongshan Health Science and Technology Industrial Base Development Co. in connection with its 45% equity interests in Zhongshan Join-Share, which our company is obliged to acquire, Ltd., a shareholder holding [REDACTED]% equity interest in Zhongshan Join-Share, our Company is considered to have control in Zhongshan Join-Share according to HKFRS and the financial results of Zhongshan Join-Share have been consolidated and accounted for as a subsidiary of our Company. For further details about the concert party agreement, please refer to “History, Reorganization and Corporate Structure — Reorganization — 4. Establishment of Zhongshan Join-Share” in this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

3. Foshan Micro Credit

On May 30, 2011, Foshan Micro Credit was established in the PRC with an initial registered capital of RMB150 million, all which was fully paid. Foshan Micro Credit commenced business in July 2011. As of the Latest Practicable Date, Foshan Micro Credit had a registered capital of RMB200 million and was held as to 30% by our Company. Foshan Micro Credit is principally engaged in SME lending business and consultancy.

On June 20, 2014, our Company entered into a concert party agreement with 11 shareholders of Foshan Micro Credit, namely Guangzhou Shaxi International Hotel Supplies City Co., Ltd., Foshan City Faenza Sanitary Ware Co., Ltd., Jinyuan Real Property Co., Ltd., Guangdong Jinyitao Ceramics Co., Ltd., Foshan Haoyingke Trading Co., Ltd., Foshan Zhonggewei Electronic Co., Ltd., Xu Zhifen, Cen Yanzhen, Xiao Hua, Liao Cuiyan and Jia Feng, which respectively held 7.5%, 7.25%, 5%, 7.25%, 2.5%, 6%, 8%, 2.5%, 6%, 2.5%, and 8% equity interests in Foshan Micro Credit. Pursuant to the concert party agreement, they agreed (1) to act in concert when casting their votes at the shareholders meetings of Foshan Micro Credit with regards to any issue including but not limited to appointment of directors, material matters in daily operation, distribution of dividends, business operation and assets disposal etc.; (2) only our Company has the right to make proposals or temporary proposals to the shareholders meetings according to the articles of associations of Foshan Micro Credit; (3) to follow the instruction of our Company to vote on the matters to be discussed at the shareholders meetings of Foshan Micro Credit; and (4) each party to this agreement would only nominate one party as its proxy to attend shareholders meetings of Foshan Micro Credit, and cast its vote according to the instruction of our Company on each matter to be discussed at the shareholders meetings. As a result thereof, our Company is considered to have control in Foshan Micro Credit, according to HKFRS, and the financial results of Foshan Micro Credit have been consolidated and accounted for as a subsidiary of our Company.

The other 11 shareholders of Foshan Micro Credit agreed to enter into the concert party agreement so as to rely and leverage on our capability and experience in the micro-lending industry to develop and operate micro-lending business. We have not paid any consideration or benefits to these shareholders in connection with entering into the concert party agreement.

4. Foshan Join-Share Industrial Investment

On September 29, 2007, Foshan Join-Share Industrial Investment was established in the PRC with an initial registered capital of RMB5.1 million, all of which had been fully paid. Foshan Join-Share Industrial Investment commenced business in January 2008. As of the Latest Practicable Date, Foshan Join-Share Industrial Investment had a registered capital of RMB5.1 million and was a wholly owned subsidiary of our Company. Foshan Join-Share Industrial Investment is principally engaged in industrial investment, financing consultancy and investment management.

5. Foshan Consultancy

On November 11, 2005, Foshan Consultancy was established in the PRC with an initial registered capital of RMB3 million. Foshan Consultancy commenced business in January 2006. As of the Latest Practicable Date, Foshan Consultancy had a registered capital of RMB3 million and was a wholly owned subsidiary of our Company. Foshan consultancy is principally engaged in consultancy on enterprises investment, financing and business operations.

As of the Latest Practicable Date, it has 0.42% equity interests in Goody Technology Co., Ltd. (顧地科技股份有限公司), which is principally engaged in research and development, manufacture and sales of plastic pipe, and listed on the Shenzhen Stock Exchange with the stock code of 002694.

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6. Hefei Consultancy

On May 8, 2010, Hefei Consultancy was established in the PRC with an initial registered capital of RMB1 million. Hefei Consultancy commenced business in June 2010. As of the Latest Practicable Date, Hefei Consultancy had a registered capital of and RMB1 million and was a wholly owned subsidiary of Anhui Join-Share. Hefei Consultancy is principally engaged in consultancy on enterprises investment, financing and business operations.

INCENTIVE PLAN

In order to provide incentives to the management members and key personnels of our Company, on March 23, 2007, our then Shareholders approved the increase of the registered capital of our Company by RMB5.13 million, among which, RMB2.45 million was converted from the capital reserve of our Company, and the remaining RMB2.68 million was contributed by Mr. Wu Liejin with RMB1.06 million for himself, and with RMB1.62 million on behalf of a group of management members and key personnels of our Company through an entrustment arrangement. Immediately after such capital increase, our registered capital was increased to RMB205.13 million, and was owned as to approximately 0.52% by Mr. Wu Leijin, and as to approximately 0.79% by a group of 14 management members and key personnels of our Company, each of whom held less than 0.3% interest.

On March 25, 2007, Mr. Wu Leijin entered into a share transfer agreement with each of all the then Shareholders save for Mr. Wu Leijin and Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司), pursuant to which those Shareholders transferred 1.13% interest in the registered capital of the Company to Mr. Wu Leijin for a nominal consideration of RMB1 each per Shareholder where approximately 25.67% of which was held by Mr. Wu Leijin and 74.33% of which was held by Mr. Wu on trust for a group of 14 management members and key personnels of our Company under an entrustment arrangement.

On April 15, 2008, in order to formalize the incentive plan allowing the relevant management members and key personnels of our Company to hold their interests in our Company directly, Foshan Venture Growth, a limited partnership, was established by Mr. Wu Liejin and other management members and key personnels of our Company under the incentive plan to hold their interest in our Company which was previously held by Mr. Wu Liejin for himself and/or on trust for them under the entrustment arrangement. As a result of which, Mr. Wu Liejin transferred all the Shares held by him (for himself and/or on behalf of the relevant management members and key personnels of our Company) to Foshan Venture Growth. Mr. Wu Liejin was the then general partner and executive partner of Foshan Venture Growth. All the limited partners of Foshan Venture Growth are management members and key personnels of our Company.

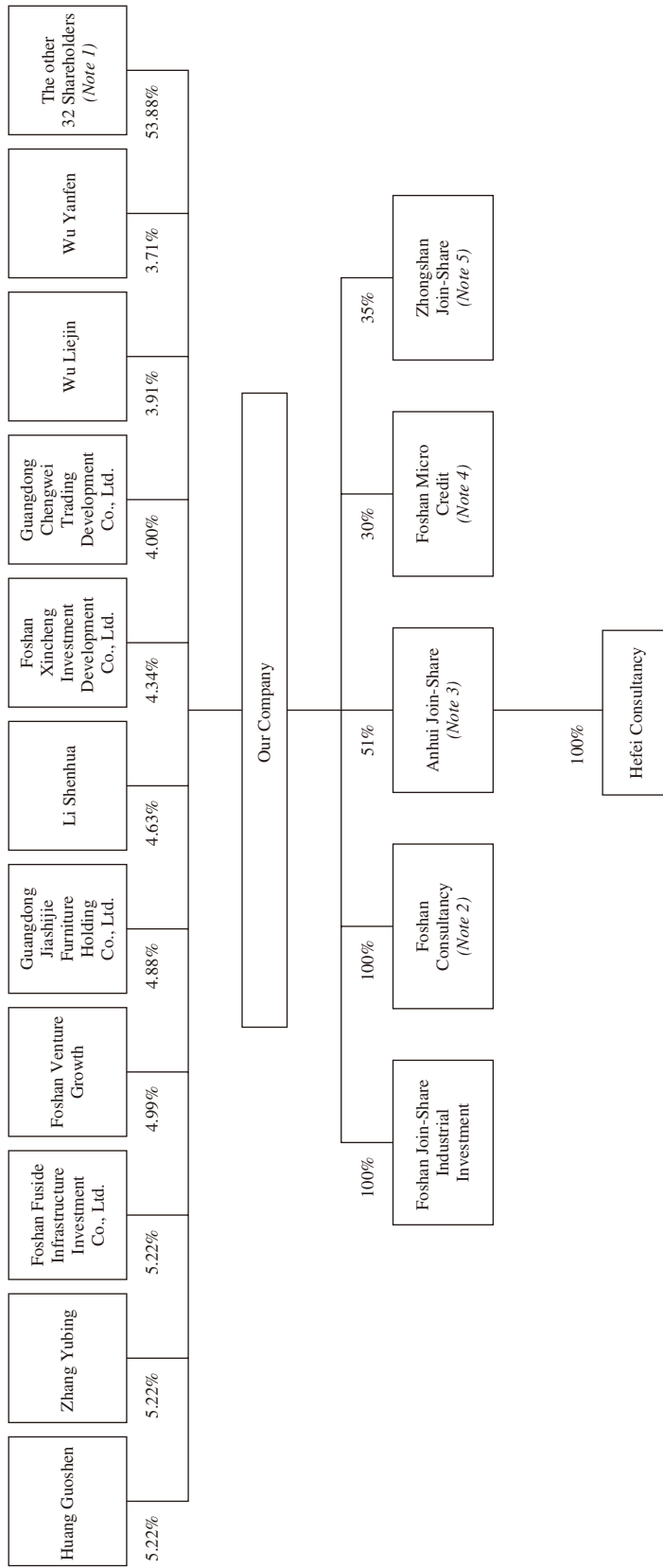
In 2012, Mr. Wu Leijin acquired 3.39% interest in the Company and ceased to hold any interest in the Company via Foshan Venture Growth. Meanwhile, Mr. Wu Liejin ceased to be the general partner and executive partner position of Foshan Venture Growth and such roles were assumed by Mr. Xie Yongdong.

After several rounds of capital increase, as at the Latest Practicable Date, Foshan Venture Growth had 48 limited partners, and one general partner, Mr. Xie Yongdong, who also acts as the executive partner of Foshan Venture Growth. Mr. XieYongdong is one of our executive Directors and the president of our Group. The capital contribution of Foshan Venture Growth is RMB52,221,169, (a) 22.55% is held by Mr. Xie Yongdong, (b) 8.03%, 5.06%, 5.00% and 3.59% of which were held by our senior management members, namely Ms. Lu Haoming, Mr. Ou Weming, Mr. Zhang Deben, and Ms. Huang Biwen; and the remaining capital contributions are held by 44 management members and key personnels of our Company, none of whom holds more than 5% of the capital contribution of Foshan Venture Growth.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart sets out our ownership and corporate structure immediately prior to the [REDACTED]:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

Note 1. The remaining 32 Shareholders of our Company are as follows:

Name	Shareholding Percentage
Foshan Shunde Ceramic Sanitary Ware Co., Ltd. (佛山市順德區樂華陶瓷潔具有限公司)	3.62%
Zhou Weijie (周偉杰)	3.13%
Mai Caiqiong (麥彩瓊)	3.03%
Guangdong Huixi Hardware Industrial Co., Ltd. (廣東滙禧五金實業有限公司)	2.74%
Guangdong Yuecai Venture Investment Co., Ltd. (廣東粵財創業投資有限公司)	2.65%
Yan Haobing (嚴浩冰)	2.61%
Yang Qing (楊青)	2.50%
Chen Zhongxin (陳中信)	2.39%
Liu Guanghong (劉廣洪)	2.37%
Xie Chenhan (謝晨翰)	2.05%
Foshan Vetur Investment Co., Ltd. (佛山創業投資有限公司)	2.02%
Guangdong Real Faith Enterprises Group Co., Ltd. (廣東昭信企業集團有限公司)	1.69%
Guangdong Silk-Tex Group Co., Ltd. (廣東省絲綢紡織集團有限公司)	1.67%
ShenZhen OFC Investment Management Ltd. (深圳市東方富海投資管理有限公司)	1.58%
Huang Yong (黃勇)	1.55%
Yuan Shaobin (原紹彬)	1.51%
Beijing Guodian Tongda Electrical and Mechanical Technology Co., Ltd. (北京國電通達機電技術有限公司)	1.38%
Zhan Changchun (詹長春)	1.38%
Guangdong Genuin Electric Co. Ltd. (廣東正野電器有限公司)	1.26%
Li Qizhao (李啟照)	1.26%
Duan Xiaoguang (段小光)	1.26%
Wang Zhenghu (王正虎)	1.26%
Chen Daqiong (陳大瓊)	1.26%
Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資有限公司)	1.01%
Ye Shangying (葉尚英)	1.00%
Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司)	1.00%
Liang Huizhi (梁慧枝)	0.88%
Huang Desheng (黃德勝)	0.85%
Foshan Nanhai Zhujiang Power Development Co., Ltd. (佛山市南海珠江電業發展有限公司)	0.83%
Foshan Datang Textile Fabric Printing and Dyeing Co., Ltd. (佛山大唐紡織印染服裝面料有限公司)	0.76%
Cheng Yongjie (程永杰)	0.76%
Foshan Nanhai Sanyu Metal Trading Co., Ltd. (佛山市南海區三余金屬貿易有限公司)	0.63%

Save for their interests in our Company, these shareholders were Independent Third Parties.

Note 2. Foshan Consultancy also owned 0.36% equity interests in Goody Technology Co., Ltd. (顧地科技股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code of 002694.

Note 3. The remaining 49% equity interests in Anhui Join-Share were owned by the following parties:

Name	Shareholding Percentage
Anhui Chenhui Real Estate Co., Ltd. (安徽晨輝置業有限公司)	[REDACTED] %*
Hefei Haiheng Investment Holding Company (合肥海恒投資控股集團公司)	[REDACTED] %*
Foshan Zhongzhixin Furniture Co., Ltd. (佛山中至信家具有限公司)	[REDACTED] %*
Lin Haoying (林毫英)	3.33%#
Anhui Decheng Investment and Development Co., Ltd. (安徽省德誠投資發展有限公司)	3.33%#
Hefei Zhongjian Construction Machinery Group Co., Ltd. (合肥中建工程機械有限責任公司)	3.33%#

* Save for being substantial shareholders of Anhui Join-Share, they were not related to the Company.

Save for their interests in Anhui Financing Guarantee, these shareholders were Independent Third Parties.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Note 4. The remaining 70% equity interests in Foshan Micro Credit were owned by the following parties:

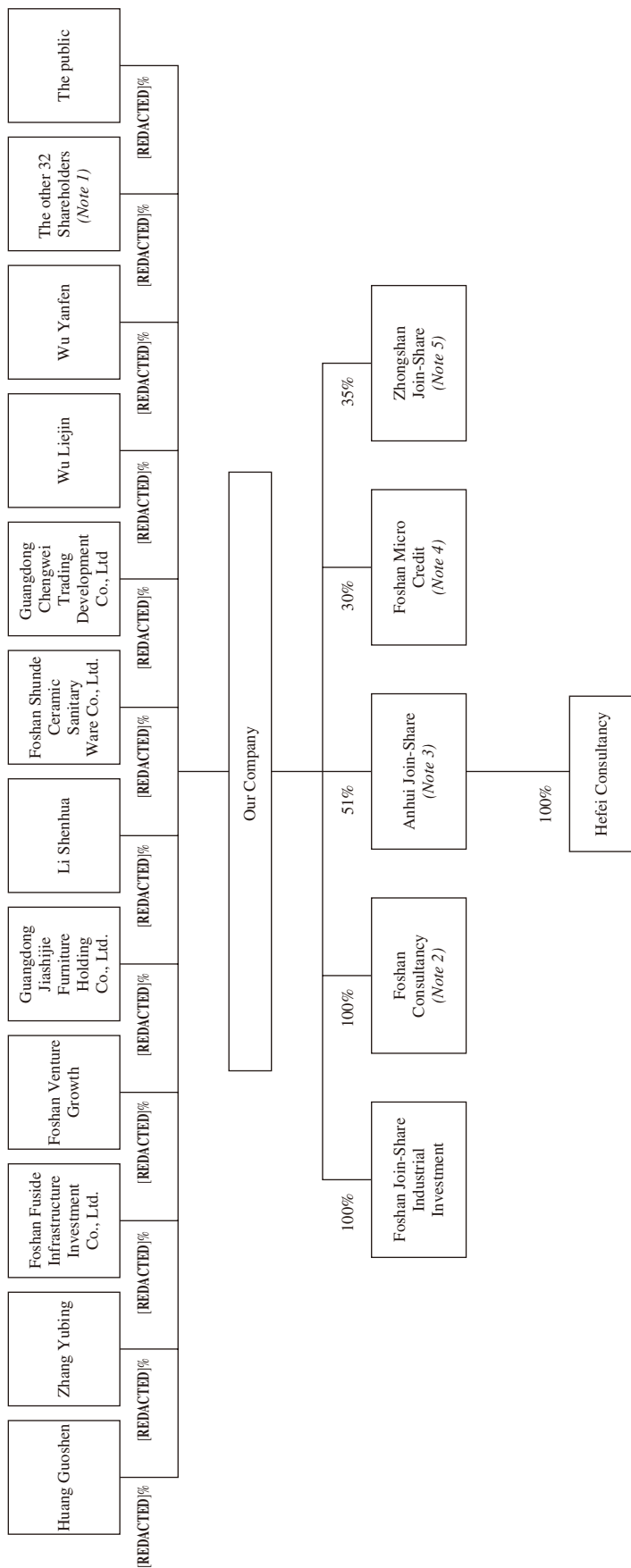
<i>Name</i>	<i>Shareholding Percentage</i>
<i>Jia Feng</i>	8%
<i>Xu Zhifen</i>	8%
<i>Guangzhou Shaxi International Hotel Supplies City Co., Ltd.</i>	7.5%
<i>Foshan City Faenza Sanitary Ware Co., Ltd.</i>	7.25%
<i>Guangdong Jinyitao Ceramics Co., Ltd.</i>	7.25%
<i>Foshan Zhonggewei Electronic Co., Ltd.</i>	6%
<i>Xiao Hua</i>	6%
<i>Foshan Jinyuan Zhidi Real Property Co., Ltd.</i>	5%
<i>Huang Xianping</i>	5%
<i>Foshan Haoyingke Trading Co., Ltd.</i>	2.5%
<i>Xu Yue</i>	2.5%
<i>Liao Cuiyan</i>	2.5%
<i>Cen Yanzhen</i>	2.5%

Save for their interests in Foshan Micro Credit, these shareholders were Independent Third Parties.

Note 5. The remaining 65% of the equity interests in Zhongshan Join-Share were owned by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. as to [REDACTED]%, Zhongshan Transportation Development Group Co., Ltd. as to [REDACTED]%, both of which were not related to our Company save for being substantial shareholders of Zhongshan Join-Share and Zhongshan Changqing New Industry Co., Ltd. as to 5%, which was an Independent Third Party save for its interests in Zhongshan Join-Share.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets out our ownership and corporate structure immediately after the [REDACTED]:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

Note 1. The remaining 32 Shareholders of our Company are as follows:

Name	Shareholding Percentage
Foshan Xincheng Investment Development Co., Ltd. (佛山新城投資發展有限公司)	[REDACTED]%
Zhou Weijie (周偉杰)	[REDACTED]%
Mai Caiqiong (麥彩瓊)	[REDACTED]%
Guangdong Huixi Hardware Industrial Co., Ltd. (廣東滙禧五金實業有限公司)	[REDACTED]%
Guangdong Yuecai Venture Investment Co., Ltd. (廣東粵財創業投資有限公司)	[REDACTED]%
Yan Haobing (嚴浩冰)	[REDACTED]%
Yang Qing (楊青)	[REDACTED]%
Chen Zhongxin (陳中信)	[REDACTED]%
Liu Guanghong (劉廣洪)	[REDACTED]%
Xie Chenhan (謝晨翰)	[REDACTED]%
Foshan Vetur Investment Co., Ltd. (佛山創業投資有限公司)	[REDACTED]%
Guangdong Real Faith Enterprises Group Co., Ltd. (廣東昭信企業集團有限公司)	[REDACTED]%
Guangdong Silk-Tex Group Co., Ltd. (廣東省絲綢紡織集團有限公司)	[REDACTED]%
ShenZhen OFC Investment Management Ltd. (深圳市東方富海投資管理有限公司)	[REDACTED]%
Huang Yong (黃勇)	[REDACTED]%
Yuan Shaobin (原紹彬)	[REDACTED]%
Beijing Guodian Tongda Electrical and Mechanical Technology Co., Ltd. (北京國電通達機電技術有限公司)	[REDACTED]%
Zhan Changchun (詹長春)	[REDACTED]%
Guangdong Genuin Electric Co. Ltd. (廣東正野電器有限公司)	[REDACTED]%
Li Qizhao (李啟昭)	[REDACTED]%
Duan Xiaoguang (段小光)	[REDACTED]%
Wang Zhenghu (王正虎)	[REDACTED]%
Chen Daqiong (陳大瓊)	[REDACTED]%
Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資有限公司)	[REDACTED]%
Ye Shangying (葉尚英)	[REDACTED]%
Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司)	[REDACTED]%
Liang Huizhi (梁慧枝)	[REDACTED]%
Huang Desheng (黃德勝)	[REDACTED]%
Foshan Nanhai Zhujiang Power Development Co., Ltd. (佛山市南海珠江電業發展有限公司)	[REDACTED]%
Foshan Datang Textile Fabric Printing and Dyeing Co., Ltd. (佛山大唐紡織印染服裝面料有限公司)	[REDACTED]%
Cheng Yongjie (程永杰)	[REDACTED]%
Foshan Nanhai Sanyu Metal Trading Co., Ltd. (佛山市南海區三余金屬貿易有限公司)	[REDACTED]%

Save for their interests in our Company, these shareholders are Independent Third Parties.

* In accordance with relevant PRC regulations regarding the reduction of state-owned shares, the Selling Shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the [REDACTED] to be issued by the Company under the [REDACTED] (being [REDACTED] H Shares), or pay the equivalent cash at the [REDACTED] under the [REDACTED] to NSSF, or a combination of both. Pursuant to a letter issued by NSSF (Shebaojijinfa [2015] No. 121) on July 21, 2015, NSSF instructed us all of the net proceeds (after deducting the SFC transaction levy and Stock Exchange trading fee) from the sale of H shares converted from Domestic Shares held by the Selling Shareholders in the [REDACTED] shall be remitted through us to an account designated by NSSF. At the time of the listing of our H Shares on the Hong Kong Stock Exchange, such Domestic Shares will be converted into H Shares on a one-for-one basis.

Note 2. Foshan Consultancy also owns 0.36% equity interests in Goody Technology Co., Ltd. (顧地科技股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code of 002694.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Note 3. The remaining 49% equity interests in Anhui Join-Share are owned by the following parties:

<u>Name</u>	<u>Shareholding Percentage</u>
Anhui Chenhui Real Estate Co., Ltd. (安徽晨輝置業有限公司)	[REDACTED]%^*
Hefei Haiheng Investment Holding Company (合肥海恒投資控股集團公司)	[REDACTED]%^*
Foshan Zhongzhixin Furniture Co., Ltd. (佛山中至信家具有限公司)	[REDACTED]%^*
Lin Haoying (林毫英)	3.33%#
Anhui Decheng Investment and Development Co., Ltd. (安徽省德誠投資發展有限公司)	3.33%#
Hefei Zhongjian Construction Machinery Group Co., Ltd. (合肥中建工程機械有限責任公司)	3.33%#

* Save for being substantial shareholders of Anhui Join-Share, they were not related to the Company.

Save for their interests in Anhui Join-Share, these shareholders are Independent Third Parties.

Note 4. The remaining 70% equity interests in Foshan Micro Credit is owned by the following parties:

<u>Name</u>	<u>Shareholding Percentage</u>
Jia Feng	8%
Xu Zhifen	8%
Guangzhou Shaxi International Hotel Supplies City Co., Ltd.	7.5%
Foshan City Faenza Sanitary Ware Co., Ltd.	7.25%
Guangdong Jinyitao Ceramics Co., Ltd.	7.25%
Foshan Zhonggewei Electronic Co., Ltd.	6%
Xiao Hua	6%
Foshan Jinyuan Zhidi Real Property Co., Ltd.	5%
Huang Xianping	5%
Foshan Haoyingke Trading Co., Ltd.	2.5%
Xu Yue	2.5%
Liao Cuiyan	2.5%
Cen Yanzhen	2.5%

Save for their interests in Foshan Micro Credit, these shareholders are Independent Third Parties.

Note 5. The remaining 65% of the equity interests in Zhongshan Join-Share are owned by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. as to [REDACTED]%, Zhongshan Transportation Development Group Co., Ltd. as to [REDACTED]%, both of which are not related to our Company save for being substantial shareholders of Zhongshan Join-Share and Zhongshan Changqing New Industry Co., Ltd. as to 5%, which is an Independent Third Party save for its interests in Zhongshan Join-Share.

ATTEMPTED A SHARE LISTING APPLICATION IN 2009

In December 2009, in order to have a preliminary discussion with the CSRC regarding the possibility to apply for listing on the Growth Enterprises Market in the PRC (the “PRC GEM”), we submitted A share listing related documents to the CSRC for consideration. During such discussion, we were informed by the CSRC that we might not fully match with the then positioning of the PRC GEM as interpreted by the CSRC, taking into account of (i) the CSRC’s view that our business nature did not fall into the then encouraged industry category for listing on the PRC GEM; and (ii) relevant rules regarding financing guarantees were expected to soon be promulgated which might have a material and uncertain impact on the industry which we were engaged in.

Therefore, we withdrew the submission documents after the preliminary discussion with the CSRC and terminated the A-share listing plan.

BUSINESS

OVERVIEW

We are a leading financing guarantee services provider in Guangdong province, focusing on providing credit-based financing solutions to SMEs to satisfy their financing and business needs. Since our establishment in Foshan, Guangdong province in 2003, our branch network has significantly expanded to Fohsan, Guangzhou, Shunde, Zhongshan, Zhaoqing and Dongguan in Guangdong province and Hefei in Anhui province. Enjoying a first-mover advantage in both Guangdong province and our industry, we have established our reputation and brand-awareness. According to the Heading Century Report, as of December 31, 2014, there were approximately 360 financing guarantee institutions (including branches) in Guangdong province. As of December 31, 2014, we were ranked third among the non-state owned financing guarantee institutions and sixth among all the financing guarantee institutions (including state owned and non-state owned) in Guangdong province, as measured by registered capital, according to the Heading Century Report.

SMEs' have been growing rapidly, especially in Guangdong province which has been experiencing a rapid economic growth. However, SMEs have been facing difficulties in meeting their financing needs. Large-sized commercial banks in China typically focus on providing loans secured by collateral. Due to a lack of credit history and sufficient collateral, commercial banks are less willing to provide financings to SMEs. Based on our understanding of SMEs' businesses and our professional due diligence, we have developed our credit evaluation system and are able to provide financing solutions tailored for our SME customers to satisfy their financing needs. As the SMEs in Guangdong province are expanding, we plan to strengthen our relationships with our existing customers and provide products and services to them accordingly, including through growing our product mix to them. Meanwhile, we expect to leverage our reputation in the industry to attract newly established SMEs, and thus to expand and diversify our customer base.

Our business primarily comprises two segments, namely:

- *Guarantees*: we provide guarantees on behalf of SMEs and individual business proprietors to guarantee the repayment of their loans or performance of their certain contractual obligations. We mainly provide the following products and services:

<u>Financing Guarantees</u>	<u>Non-financing Guarantees</u>
Indirect financing guarantees	Attachment bonds
Direct financing guarantees	Construction contract bonds and other contract bonds

- *SME lendings*: We provide entrusted loans for 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. We also provide micro-lending for SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Micro Credit, which was consolidated into our Group in June 2014. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province.

Guarantees

In order to make financings more accessible to SMEs and individual business proprietors, we provide financing guarantees for lenders that we will settle the default amounts in the event of default by borrowers, in return for guarantee fees and other fees payable by the borrowers. We primarily provide two types of financing guarantees, namely (i) indirect financing guarantees, where we primarily guarantee bank financings; and (ii) direct financing guarantees, where we primarily guarantee bond and medium term note offerings, trust financings, target asset management schemes and other direct financings.

BUSINESS

In addition, we provide two types of non-financing guarantees, where we act as a guarantor and promise that if the party we provide guarantees for fails to perform certain obligations, we will pay a certain amount to its counter-party. We primarily provide attachment bonds and construction contract bonds and other contract bonds.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balances of our outstanding guarantees were RMB4,366.4 million, RMB5,218.8 million, RMB4,688.2 million and RMB4,387.5 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our net guarantee fee incomes were RMB154.6 million, RMB161.4 million, RMB163.4 million and RMB67.9 million, respectively.

SME Lendings

We provide entrusted loans to satisfy our customers' needs for quick access to short-term financings. Our entrusted loan business allows us to provide loans of relatively large amount through banks, usually ranging from RMB3.0 million to RMB30.0 million, and is not subject to geographical restriction.

Starting from July 2011, we, through Foshan Micro Credit, have offered micro-lending to SMEs, individual business proprietors and individuals to satisfy their needs for quick access to financings. Since June 2014, we have consolidated Foshan Micro Credit into our Group according to HKFRS. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province. Due to limits imposed by certain laws and regulations, the amount of micro-lending that we may provide is up to RMB5.0 million. In general, the micro-lending that we provide has a term within one year.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balances of our entrusted loans were RMB192.1 million, RMB86.2 million, RMB117.7 million and RMB319.0 million, respectively. As of June 30, 2015, the balance of our micro-lending was RMB287.9 million. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net interest incomes from our SME lending business were RMB43.9 million, RMB63.9 million, RMB93.9 million and RMB55.2 million, respectively.

To complement our guarantee, entrusted loan and micro-lending businesses, we also provide consulting services for our customers to address their financial and investment needs.

COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to succeed and distinguish us from our competitors:

Ranked third among the non-state owned financing guarantee institutions and sixth among all the financing guarantee institutions (including state owned and non-state owned) in Guangdong province, as measured by registered capital, with first mover advantage

Leading financing guarantee services provider in Guangdong province

We were established in 2003 and are one of the earliest guarantee services providers in Guangdong province. With our experience in the financing guarantee industry and enjoying a first-mover advantage in both Guangdong province and our industry, we have established our reputation and strong presence in the financing guarantee industry in Guangdong province. According to the Heading Century Report, as of December 31, 2014, there were approximately 360 financing guarantee institutions (including branches) in Guangdong province. In Guangdong province, as of December 31, 2014, we were ranked third among non-state owned financing guarantee institutions, and sixth among all the financing guarantee institutions (including state owned and non-state owned), as measured by registered capital.

BUSINESS

We have participated in formulating national standards as several national conferences for the financing guarantee industry in China. We have received several accolades, including:

- In 2014, we were recognized as the “Financing Guarantee Company with the Highest Growth Rate of the Year” (年度最具成長性融資擔保公司) by Financial Times/Institution of Financial Research of Chinese Academy of Social Sciences (《金融時報》/中國社會科學研究院金融研究所);
- In 2013, we were recognized as one of the “Top 30 Guarantee Institutions for SMEs in China” (全國中小企業信用擔保機構三十強) by the Joint Conference of the Leaders of the Guarantee Institutions for SMEs in China (全國中小企業信用擔保機構負責人聯席會議); and
- In 2011, we were awarded the Third Prize for Financial Innovation in Guangdong province in the year of 2010 (2010年廣東省金融創新獎三等獎) by the government of Guangdong province.

Strong cooperative relationships with various banks and non-bank financial institutions

As of June 30, 2015, we had established cooperative relationships with 13 commercial banks, which had agreed to grant credit lines of approximately RMB6.9 billion in aggregate to us. We have provided guarantee services to customers in transactions involving over 100 branches of these commercial banks.

We have also established strong cooperative relationships with several non-bank financial institutions, including re-guarantee institutions and other guarantee companies. During the Track Record Period, we also provided our products and services through arrangements involving trust companies, securities companies and finance lease companies.

We believe our cooperative relationships with banks and non-bank financial institutions diversify our sources of customer referrals, reduce credit risks, and strengthen our leading position in our industry in Guangdong province.

Sound corporate governance

We have a diverse shareholder base. As of June 30, 2015, we had more than 40 Shareholders, comprising state-owned enterprises, non-state owned enterprises and individuals. We do not have a controlling shareholder. We aim to ensure the management’s independence in the daily operations, and endeavour to carry out prudent corporate governance since our establishment without being affected by any single shareholder. Our Board of Directors delegates managerial powers to our management team, and our Supervisors perform regular supervisions over our Directors and management team. We encourage shareholding by our management and key employees, and promote a culture to invite our employees to share our risks and develop together with us. For further details, see “Directors, Supervisors, Senior Management and Employees — Incentive Scheme.” We believe that our sound corporate governance and good culture enable us to make decisions more efficiently, control risks more effectively and bring us more stable operation results.

Dedicated and highly experienced management team and skilled employees

We believe our management team has been critical to the development and success of our brand. We have an experienced and reputable management team with diverse backgrounds and substantial expertise in the finance, banking, accounting and legal industries. Our Chairman, Mr. Wu Liejin, has approximately 20 years of experience in the finance industry, and has received numerous awards. For example, he was

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recognized as a “Leading Person in Guarantee Institutions for SMEs” (中小企業信用擔保機構領軍人物) by Joint Conference of the Leaders of the Guarantee Institutions for SMEs in China (全國中小企業信用擔保機構負責人聯席會議), and granted the “Outstanding Financial Talent Award” (金融優秀人才獎) by the Foshan local government. He is also an executive director of the China Financing Guarantee Association (中國融資擔保業務協會常務理事), the chairman of the Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會會長), an executive vice-chairman of the Guangdong Credit Association (廣東省信用協會常務副會長), the chairman of Foshan Credit Guarantee Association (佛山市信用擔保行業協會會長) and a director of the Guangdong Provincial Qualification Authentication Committee for Credit Guarantee Industry (廣東省信用擔保行業從業資格認證委員會主任). Members of our senior management specialize in different aspects of the finance, banking, guarantee and legal industries as well as corporate management with extensive experience in serving SMEs. They have served our Company for an average of 10 years and have been integral to the success and growth of our business. We have also established Foshan Venture Growth to enable a majority of our medium management, senior management and certain key employees to indirectly hold our Shares to align their interests with ours.

We believe we have built a strong talent pool that is the core to our sustainable growth. As of June 30, 2015, we had 233 employees, a majority of whom held a bachelor’s degree or above, and many of them held a law degree, or had CPA or other qualifications. We recruit industry experts and experienced professionals from state-owned enterprises and top enterprises. We also target fresh college graduates, foster in-house development of our new hires and provide them with fast growth tracks towards promotions.

Comprehensive and effective risk management system

We believe we have developed and maintained a comprehensive and effective risk management system. We have over 12 years’ operating experience in SME financing guarantees, and have experienced several economic cycles, especially the financial crisis in 2008.

We have a strong risk management team. As of June 30, 2015, our risk management department comprised 35 members with relevant expertise and education background. We will continue to improve our risk management system and enhance internal control. We have set up a series of standardized risk management procedures to manage our risks prudently and systematically, and externalized a portion of our risks. We have also developed and maintained a diversified customer base, and we selected our customers prudently so as to reduce the risk of any material adverse change to our business upon declines of any industry in which our customers are operating. Besides, we have intentionally structured our product portfolio to avoid our guarantee liabilities and lendings becoming due during any particular period. Our design of risk management procedures is based on the features of our business segments, with a focus to review our potential risks systematically and thoroughly and to cover the various key stages in our operations from customer acceptance, due diligence, multi-level review and approval to counter guarantee arrangements and post-transaction supervisions.

We have completed the system upgrading for our guarantee and entrusted loan businesses, as well as our information technology system for our business and operation system, including the risk management system. We believe that we will be able to further effectively monitor and manage operational risks, credit risks and other risks in our business after we complete the system upgrading.

In addition, we have established cooperative relationships with national and regional re-guarantee institutions and other guarantee companies, including Guangdong Re-Guarantee and Guangzhou Guarantee, to further reduce our risks, increase our guarantee capability and enhance our brand awareness. The default rates for our guarantee business were 1.96%, 1.59%, 1.59% and 1.75%, respectively, in 2012, 2013 and 2014 and the six months ended June 30, 2015.

BUSINESS

Diverse offering of products and services through an integrated platform

We have been able to provide a variety of products and services to respond to market demand. Through our financing services platform, we aim to provide our customers with an integrated assortment of financial products and services to cover all periods of the credit cycle and different stages of enterprise growth, thereby serving as a one-stop financing solution provider for our customers, primarily SMEs. For example,

- for customers with insufficient credit to directly obtain traditional bank financings, we can draw upon our solid experience in SME credit enhancement and close cooperative relationships with banks to provide our customers with financing guarantees;
- in circumstances where banks are unable to provide financing it needs, a customer may rely on our fast and efficient entrusted loan services or micro-lending services; and
- we can provide our customers with various financing solutions.

As such, we believe that we are able to better satisfy the different financing needs of our customers, and thus expand our customer base and diversify our sources of income.

BUSINESS STRATEGIES

Our strategic goal is to become an integrated financing services provider for SMEs and maintain our leading position in the financing guarantee industry in Guangdong province.

Leveraging our prudent risk management system, professional management team and good culture of enterprise managing, we believe that our key competitiveness and long-term profitability will continue to increase. We will strengthen our existing market position as a foundation to further explore new regional markets in Guangdong province, and continue to enhance our influence and competitiveness in the financing guarantee industry in China. To realize our strategic goal, we intend to implement the following measures:

Strategically expand our branch network and extend our reach in the industrial chain

We believe that the financing guarantee industry in Guangdong province will continue to grow. Therefore, a strategic expansion of our branch network is important to our sustainable success. Through the expansion of our branch network, we will be able to enhance our customer base, expand our operation scale, realize better economic efficiency, and effectively reduce the economic risks arising from business concentration and the region-specific risks.

We plan to actively and strategically expand our branch network in Guangdong province. For example, we anticipate to establish subsidiaries in Dongguan, Yunfu and Zhuhai, Guangdong province. Meanwhile, we will seek to replicate and improve on our business model in Zhongshan, Guangdong province, where we were selected by the local government in Zhongshan, Guangdong province in a cooperative arrangement to set up our subsidiary, Zhongshan Join-Share. Under this arrangement, we are able to lead Zhongshan Join-Share's business operations with a minority of its registered capital contributed by us, and a majority of its registered capital contributed by the local government and other companies. The local government enjoys a fixed return, and has unconditionally and irrevocably agreed to act in concert with us in shareholders' meetings and board meetings of Zhongshan Join-Share and not to participate in the management of Zhongshan Join-Share by following our instructions to vote on the matters to be discussed at shareholders' meetings of Zhongshan Join-Share. We are contracted to

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repurchase the local government's contribution according to a repayment schedule. Through this arrangement, we were able to attract more governmental and social capital and resources, leverage our risk management expertise to expand in a cost-efficient manner and provide financing services for more SMEs. The repurchase arrangement allows the local government to exit from our operations after it offered its initial support to us as an effort to support the development of local guarantee industry.

We will also actively extend our reach in the industrial chain, as the SMEs' businesses have been expanding and diversifying. Apart from the guarantee and SME lending businesses, we plan to establish a finance lease company in 2016.

As of the Latest Practicable Date, we had not yet identified any acquisition plan or target.

Product development and innovation

We plan to leverage the opportunities of serving SMEs to improve our product mix. While the financial market and regulatory environment in China are becoming more mature and opened up, the businesses of SMEs, especially medium-sized enterprises, will become more extensive, and their needs for new financing products, including direct financing guarantees, will constantly grow. To follow the trend, we plan to increase our capital strength through fund raising, obtain better credit ratings and enhance our reputation to maintain our strength in indirect financing guarantees, and to further expand our guarantee business in bond and medium term note offerings, trust financings, target asset management schemes and other direct financings, and develop our non-financing guarantee business. We believe that successful introduction of new products and services, such as developing finance lease business, will yield better returns for our Company and our Shareholders and enable us to function better in credit enhancement and serve the market's needs.

Strengthen our cooperative relationships with re-guarantee institutions, other guarantee companies and local governments to further optimize our risk management

We maintain a cooperative relationship with Guangdong Re-Guarantee. Meanwhile, we reduce our risks through the joint-guarantee arrangements with China United Guarantee and Guangzhou Guarantee. We also cooperate with government guarantee funds established by local governments to reduce our risks.

Continue to enhance our information technology and other capabilities to strengthen our risk management and internal control

Effective and complete risk management system and internal control is the key to the sustainable development and growth of our business in the long-term. We plan to enhance our risk management and internal control and compliance functions through the following:

- developing tailor-made multi-level risk management system to cover our operation process more comprehensively;
- promoting the development of risk management tools, conducting risk analysis and determining risk exposure of our asset portfolio;
- setting up contract execution centers and document management centers for all of our businesses; and
- implementing a real-time risk inspection and early warning system.

We believe that the new information technology system and the other measures mentioned above will further improve our risk management ability, reduce our transaction costs and enhance our ability of credit evaluation through better data collection and analysis.

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Continue to attract, retain, motivate and train experienced and talented employees

To sustain our success, we are required to attract, retain, motivate and train experienced and talented employees. Our existing employees are of diversified education backgrounds, including finance, law, economics and administration. We will continue to equip our employees with expertise and industry knowledge and provide them with training and personal development opportunities.

In addition, we will continue to focus on fostering a quality and professional team, providing our employees with opportunities of training and career advancement and improving their specialized knowledge and ability. We advocate a transparent performance evaluation system for all the employees seeking promotion so as to create a culture that encourages our employees to seek personal development and professional development.

BRANCH NETWORK

As of the Latest Practicable Date, we provided financing services for SMEs through our branch network consisting of our six subsidiaries and five branches in two provinces in China.

Set forth below is a map of our branch network through which we provided financing services for SMEs as of the Latest Practicable Date:

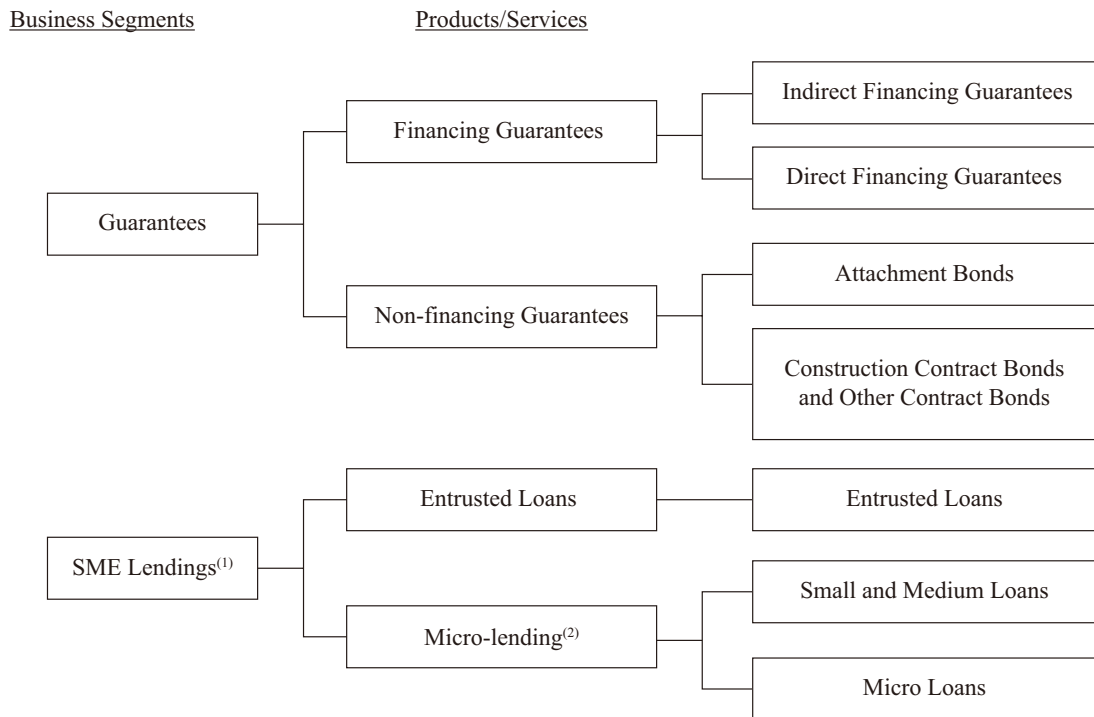


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PRODUCTS AND SERVICES

Our business primarily comprises two segments, namely, (i) guarantees and (ii) SME lendings. We also provide consulting services to our customers to address their financing and investment needs.

Our primary products and services are summarized in the diagram below:



Notes:

(1) Our pawn loan business was disposed of from our SME lending business in June 2014. See “History, Reorganization and Corporate Structure.”

(2) Our micro-lending business has been consolidated into our Group since June 2014. See “— Micro-lending.”

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Set forth below is a breakdown of our segment revenue and their respective percentages to the total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except for percentages)										
Guarantees										
— Net guarantee fee income ⁽¹⁾	154.6	65.4	161.4	61.7	163.4	53.2	85.4	55.9	67.9	46.9
SME Lendings										
— SME lending net interest income ⁽²⁾	43.9	18.6	63.9	24.3	93.9	30.5	39.9	26.1	55.2	38.1
Others										
— Service fee from consulting services ⁽³⁾	25.1	10.6	26.1	10.0	41.8	13.6	22.0	14.4	17.6	12.1
— Other net interest income ⁽⁴⁾	12.9	5.4	10.4	4.0	8.2	2.7	5.6	3.6	4.2	2.9
Total	236.5	100.0	261.8	100.0	307.3	100.0	152.9	100.0	144.9	100.0

Notes:

- ⁽¹⁾ Net guarantee fee income represents guarantee fee income with re-guarantee fees deducted.
- ⁽²⁾ SME lending net interest income represents the interest income from our loans and advances to customers with interest expenses from bank borrowings deducted.
- ⁽³⁾ Service fee from consulting services primarily relates to our provision of consulting services. See “— Consulting Services.”
- ⁽⁴⁾ Other net interest income represents the interest income from our cash at banks and pledged bank deposits with the interest expenses from other financial instrument — liability component deducted.

Guarantees

We primarily earn guarantee fee income in return for our provision of the following products and services under our guarantee business:

- *Financing guarantees*, including (i) indirect financing guarantees, and (ii) direct financing guarantees; and
- *Non-financing guarantees*, including (i) attachment bonds, and (ii) construction contract bonds and other contract bonds.

Net guarantee fee income totaled RMB154.6 million, RMB161.4 million, RMB163.4 million and RMB67.9 million, respectively, for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, representing 65.4%, 61.7%, 53.2% and 46.9%, respectively, of our total revenue.

Financing Guarantees

In order to make financings more accessible to SMEs and individual business proprietors, we provide financing guarantees to lenders that we will settle the default amounts in the event of default by borrowers, in return for guarantee fees and other fees payable by the borrowers. Through our risk evaluation, we select customers whom we determine to be creditworthy, but lack the necessary credit

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history and sufficient collateral to obtain financings independently. See "Risk Management — Credit Risk Management." We are one of the few guarantee services providers participating in the formulation of national standards for the financing guarantee industry organized by the State Council and the CBRC.

Set forth below are the net assets of our guarantee business, the net balances of our outstanding financing guarantees and leverage ratios as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	June 30, 2015
Net assets of guarantee business ⁽¹⁾				
(RMB in millions)	1,054.9	1,181.4	1,357.9	1,416.2
Net balance of outstanding financing guarantees				
(RMB in millions)	3,982.2	4,789.2	4,300.9	3,675.2
Leverage ratio ⁽²⁾	3.8	4.1	3.2	2.6

Notes:

- (1) Net assets of our guarantee business represents the net assets of our Company, Anhui Join-Share and Zhongshan Join-Share.
 (2) Leverage ratio is derived by dividing the net balance of our outstanding financing guarantees by net assets of our guarantee business.

We primarily offer two types of financing guarantees, namely:

- *Indirect financing guarantees*, whereby we primarily guarantee bank financings; and
- *Direct financing guarantees*, whereby we primarily guarantee bond and medium term note offerings, trust financings, target asset management schemes and other direct financings.

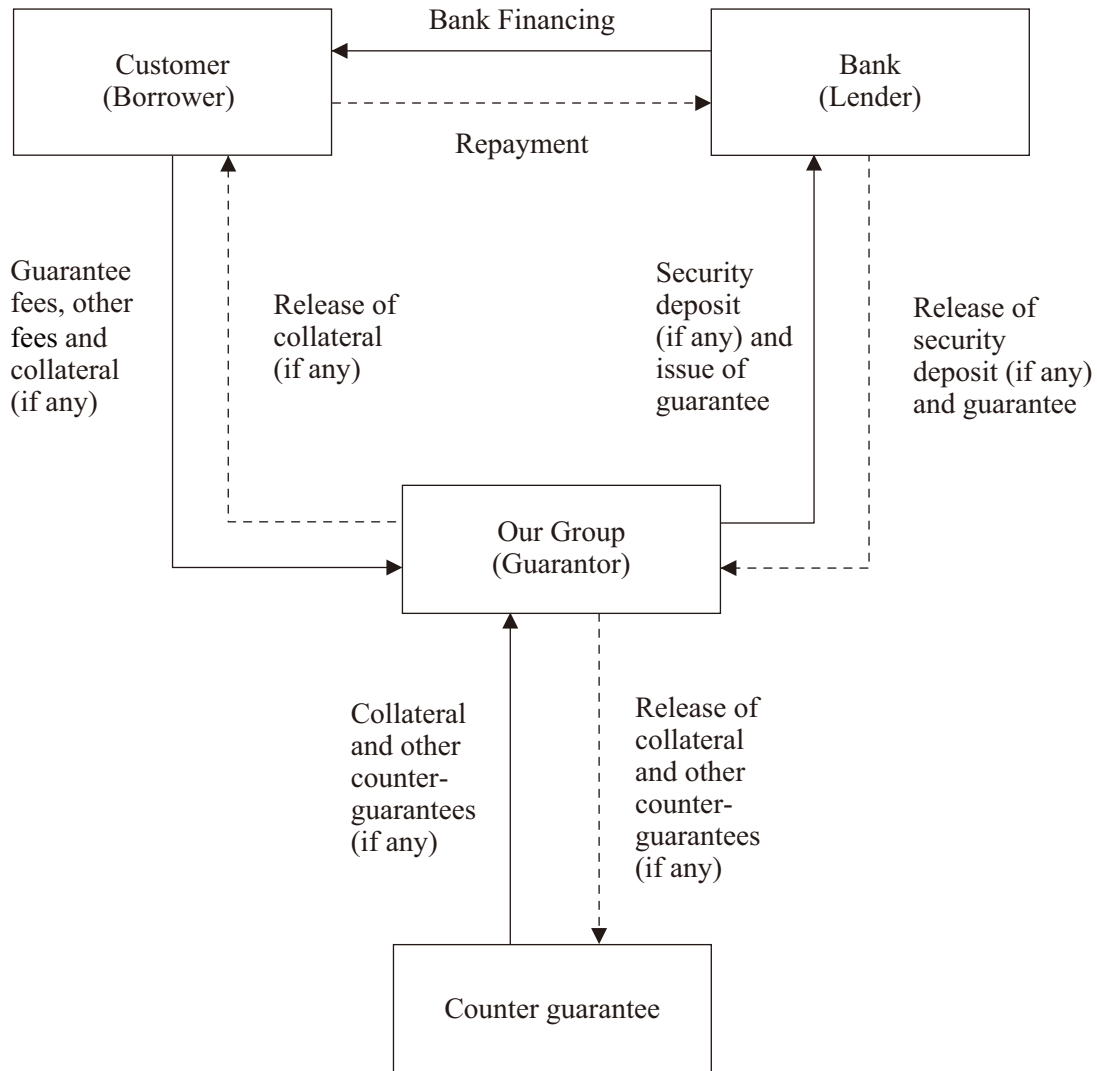
Indirect Financing Guarantees

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our outstanding indirect financing guarantees was RMB3,543.0 million, RMB3,991.2 million, RMB3,366.4 million and RMB2,727.4 million, respectively, representing 89.0%, 83.3%, 78.3% and 74.2%, respectively, of the net balance of our outstanding financing guarantees. Our revenue from indirect financing guarantees increased from RMB145.7 million for the year ended December 31, 2012 to RMB151.6 million for the year ended December 31, 2013, and further increased to RMB152.3 million for the year ended December 31, 2014. Our revenue from indirect financing guarantees decreased from RMB81.2 million in the six months ended June 30, 2014 to RMB62.1 million in the six months ended June 30, 2015. Indirect financing guarantees primarily refer to bank financing guarantees. Bank financing guarantees, which are the core of our financing guarantee business, refer to the guarantees we provide to lending banks for our customers to obtain various bank financings. The net balance of our outstanding bank financing guarantees was RMB3,540.5 million, RMB3,973.9 million, RMB3,337.0 million and RMB2,698.5 million as of December 31, 2012, 2013 and 2014 and June 30, 2015, respectively, representing approximately 99.9%, 99.6%, 99.1% and 98.9%, respectively, of the net balance of our outstanding indirect financing guarantees as of the same dates. We primarily guarantee bank financings ranging from RMB5 million to RMB20 million, with a term ranging from one to three years. Based on our due diligence, our customers typically use such bank financings for their business operations.

During the Track Record Period, we also provided finance lease guarantees, which accounted for an insignificant portion of our revenue from indirect financing guarantees.

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Set forth below is a summary work flow of a typical indirect financing guarantee transaction:



The guarantees we provide to the lending banks for our customers serve as additional comfort to lending banks by reducing their exposure to default risks of our customers, with a majority of which being SMEs and individual business proprietors. As such, lending banks are more willing to grant financings to borrowers with guarantees provided by guarantee service providers, while borrowers will be able to obtain requisite fundings at reasonable costs. We will be released from a guarantee obligation after the customer has fully repaid the principal and interest on the financing we guaranteed. In the event that the customer defaults, after the lending bank requests us to perform our guarantee obligations, we will settle the default payments, and claim reimbursement from our customer or enforce the counter-guarantees provided by our customer.

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As one of our credit risk management measures, we require each customer to provide counter-guarantees, which usually comprise three types, namely, standard counter-guarantees, non-standard counter-guarantees and enhanced counter-guarantees. Generally, we require a combination of all these three types of counter-guarantees for each of our bank financing guarantees. Set forth below are these three types of counter-guarantees:

<u>Types of Counter-guarantees</u>	<u>Descriptions</u>
Standard counter-guarantees	Collateral, that meets the following standards: (i) registrable with the relevant governmental authorities; (ii) the market value of such collateral can be easily determined; and (iii) we have priorities over other beneficiaries on such collateral. Such collateral mainly includes registrable real properties and land use rights
Non-standard counter-guarantees . .	Collateral, the market value of which may be subject to depreciation or cannot be easily determined, or on which we do not have priorities over other beneficiaries. Such collateral includes unregistrable real properties and land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests
Enhanced counter-guarantees	Guarantees provided by counter-guarantors, such as controlling persons of a borrower or the borrower's spouse, shareholders of the borrower, senior management and affiliates of the borrower's business and other third parties who have strong financial resources

When we act as the guarantor for bank financing, the lending bank may require us to deposit certain amount of cash, generally 10% of the principal amount we guarantee, in a segregated account with the lending bank as a form of security. In general, the amount of the security deposit required by a certain lending bank is fixed by reference to our business relationship with that lending bank and our business track record. Generally, security deposits, together with their interest, will be returned to us upon or after the release of our guarantee. If our customer defaults, the lending bank will typically grant a grace period of approximately 10 to 30 days for us to seek payment from such customer to repay the lending bank.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material default by our customers on the financings guaranteed by us. See "Provisioning and Impairment Policies and Asset Quality — Provisions for Guarantee Losses and Impairment Losses on Receivables for Default Guarantee Payments."

We maintain cooperative relationships with commercial banks, re-guarantee institutions, other guarantee companies and local governments. Set out below are the core features of these cooperative relationships:

I. Cooperative relationships with Commercial Banks

Cooperations with commercial banks are essential to our financing guarantee business, as we depend on our relationships with commercial banks for acceptance of our guarantees and for customer referrals. As of June 30, 2015, we had established cooperative relationships with 13 commercial banks, the headquarters of which are located in Guangdong province, Anhui province, Beijing and Shanghai.

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Most of these commercial banks are state-owned commercial banks or major joint-stock commercial banks. A majority of these commercial banks are listed on Shanghai Stock Exchange, Shenzhen Stock Exchange and Hong Kong Stock Exchange. As of June 30, 2015, the market capitalization of such listed commercial banks ranged from approximately RMB10.1 billion to RMB1,682.6 billion. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our cooperative banks had agreed to grant credit lines of approximately RMB8.4 billion, RMB9.1 billion, RMB7.8 billion and RMB6.9 billion, respectively, in aggregate to us. Such credit lines represent the maximum amount of financings that we are permitted to guarantee. Our cooperative banks will subsequently approve each guarantee we provide on an individual basis, subject to the terms and conditions of the cooperative agreements.

Set forth below is a summary of the key provisions in the cooperative agreements with our cooperative banks:

Key Term	Summary
<i>Term of cooperation</i>	Usually one year. Certain cooperative agreements will be automatically extended for successive one-year term, if no prior written notice of termination is given before its expiration.
<i>Maximum amount of guarantee</i> ...	The maximum amount of financings we can guarantee depends on the balance of our outstanding guarantees, our track record, credit standing and capital base. Typically, the maximum amount is fixed and set out in the cooperative agreement.
<i>Security deposits</i>	Generally 10% of the principal amount we guarantee. The cooperative banks may also require a security deposit no less than a fixed amount, referencing to the principal amount. Typically, we are required to deposit such security deposits with the cooperative banks before the financings are released to our customers.
<i>Operating covenants</i>	Our cooperative banks typically require us to comply with certain operating covenants from time to time, including: <ul style="list-style-type: none">(i) aggregate balance of our outstanding financing guarantees must not exceed 10 times of our net assets;(ii) the balance of our outstanding financing guarantees for a single customer must not exceed 10% of our net assets;(iii) the balance of our outstanding financing guarantees for a single customer and its affiliates must not exceed 15% of our net assets and must also not exceed a certain fixed amount; and(iv) we must not provide guarantees for our Shareholders who hold more than 5% interest in us and our affiliates.

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Key Term	Summary
<i>Consequences of breaching the operating covenants</i>	Our cooperative banks may take any one or more of the following actions if we breach the operating covenants: <ul style="list-style-type: none">(i) terminate the cooperative agreements prior to the applicable expiration dates;(ii) refuse to approve new financing applications to be guaranteed by us;(iii) downgrade our credit rating with the relevant cooperative banks;(iv) decrease the maximum amounts that we may guarantee; and(v) request for more security deposits from us.
<i>Default payment arrangements</i> ...	If our customers default, our cooperative banks may consider granting a grace period to our customers or request us to perform our guarantee obligations directly, in which case we shall settle the default amount for our customers, or our cooperative banks may deduct the default amount from our security deposits.

Our Directors have confirmed that we were in compliance with the operating covenants under the cooperative agreements with our cooperative banks during the Track Record Period and up to the Latest Practicable Date.

We maintain a stable relationship with our cooperative banks. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our pledged bank deposits were RMB214.8 million, RMB232.2 million, RMB240.3 million and RMB228.9 million, respectively, representing approximately 6.1%, 5.8%, 7.1% and 8.4%, respectively, of the net balance of our outstanding indirect financing guarantees as of the same dates. During the Track Record Period and up to the Latest Practicable Date, none of our cooperative banks prematurely terminated their cooperative relationships with us. During the Track Record Period, we established cooperative relationships with seven additional commercial banks, providing additional credit lines of an aggregate principal amount of RMB1,200.0 million, which represents 17.4% of the total credit lines granted to us as of June 30, 2015 by our cooperative banks.

II. Re-guarantee Arrangements with Guangdong Re-Guarantee and Anhui Guarantee Group

To enhance our credit profile, brand recognition and risk management, we have entered into re-guarantee arrangements with several re-guarantee institutions. Under the re-guarantee arrangements, we are required to pay certain re-guarantee fees to the re-guarantee institutions, and they will pay the default amount for us to settle with the lenders in the event that we are in bankruptcy or insolvent and cannot settle such default amount for our customers. The re-guarantee institutions monitor our solvency by regularly reviewing our financial indicators and business indicators. If there is any substantial deterioration in our solvency, the re-guarantee institutions will intensify their monitoring over us or may limit our acceptance of new business. Since the establishment of cooperation with the re-guarantee institutions, we did not experience any substantial deterioration in our solvency, which triggered the re-guarantee institutions to intensify their monitoring over us or limit our acceptance of new business.

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We have established cooperative relationships with (i) Guangdong Re-Guarantee, a policy-oriented re-guarantee institution established by the government of Guangdong province, since June 2009, and (ii) Anhui Guarantee Group, a policy-oriented re-guarantee institution established by the government of Anhui province, since February 2011.

We entered into the latest cooperative agreement with Guangdong Re-Guarantee in June 2014, according to which we have been granted total credit lines of RMB5.3 billion. Guangdong Re-Guarantee introduces commercial banks to us, which accept our guarantees provided for their borrowers, and usually require Guangdong Re-Guarantee to provide re-guarantees. Guangdong Re-Guarantee has agreed to bargain for more favorable terms for our benefit from commercial banks, such as (i) enhancing our cooperation with commercial banks or increasing the total credit lines granted to us by the cooperative banks; (ii) waiving or reducing the security deposits required from us; and (iii) granting an appropriate grace period for us to repay the default amount for the borrowers. Guangdong Re-Guarantee has also agreed to introduce new cooperative banks to us.

We entered into the latest cooperative agreement with Anhui Guarantee Group in February 2015. Under the cooperative agreement, Anhui Guarantee Group has agreed to provide re-guarantees for all the indirect financing guarantees we provide to our customers in Anhui province. Anhui Guarantee Group has also agreed to set aside 50% of the re-guarantee fees we paid to Anhui Guarantee Group as an incentive fund, which will be returned to us if no liability occurs under our guarantees which are re-guaranteed by Anhui Guarantee Group.

Set forth below is a breakdown of the balance of our outstanding guarantees which have been re-guaranteed by re-guarantee institution, and their respective percentages to the total balance of our outstanding financing guarantees as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
	(RMB in millions, except for percentages)							
Guangdong Re-Guarantee	2,394.3	57.3	3,088.0	59.7	2,517.0	54.2	2,056.7	52.4
Anhui Guarantee Group	298.9	7.2	329.5	6.4	258.0	5.6	234.8	6.0
Total	<u>2,693.1</u>	<u>64.5</u>	<u>3,417.5</u>	<u>66.1</u>	<u>2,775.0</u>	<u>59.8</u>	<u>2,291.5</u>	<u>58.3</u>

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Set forth below is a breakdown of the average balance of our outstanding guarantees which have been re-guaranteed by re-guarantee institution, and their respective percentages to the total average balance of our outstanding financing guarantees for the periods indicated:

	Year ended December 31,						Six months ended	
	2012		2013		2014		June 30, 2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Guangdong Re-Guarantee.....	2,370.7	56.2	2,733.7	56.5	2,864.8	55.7	2,228.9	54.4
Anhui Guarantee Group.....	415.3	9.8	293.3	6.1	304.0	5.9	246.6	6.0
Total	2,786.0	66.0	3,027.0	62.6	3,168.8	61.6	2,475.5	60.4

The scale of our cooperation with the re-guarantee institutions is reflected in the percentage of the average balance of our outstanding guarantees which have been re-guaranteed to the total average balance of our outstanding financing guarantees. During the Track Record Period, such percentage remained stable.

(i) Re-guarantee arrangements with Guangdong Re-Guarantee

Set forth below is a summary of the key provisions in our latest cooperative agreement with Guangdong Re-Guarantee:

Key Term	Summary
<i>Term of cooperation</i>	Two years.
<i>Maximum amount of re-guarantee</i>	The maximum amount of outstanding financing guarantees is RMB4.8 billion, and the maximum amount of outstanding non-financing guarantees is RMB0.5 billion.
<i>Security deposits</i>	None.
<i>Fee arrangements</i>	For any of the guarantees we provide, the amount of which is no more than RMB25 million, the prior registration with Guangdong Re-Guarantee is required ("Prior Registration Items"). For any of the guarantees we provide, the amount of which is more than RMB25 million, the prior assessment and approval by Guangdong Re-Guarantee is required ("Prior Approval Items").

We pay 3.5% of all the guarantee fees we receive from Prior Registration Items and 10% of all the guarantee fees we receive from the Prior Approval Items.

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<u>Key Term</u>	<u>Summary</u>
<i>Operating covenants</i>	<p>We are required to comply with certain operating covenants, as applicable, from time to time as follows:</p> <ul style="list-style-type: none">(i) we shall notify Guangdong Re-Guarantee in writing when the balance of our outstanding guarantees exceeds 10 times our paid-in capital. We shall seek Guangdong Re-Guarantee's written approval if we intend to provide guarantees with a balance of outstanding guarantees exceeding 8 times of our paid-in capital;(ii) the balance of our outstanding financing guarantees for a single customer shall not exceed 10% of our registered capital;(iii) the default payment to net assets ratio (calculated as default payment made by us for the year preceding the latest post-transaction supervision date divided by the balance of our net assets as of the end of the year) shall not exceed 20%;(iv) cumulative loss ratio calculated as cumulative losses arising from our provision of guarantees which we cannot recover divided by cumulative balance of the outstanding guarantees released when due shall not exceed 1.5%; and(v) our rating granted quarterly by the rating agency Guangdong Re-Guarantee engaged must be AA+ or higher. The rating agency comprehensively reviews our financial and business information quarterly based on a rating model jointly developed with Guangdong Re-Guarantee. Such reviews cover, among others, our audited financial statements and internal financial records, change of capital and shareholding structure, business development, profitability and risk management procedures. The rating is provided to Guangdong Re-Guarantee and not in the public domain.

Guangdong Re-Guarantee monitors our solvency by quarterly reviewing our financial and business indicators, including our net assets, balance of our outstanding guarantees, the ratio of the balance of our guarantees to our net assets, provision for guarantee losses and default rate in our guarantee business, and our other operation details, including our investment management and portfolio, major customers portfolio, change in corporate and business structure and business development. It also continuously monitors our compliance with the operating covenants provided in the cooperative agreement.

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Key Term	Summary
<i>Consequences of breaching the operating covenants</i> ...	Guangdong Re-Guarantee may take any one or more of the following actions if we breach the operating covenants: (i) terminate the cooperative agreement prior to its expiration date; (ii) refuse to approve new re-guarantee applications submitted by us; or (iii) reduce the credit line granted to us.
<i>Risk sharing</i>	We remain 100% liable for the default amount of our customers. Guangdong Re-Guarantee is not liable to the lending banks for such default amount, unless we are insolvent and cannot settle default amount for our customers.
<i>Termination clause</i>	The cooperative agreement may be terminated as agreed by both parties or upon expiration. The termination or expiration of the cooperative agreement will not affect the existing obligations of Guangdong Re-Guarantee and us. (ii) Re-Guarantee arrangements with Anhui Guarantee Group

Set forth below is a summary of the key provisions in our latest cooperative agreement with Anhui Guarantee Group:

Key Term	Summary
<i>Term of cooperation</i>	Two years.
<i>Security deposits</i>	None.
<i>Fee arrangements</i>	We pay 10% of the guarantee fees we receive from our customers to Anhui Guarantee Group as re-guarantee fees. Anhui Guarantee Group will refund us 50% of the fees we pay on an yearly basis, if it is not required to pay any default amount for us during the year.

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Key Term	Summary
<i>Operating covenants</i>	<p>We are required to comply with the following operating covenants from time to time:</p> <ul style="list-style-type: none">(i) The balance of our outstanding guarantees provided to a single customer shall not exceed 10% of our paid-in capital;(ii) the total balance of our outstanding guarantees shall not exceed 10 times of our paid-in capital.(iii) the ratio of the balance of our guarantees to our net assets shall not exceed 10 times;(iv) no less than 30% of our paid-in capital shall be in cash;(v) default rate shall not exceed 3%;(vi) loss ratio shall not exceed 1.5%; and(vii) we shall notify Anhui Guarantee Group in writing upon any changes of our senior management, changes of our registered capital, investments exceeding 10% of our paid-in capital, or involvements in litigation. <p>Anhui Guarantee Group continuously monitors our solvency. We are required to submit our audited financial statements to Anhui Guarantee Group on a yearly basis. Anhui Guarantee Group conducts special audit on us every three years, and inspects the balance of our outstanding guarantees and our default payments from time to time. It also collects information on our operations through the local governments.</p>
<i>Risk sharing</i>	<p>We are 100% liable for the default amount of our customers. Anhui Guarantee Group is not liable for such default amount, unless our total assets are not sufficient to pay all the default amount for our customers.</p>

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<u>Key Term</u>	<u>Summary</u>
<i>Termination clause</i>	<p>The cooperative agreement may be terminated by Anhui Guarantee Group upon the following:</p> <ul style="list-style-type: none">(i) our breach of the operating covenants in the cooperative agreement;(ii) our paid-in cash capital is less than 30% of our total paid-in capital;(iii) our breach of applicable laws and regulations;(iv) our failure to pay re-guarantee fees; or(v) our failure to carry out guarantee business for consecutive six months. <p>The termination of the cooperative agreement will not affect the existing re-guarantee obligations of Anhui Guarantee Group.</p>

Our Directors have confirmed that we were in compliance with operating covenants under our cooperative agreements with Guangdong Re-Guarantee and Anhui Guarantee Group during the Track Record Period and up to the Latest Practicable Date.

III. Joint-guarantee Arrangements with Guangzhou Guarantee, China United Guarantee and Anhui Guarantee Group

To further enhance our credit profile, brand recognition and risk management, we have entered into joint-guarantee arrangements with other guarantee institutions. Under the joint-guarantee arrangements, we are required to pay certain joint-guarantee fees to the other guarantee institutions, and they will pay a certain portion of the default amount to us in the event that we settle the full default amount for our customers.

We have established cooperative relationships with (i) Guangzhou Guarantee, a policy-oriented guarantee institution established by the local government of Guangzhou, since June 2011, (ii) China United Guarantee, a leading guarantee company in China in terms of registered capital, since August 2013, and (iii) Anhui Guarantee Group, since June 2014. During the Track Record Period, we did not have any business with Anhui Guarantee Group.

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Set forth below is a breakdown of the balance of our outstanding guarantees which have been jointly guaranteed by guarantee institution, and their respective percentages to the total balance of our outstanding financing guarantees as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
(RMB in millions, except for percentages)								
Guangzhou Guarantee	410.1	9.8	426.8	8.3	367.1	7.9	221.1	5.6
China United Guarantee	220.3	5.3	1,260.5	24.4	1,233.9	26.6	911.7	23.2
Total	<u>630.4</u>	<u>15.1</u>	<u>1,687.3</u>	<u>32.6</u>	<u>1,601.0</u>	<u>34.5</u>	<u>1,132.8</u>	<u>28.8</u>

Set forth below is a breakdown of the average balance of our outstanding guarantees which have been jointly guaranteed by guarantee institution, and their respective percentages to the total average balance of our outstanding financing guarantees for the periods indicated:

	Year ended December 31,						Six months ended June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
(RMB in millions, except for percentages)								
Guangzhou Guarantee.....	299.2	7.1	444.4	9.2	406.9	7.9	283.7	6.9
China United Guarantee	26.6	0.6	868.7	18.0	1,265.7	24.6	1,002.2	24.5
Total	<u>325.8</u>	<u>7.7</u>	<u>1,313.1</u>	<u>27.2</u>	<u>1,672.7</u>	<u>32.5</u>	<u>1,285.8</u>	<u>31.4</u>

The scale of our cooperation with other guarantee companies which provide joint guarantees to us is reflected in the percentage of the average balance of our outstanding guarantees which have been jointly guaranteed to the total average balance of our outstanding financing guarantees. Such percentage increased from 2012 to 2013, because we started our cooperation with China United Guarantee in 2013. Such percentage remained stable after 2013.

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(i) Joint-guarantee arrangements with Guangzhou Guarantee

We entered into the latest cooperative agreement with Guangzhou Guarantee in April 2014. We did not extend our agreement with Guangzhou Guarantee after it expired. Set forth below is a summary of the key provisions in our latest cooperative agreement with Guangzhou Guarantee:

Key Term	Summary
<i>Term of cooperation</i>	Based on the term of the financings guaranteed by us which were disbursed during the period from January 1, 2014 to December 31, 2014.
<i>Security deposits</i>	None.
<i>Joint-guarantee scope</i>	Financings under this cooperative agreement shall be provided to the SMEs or non-state owned enterprises registered in Guangzhou or the non-state owned enterprises registered with SAIC or Guangdong Administration for Industry and Commerce with its business place located in Guangzhou. The term of the financings shall not exceed three years generally. For the aggregate balance of our financing guarantees for any single customer which is RMB20 million or more, such customer should fall within the category of encouraged industries according to the Guiding Catalogue for Non-state Owned Invested Industries in Guangzhou (廣州市民營投資產業導向目錄).
<i>Guarantee obligation sharing</i>	Guangzhou Guarantee shares 20% of the default amount we settle for our customers.
<i>Fee arrangements</i>	2.5% of the guarantee fees we receive from our customers. Guangzhou Guarantee is a policy-oriented guarantee institution and provides guarantees in Guangzhou, Guangdong province at a relatively low guarantee fee ratio.
<i>Operating covenants and consequence of breach</i>	If our default payment to released guarantee ratio for the period (calculated as cumulative default payments made by us for the period divided by cumulative guarantees released for the period) exceeds 3%, Guangzhou Guarantee will be entitled to terminate the cooperative agreement.
<i>Termination clause</i>	The cooperative agreement may be terminated as agreed by both parties or upon expiration. Termination or expiration of the cooperative agreement will not affect the existing guarantee obligations of Guangzhou Guarantee and us.

BUSINESS

(ii) Joint-guarantee arrangements with China United Guarantee

We established a cooperative relationship with China United Guarantee by entering into a cooperative agreement with it in August 2013, pursuant to which China United Guarantee jointly guaranteed certain financing guarantees we provided before the date of the agreement, as well as all the financing guarantees we provided during the term of the agreement. We entered into the latest cooperative agreement with China United Guarantee in September 2014, pursuant to which China United Guarantee jointly guarantees all the financing guarantees we provide during the term of the agreement. Set forth below is a summary of the key provisions in our latest cooperative agreement with China United Guarantee:

Key Term	Summary
<i>Term of cooperation</i>	One year. The agreement will be automatically extended for another year upon its expiration, unless the parties mutually agree to terminate it, or one party gives the other party a written notice to terminate it 30 days before its expiration.
<i>Security deposits</i>	None.
<i>Guarantee Obligation Sharing</i>	China United Guarantee shares 20% of the default amount we settle for our customers. The maximum default payment for any single customer that China United Guarantee may reimburse us is RMB2 million. The aggregate maximum default payment that China United Guarantee may reimburse us is the smaller of RMB100 million and 10 times of the joint-guarantee fee we paid to China United Guarantee.
<i>Fee arrangements</i>	The joint-guarantee fees we pay China United Guarantee are calculated as below: the principal amount of guarantee x 2% (guarantee fee ratio) x 20% (the guarantee share of China United Guarantee) Upon termination of the cooperative agreement, if the ratio of the default amount that China United Guarantee pays for us to the joint-guarantee fees we pay to China United Guarantee ("actual default ratio") is lower than 70%, China United Guarantee will reimburse us certain amount of joint-guarantee fees it receives, which is calculated as below: the joint-guarantee fees x (70% – the actual default ratio).

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Key Term	Summary
<i>Operating covenants</i>	We are required to comply with the following operating covenants from time to time: <ul style="list-style-type: none">(i) the guarantee we provide to a single customer shall not exceed RMB10 million;(ii) we shall notify China United Guarantee in writing upon any merger, spin-off, reorganization, bankruptcy and liquidation of us, and China United Guarantee is entitled to terminate the cooperative agreement with us upon the occurrence of such events; and(iii) we shall notify China United Guarantee in writing upon the occurrence of any fraud in connection with the guarantees we provide, potential guarantee loss which accounts for over 10% of our net assets, significant amendment of our risk management procedures in connection with our initial application assessment, post-transaction supervision and collection and recovery, and other material changes in our course of business, including changes of our senior management, changes of registered capital and involvements of material litigation.

(iii) Joint-guarantee arrangements with Anhui Guarantee Group

Our subsidiary, Anhui Join-Share, entered into the latest cooperative agreement with Anhui Guarantee Group in June 2014, pursuant to which Anhui Guarantee Group provides joint-guarantees with us for SMEs registered in Hefei, Anhui province. Set forth below is a summary of the key provisions in the latest cooperative agreement between our subsidiary, Anhui Join-Share, and Anhui Guarantee Group:

Key Term	Summary
<i>Term of cooperation</i>	Two years.
<i>Security deposits</i>	None.
<i>Guarantee Obligation Sharing</i>	The guarantees provided by either us or Anhui Guarantee Group shall exceed 10% of our net assets, and (2) the guarantees Anhui Guarantee Group share with us shall not exceed 50% of the guarantees that we jointly provide.

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Key Term	Summary
<i>Fee arrangements</i>	Anhui Guarantee Group charges its joint-guarantee fees directly from the customers we guarantee at our guarantee fee ratio, which shall not be lower than 1.8% per year. Anhui Guarantee Group will refund us 20% of the joint-guarantee fees it receives from our customers upon its release from its joint-guarantee obligations, if it is not required to pay any default amount.
<i>Operating covenants</i>	We shall promptly notify Anhui Guarantee Group of any risks in connection with any outstanding guarantees jointly provided by Anhui Guarantee Group and us, and take actions to minimize such risks.

IV. Cooperations with Local Governments

Certain local governments in Guangdong province have established government guarantee funds as a measure to support financing of SMEs. The SMEs selected by those local governments may enjoy preferential treatments when they apply for loans from the commercial banks that the local governments designate, including that such loans will be guaranteed by guarantee institutions selected by the local government. Upon an extension of a loan to a selected SME, the relevant local government will transfer an amount equal to 5% to 10% of the principal amount of the loan from the government guarantee fund to a security deposit account at the lending commercial bank to guarantee the loan. In the event of default by the borrower, the guarantee institution will first settle the default amount, and request the local governmental to reimburse 30% of the default payment. If the guarantee institution fails to settle such default amount, the bank is entitled to first use the security deposit by the local government to settle the default amount, and if the security deposit is not sufficient to settle the default amount, the local government is required to use the government guarantee fund to settle up to 30% of the default amount.

In 2006, we were selected through competitive negotiation to cooperate with Shunde district government of Foshan in connection with its government guarantee fund. Building on our experience in Shunde district, we further entered into similar cooperative agreements with several local governments, including the district governments of Sanshui, Nanhai and Gaoming districts in Foshan in 2008. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the aggregate net balance of our outstanding financing guarantees under such cooperative arrangements was RMB124.3 million, RMB108.4 million, RMB54.4 million and RMB61.2 million, respectively. By cooperating with the local governments, we believe that we have been able to not only enhance our business relationships with the relevant commercial banks and expand our guarantee customer referral network, but also better manage our credit risks through allocating the risks between the local government and us.

Set forth below is a summary of the key provisions in the latest cooperative agreements with the government guarantee funds:

Key Term	Summary
<i>Security deposits</i>	None.
<i>Fee arrangements</i>	We charge the SMEs supported by the government guarantee funds at a guarantee fee ratio which is lower than a certain percentage specified in the operative agreements. Such guarantee fee ratios range from 2.0% to 2.5%.

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Key Term	Summary
<i>Guarantee Obligation Sharing</i>	The government guarantee funds share 30% of the default amount. We or we together with the lending commercial banks share the remaining 70% of the default amount in accordance with our particular cooperative agreements with government guarantee funds and the lending commercial banks.
<i>Operating covenants</i>	The ratio of our balance of outstanding guarantees to our paid-in capital shall not exceed 10. We shall notify the government guarantee funds and the lending commercial banks within seven business days prior to the changes to our shareholding structure, our senior management, articles, business scope and other material issues.
<i>Termination clause</i>	The cooperative agreements may be terminated as agreed by the parties or upon expiration. The termination or expiration of the cooperative agreements will not affect the existing obligations of the government guarantee funds.

Our Directors have confirmed that we are not aware of any material default by the borrowers in connection with our cooperative agreements with the local governments during the Track Record Period and up to the Latest Practicable Date.

Direct Financing Guarantees

As part of our strategy to expand our product and service offerings and diversify our revenue sources, we have established cooperative relationships with non-bank financial institutions and expanded our guarantees to direct financings. For example, we expanded our financing guarantee business to include bond and medium term note offering guarantees in 2012 and target asset management scheme guarantees in 2013. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our outstanding direct financing guarantees was RMB439.2 million, RMB798.0 million, RMB934.5 million and RMB947.9 million, respectively, representing 11.0%, 16.7%, 21.7% and 25.8%, respectively, of the net balance of our outstanding financing guarantees. Our revenue from direct financing guarantees increased from RMB7.7 million for the year ended December 31, 2012 to RMB9.6 million for the year ended December 31, 2013, and further increased to RMB15.7 million for the year ended December 31, 2014, and from RMB7.8 million in the six months ended June 30, 2014 to RMB7.9 million in the six months ended June 30, 2015.

Under our direct financing guarantee business, we primarily provide guarantees in relation to (i) bond and medium term note offerings, (ii) trust financings, (iii) target asset management schemes and (iv) other direct financings.

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Set forth below is a breakdown of the net balance of our outstanding direct financing guarantees by product and service, as well as their respective percentages to the total net balance of our outstanding direct financing guarantees as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
(RMB in millions, except for percentages)								
Bond and medium term note								
offering guarantees	240.0	54.6	310.0	38.8	320.0	34.3	416.0	43.9
Trust financing guarantees	178.2	40.6	380.0	47.6	524.5	56.1	332.9	35.1
Target asset management								
scheme guarantees	—	—	50.0	6.3	90.0	9.6	199.0	21.0
Other direct financing								
guarantees	21.0	4.8	58.0	7.3	—	—	—	—
Total	<u>439.2</u>	<u>100.0</u>	<u>798.0</u>	<u>100.0</u>	<u>934.5</u>	<u>100.0</u>	<u>947.9</u>	<u>100.0</u>

I. Bond and Medium Term Note Offering Guarantees

Since 2012, we have provided guarantees and sometimes provided joint and several guarantees with other guarantee companies with respect to bonds or medium term notes offered by issuers. As of June 30, 2015, we guaranteed an aggregate of 24 series of bonds and medium term notes with an aggregate net balance of outstanding bond and medium term note guarantees of RMB416.0 million. The outstanding bonds and medium term notes will mature during the period from 2016 to 2017. The bonds and medium term notes we guarantee are typically of a term of 12 to 60 months.

The level of credit enhancement we provide to the bonds and medium term notes often depends on our own credit rating. We have maintained an “AA-” credit rating with stable outlook from Golden Credit since 2012, and an “AAA-” corporate rating with stable outlook from Shenzhen Lianhe Credit Information Service Co., Ltd. since September 2014. Shenzhen Lianhe Credit Information Service Co., Ltd. is a professional credit rating institution that Lianhe Credit Information Service Co., Ltd. established in Shenzhen, Guangdong province. Lianhe Credit Information Service Co., Ltd. is one of the largest credit information service institutions in China with qualifications for all the rating business in capital markets and credit markets in China. Although corporate ratings and credit ratings are not mandatory for conducting financing guarantee business, they enable us to guarantee certain publicly offered bonds and medium term notes, and allow us to expand our product and service coverage. We intend to leverage our credit rating to further expand our bond and medium term note offering guarantee business and actively seek cooperation with SMEs that contemplate offering bonds or medium term notes in China.

II. Trust Financing Guarantees

Since 2009, we have guaranteed trust loans granted by certain trust companies, including Guangdong Yuecai Trust and China Fortune Trust, whereby we guarantee the payments of principals and interests of such trust loans in the event of default of the borrowers. Guangdong Yuecai Trust is a trust company wholly owned by Guangdong provincial government. To carry out its social responsibilities, it offers trust products to help SMEs finance their business operations from time to time. Under the cooperative agreements with Guangdong Yuecai Trust, we guarantee trust loans for SMEs. The trust loans that we guarantee typically have a term of one to three years.

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Since 2013, we cooperate with Guangdong Re-Guarantee to provide joint guarantees for the trust schemes offered by Guangdong Yuecai Trust, and promise to reimburse Guangdong Re-Guarantee a portion of the default payment that it makes to the investors of the trust schemes in the event of default by Guangdong Yuecai Trust. Such guarantees we provide are typically of a term of five years.

Set forth below is a breakdown of the net balance of our trust financing guarantees by the provider of the trust products, as well as their respective percentages to the total net balance of our outstanding direct financing guarantees as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Guangdong Yuecai Trust								
Guaranteed by us	66.2	15.1	30.0	3.8	109.8	11.7	5.0	0.5
Jointly guaranteed by us and Guangdong Re-Guarantee.	25.0	5.7	310.0	38.8	396.5	42.4	309.7	32.7
Subtotal	<u>91.2</u>	<u>20.8</u>	<u>340.0</u>	<u>42.6</u>	<u>506.3</u>	<u>54.1</u>	<u>314.7</u>	<u>33.2</u>
Other trust companies								
Subtotal	<u>87.0</u>	<u>19.8</u>	<u>40.0</u>	<u>5.0</u>	<u>18.2</u>	<u>2.0</u>	<u>18.2</u>	<u>1.9</u>
Total	<u><u>178.2</u></u>	<u><u>40.6</u></u>	<u><u>380.0</u></u>	<u><u>47.6</u></u>	<u><u>524.5</u></u>	<u><u>56.1</u></u>	<u><u>332.9</u></u>	<u><u>35.1</u></u>

III. Target Asset Management Scheme Guarantees

Since 2013, we have provided credit enhancement to our customers to enable them to meet investment requirements under certain target asset management schemes. We provide guarantees for SMEs’ private placements that target asset management schemes invest in. Accordingly, if our customers default, we will settle the default amounts for our customers. We established cooperative relationship with Qianhai Equity Exchange Center (Shenzhen) Company Limited (前海股權交易中心(深圳)有限公司), an Independent Third Party, in August 2014, to provide guarantees for our customers’ repurchase of asset income rights. Accordingly, if our customers default, we will repurchase the asset income rights for our customers. The target asset management schemes we guarantee are typically of a term of six months to three years.

IV. Other Direct Financing Guarantees

Since 2012, we have provided guarantees for the lendings of individual business proprietors and individuals. Accordingly, we settle payments of principals and interests in the event of default by the borrowers. Other financing guarantees typically have a term of one month to one year.

We have established re-guarantee and joint-guarantee arrangements with Guangdong Re-Guarantee, Guangzhou Guarantee and China United Guarantee. See “Indirect financing guarantees — II. Re-guarantee Arrangements with Guangdong Re-Guarantee and Anhui Guarantee Group.”

BUSINESS

Non-financing Guarantees

We offer non-financing guarantees whereby we act as the guarantor and promise to pay the obligees of our customers a certain amount if our customers fail to perform certain obligations, such as performance of a contract. We primarily offer two types of non-financing guarantees, namely attachment bonds, and construction contract bonds and other contract bonds.

Attachment Bonds

An attachment bond is generally requested by a court in China when a party to a legal proceeding applies to such court for an attachment to restrict the other party from disposing of certain assets. This is to guarantee the ability of the applicant to indemnify the counterparty in the event of a wrongful or false attachment and to compensate for any resulting loss of that counterparty. We started providing attachment bonds in 2005. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our attachment bonds amounted to approximately RMB192.7 million, RMB242.8 million, RMB221.5 million and RMB227.7 million, respectively. During the Track Record Period and up to the Latest Practicable Date, none of the attachments our customers applied for were determined as wrongful or false attachments.

Construction Contract Bonds and Other Contract Bonds

Construction contract bonds, mainly used in the construction industry, are three-party instruments by which we guarantee the project owners that our customers, the contractors, will perform their obligations under the construction contracts. If a contractor fails to perform its obligations and the project owner elects to call upon our performance under the construction contract bond, we will pay certain agreed amount of compensation to the project owner for the contractor, and become subrogated to the project owner's claim against the contractor. To control our credit risk, we mainly provide construction contract bonds for government-invested engineering projects. We primarily concentrate our provision of construction contract bonds in Guangdong and Anhui provinces.

Our principal products and services under our construction contract bond business include:

- *construction performance guarantees*: we guarantee that our customers will perform the construction work as specified in the construction contract; and
- *construction prepayment guarantees*: we guarantee that our customers will use the funds prepaid by third parties for permitted purposes only.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our construction contract bonds amounted to approximately RMB191.5 million, RMB186.9 million, RMB165.8 million and RMB484.6 million, respectively.

We started providing other contract bonds, including guarantees for performance of contractual obligations with respect to commodity purchases since January 2015.

During the Track Record Period and up to the Latest Practicable Date, there were no occurrences of customer default under our construction contract bond and other contract bond business.

BUSINESS

Guarantee Fees

In return for our guarantee products and services, our customers pay us guarantee fees, which are generally payable upon the execution of a guarantee contract. A portion of the guarantee fees received from our customers is attributable to (i) investigation fees in connection with the investigations that our project managers performed for the project and (ii) review and approval fees and post-transaction supervision fees in relation to the costs relating to external experts that we may hire in reviewing and approving the project and post-transaction supervision on our customers and their pledged assets. The amount of guarantee fee charged depends on a number of factors, such as the prevailing bank loan interest rate, the term of our guarantee, the repayment method of our customer, the ratio between the value of the collateral received and the amount guaranteed, the credit rating of our customer according to our own assessment and the credit record of our customer with us.

Set forth below is our average guarantee fee ratios for the periods indicated, calculated as guarantee fee income divided by the average balance of our outstanding guarantees during the respective period:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014 ⁽¹⁾	2015 ⁽¹⁾
Financing guarantees	3.6%	3.3%	3.3%	3.4%	3.4%
Indirect financing guarantees	3.8%	3.7%	3.7%	3.8%	3.8%
Direct financing guarantees	1.9%	1.3%	1.5%	1.4%	2.0%
Non-financing guarantees	1.2%	1.0%	0.8%	0.6%	0.8%
Construction Contract Bonds and					
Other Contract Bonds	1.8%	1.6%	1.5%	1.6%	1.2%
Attachment Bonds	0.5%	0.3%	0.2%	0.0% ⁽²⁾	0.0% ⁽²⁾
Average	3.5%	3.1%	3.1%	3.2%	3.0%

Notes:

- (1) Annualized guarantee fee ratios, calculated as annualized guarantee fee income divided by the average balance of our outstanding guarantees during the respective period. Annualized guarantee fee income is calculated by multiplying by two the guarantee fee income during the six months.
- (2) We recognized guarantee fee income from certain attachment bonds we provided in the year ended December 31, 2013 and 2014, respectively. However, the underlying legal proceedings remained pending after we recognized such guarantee fee income, and contributed to the average balance of our outstanding attachment bonds for the six months ended June 30, 2014 and 2015, respectively. As a result, the average guarantee fee ratios for the attachment bonds for the six months ended June 30, 2014 and 2015 were lowered.

Our average financing guarantee fee ratio in 2013 was lower than 2012, primarily because we actively developed our direct financing guarantee business and reduced our guarantee fees for our direct financing guarantees in 2013.

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Customers and Guarantee Contracts

For the years ended December 31, 2012, 2013 and 2014 and June 30, 2015, we received guarantee fees from 832, 927, 864 and 679 customers, respectively.

Set forth below is a breakdown of the number of our guarantee contracts in effect by the guarantee amount as stipulated in the relevant guarantee contracts and their respective percentages to the total number of the guarantee contracts in effect for the periods indicated:

	Year ended December 31,						Six months ended	
	2012		2013		2014		June 30, 2015	
	Number	%	Number	%	Number	%	Number	%
Up to RMB3 million	338	29.5	354	28.4	280	23.2	228	24.4
Over RMB3 to RMB5 million	302	26.4	329	26.4	346	28.7	267	28.6
Over RMB5 to RMB10 million ...	328	28.7	360	28.8	403	33.4	323	34.6
RMB10 million to								
RMB30 million	171	14.9	195	15.6	166	13.7	109	11.7
Over RMB30 million	5	0.4	10	0.8	12	1.0	7	0.7
Total	<u>1,144</u>	<u>100.0</u>	<u>1,248</u>	<u>100.0</u>	<u>1,207</u>	<u>100.0</u>	<u>934</u>	<u>100.0</u>

Guarantee Portfolio

The net balance of our outstanding guarantees in our guarantee portfolio was RMB4,366.4 million, RMB5,218.8 million, RMB4,688.2 million and RMB4,387.5 million, respectively, as of December 31, 2012, 2013 and 2014 and June 30, 2015.

BUSINESS

Distribution of Outstanding Guarantees by Product and Service

Set forth below is a breakdown of the net balance of our outstanding guarantees by product and service and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)								
Financing guarantees								
Indirect financing guarantees ..	3,543.0	81.1	3,991.2	76.5	3,366.4	71.8	2,727.4	62.2
Direct financing guarantees	439.2	10.1	798.0	15.3	934.5	19.9	947.9	21.6
Subtotal	3,982.2	91.2	4,789.2	91.8	4,300.9	91.7	3,675.2	83.8
Non-financing guarantees								
Attachment bonds	192.7	4.4	242.8	4.6	221.5	4.7	227.7	5.2
Construction contract bonds and other contract bonds	191.5	4.4	186.9	3.6	165.8	3.6	484.6	11.0
Subtotal	384.2	8.8	429.6	8.2	387.3	8.3	712.3	16.2
Total	4,366.4	100.0	5,218.8	100.0	4,688.2	100.0	4,387.5	100.0

Note:

(1) *Net balance of our outstanding guarantees as of the end of a period indicates our potential risks of guarantee losses as of the end of the period. In calculating the net balance of our outstanding guarantees as of the end of a period, we deduct the following numbers from the balance of the outstanding guarantees: (i) the balance of the outstanding guarantees which have been jointly-guaranteed by other guarantee companies; and (ii) the balance of the outstanding guarantees for which the government guarantee funds share a certain portion of the risks with us. See "Business — Products and Services — Guarantees — Financing Guarantees — Indirect Financing Guarantees — III. Joint-guarantee Arrangements with Guangzhou Guarantee, China United Guarantee and Anhui Guarantee Group" and "Business — Products and Services — Guarantees — Financing Guarantees — Indirect Financing Guarantees — IV. Cooperations with Local Governments".*

Our guarantee business grew rapidly in 2013, with the net balance of our outstanding guarantees increasing by approximately 19.5% from RMB4,366.4 million as of December 31, 2012 to RMB5,218.8 million as of December 31, 2013. The increase was primarily due to the expansion of our branch network and the growth of our direct financing guarantee business. The net balance of our outstanding guarantees decreased from RMB5,218.8 million as of December 31, 2013 to RMB4,688.2 million as of December 31, 2014, and further decreased to RMB4,387.5 million as of June 30, 2015. The decrease was primarily due to our tightened transaction review and approval process as a result of the increased risks in SMEs as affected by the macro-economic conditions in China.

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Set forth below is a breakdown of the average balance of our outstanding guarantees, namely the average balance during a specified period, by product and service, and their respective percentages to the total average balance of our outstanding guarantees during the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)										
Financing guarantees										
Indirect financing										
guarantees	3,823.5	84.6	4,093.8	77.1	4,091.9	74.9	4,293.7	75.3	3,276.6	70.3
Direct financing										
guarantees	397.0	8.8	744.8	14.0	1,048.1	19.2	1,048.0	18.4	821.3	17.6
Non-financing guarantees										
Attachment bonds	142.2	3.1	222.3	4.2	187.1	3.4	219.3	2.5	227.2	4.9
Construction contract										
bonds and other contract										
bonds	157.7	3.5	247.1	4.7	138.8	2.5	144.3	3.8	335.1	7.2
Total	<u>4,520.4</u>	<u>100.0</u>	<u>5,308.0</u>	<u>100.0</u>	<u>5,465.9</u>	<u>100.0</u>	<u>5,705.2</u>	<u>100.0</u>	<u>4,660.2</u>	<u>100.0</u>

Note:

(1) Average balance of our outstanding guarantees during a period indicates the scale of our guarantee business during the period. In calculating the average balance of our outstanding guarantees during a period, we do not deduct (i) the balance of the outstanding guarantees which have been jointly-guaranteed by other guarantee companies; or (ii) the balance of the outstanding guarantees for which the government guarantee funds share a certain portion of the risks with us.

There is no seasonality in our guarantee business.

BUSINESS

Distribution of Outstanding Guarantees by Guarantee Amount

Set forth below is a breakdown of the net balance of our outstanding guarantees by the guarantee amount as stipulated in the relevant guarantee contracts and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)								
Up to RMB3 million	391.6	9.0	408.2	7.8	318.1	6.8	341.2	7.8
Over RMB3 million to RMB5 million	649.9	14.9	864.8	16.6	794.3	16.9	756.6	17.2
Over RMB5 million to RMB10 million	1,534.0	35.1	1,456.7	27.9	1,451.2	31.0	1,424.5	32.5
Over RMB10 million to RMB20 million	1,203.1	27.6	1,471.7	28.2	1,103.0	23.5	895.1	20.4
Over RMB20 million to RMB30 million	270.3	6.2	332.0	6.4	177.0	3.8	222.5	5.1
Over RMB30 million	317.5	7.3	685.5	13.1	844.5	18.0	747.7	17.0
Total	<u>4,366.4</u>	<u>100.0</u>	<u>5,218.8</u>	<u>100.0</u>	<u>4,688.2</u>	<u>100.0</u>	<u>4,387.5</u>	<u>100.0</u>

Distribution of Outstanding Guarantees by Geographical Region

We started our guarantee business in Foshan, Guangdong province in 2003 and then capitalize on our success to gradually expand into the surrounding cities in Guangdong province as well as other regions in China. We entered into Anhui province in 2009. In 2013, we entered into Huizhou, Guangdong province and Tongling, Anhui province. In January 2014, we entered into Beijing and Tianjin. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the net balance of our outstanding guarantees originating from Foshan accounted for approximately 56.8%, 53.8%, 50.8% and 49.6%, respectively, of the total net balance of our outstanding guarantees.

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Set forth below is a breakdown of the net balance of our outstanding guarantees by geographical region of the registered office or identity card of our customers as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
(RMB in millions, except for percentages)								
Guangdong Province								
Foshan	2,481.1	56.8	2,809.9	53.8	2,381.5	50.8	2,176.4	49.6
Dongguan	339.7	7.8	530.7	10.2	521.6	11.1	315.4	7.2
Guangzhou	519.4	11.9	581.1	11.1	516.6	11.0	423.3	9.6
Zhaoqing	271.3	6.2	285.6	5.5	257.3	5.5	245.9	5.6
Zhongshan	72.3	1.7	170.9	3.3	241.8	5.2	227.2	5.2
Yunfu	21.8	0.5	44.7	0.9	61.2	1.3	39.5	0.9
Other cities in Guangdong province ⁽¹⁾	181.3	4.2	207.6	4.0	97.0	2.1	134.6	3.1
Subtotal	3,886.8	89.0	4,630.6	88.7	4,077.0	87.0	3,562.3	81.2
Anhui Province								
Hefei	355.4	8.1	430.8	8.3	325.6	6.9	446.5	10.2
Wuhu	33.1	0.8	18.1	0.3	18.5	0.4	0.4	0.0
Tongling	0.0	0.0	33.0	0.6	10.0	0.2	0.0	0.0
Lu'an	1.2	0.0	17.5	0.3	0.0	0.0	0.0	0.0
Other cities in Anhui province ⁽²⁾	34.8	0.8	34.8	0.7	5.1	0.1	36.3	0.8
Subtotal	424.5	9.7	534.2	10.2	359.2	7.7	483.2	11.0
Other Regions⁽³⁾	55.0	1.3	54.1	1.0	251.9	5.4	342.0	7.8
Total	<u>4,366.4</u>	<u>100.0</u>	<u>5,218.8</u>	<u>100.0</u>	<u>4,688.2</u>	<u>100.0</u>	<u>4,387.5</u>	<u>100.0</u>

Notes:

(1) Other cities in Guangdong province include Enping, Huizhou, Jiangmen, Qingyuan, Shantou, Shenzhen and Zhuhai.

(2) Other cities in Anhui province include Anqing, Huangshan and Changfeng.

(3) Others regions include Yueyang, Changsha, Changde and Xiangtan in Hunan province, Hebi and Pingdingshan in Henan province, Qinzhou in Guangxi province, Dudanjiang in Heilongjiang province, Taizhou in Jiangsu province, Nanchang and Yichun in Jiangxi province, Dongyang in Zhejiang province, Beijing, Tianjin and Wanzhou District in Chongqing.

Distribution of Outstanding Guarantees by Collateral

Based on whether a guarantee or collateral is provided, we classify our guarantees into the following three categories:

- *Secured Guarantees:* Guarantees 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 determined; and (iii) we have priority over other

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beneficiaries on such collateral. Such collateral mainly includes real properties and land use rights. As of December 31, 2012, 2013 and 2014 and June 30, 2015 and October 31, 2015, the loan-to-value ratio of our secured guarantees (calculated as the net balance of our secured guarantees divided by the value of the collateral securing the guarantees) was 115.9%, 122.8%, 100.6%, 98.5% and 97.6%, respectively;

- *Other Guarantees:* Guarantees guaranteed by counter-guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily determined, or on which we do not have priorities over other beneficiaries. Such collateral includes unregistrable real properties and land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests; and
- *Credit Guarantees:* Guarantees which are not secured by collateral or counter-guaranteed.

During the Track Record Period, we required most of our guarantee customers to provide counter-guarantees, including standard counter-guarantees, non-standard counter-guarantees and enhanced counter-guarantees. See "Products and Services — Financing Guarantees — Indirect Financing Guarantees."

Set forth below is a breakdown of the net balance of our outstanding guarantees by collateral and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Secured guarantees	2,778.8	63.6	3,157.2	60.5	2,827.5	60.3	2,657.4	60.6
Other guarantees ⁽¹⁾	1,485.4	34.0	1,567.5	30.0	1,289.7	27.5	1,262.9	28.8
Credit guarantees.....	102.2	2.3	494.2	9.5	571.0	12.2	467.2	10.6
Total	<u>4,366.4</u>	<u>100.0</u>	<u>5,218.8</u>	<u>100.0</u>	<u>4,688.2</u>	<u>100.0</u>	<u>4,387.5</u>	<u>100.0</u>

Note:

(1) As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had 696, 727, 671 and 657 other guarantees, respectively, that were counter-guaranteed. During the Track Record Period, no customer defaulted in connection with our other guarantees.

Set forth below is the amount of the net balance of our outstanding secured guarantees by our priority over the collateral as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Registered as primary beneficiary	2,745.2	3,012.5	2,636.8	2,410.0
Registered as subordinated beneficiary.....	33.6	144.7	190.7	247.4
Total	<u>2,778.8</u>	<u>3,157.2</u>	<u>2,827.5</u>	<u>2,657.4</u>

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We have adopted a series of risk management measures to valuate the collateral provided by our customers. See "Risk Management — Credit Risk Management — Key Credit Risk Management Process — Due Diligence".

Distribution of Outstanding Guarantees by Customer Industry

As of December 31, 2012, 2013 and 2014 and June 30, 2015, approximately 79.7%, 80.9%, 81.1% and 83.4%, respectively, of the total net balance of our outstanding guarantees were provided for customers operating in the manufacturing, wholesale and retail and construction industries, out of which nearly a majority of these customers were operating in the manufacturing industry, representing approximately 49.4%, 46.6%, 38.0% and 33.2%, respectively, of the total net balance of our outstanding guarantees for the same periods. See "Risk Factors — Risks Relating to Our Business — Our customers are concentrated in several industries and any economic downturns in those industries may have a material and adverse effect on our business, financial condition and results of operations."

Set forth below is a breakdown of the net balance of our outstanding guarantees by customer industry and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Manufacturing	2,159.1	49.4	2,434.0	46.6	1,782.7	38.0	1,455.2	33.2
Wholesale and retail	887.5	20.3	1,174.7	22.5	1,253.5	26.7	1,147.9	26.2
Construction	436.4	10.0	615.1	11.8	769.7	16.4	1,053.9	24.0
Leasing and business service	139.4	3.2	335.8	6.4	330.0	7.0	247.5	5.6
Others ⁽¹⁾	472.9	10.8	447.6	8.6	397.8	8.5	377.0	8.6
Agricultural, forestry, livestock and fisheries	99.2	2.3	86.8	1.7	70.6	1.5	31.6	0.7
Transportation, warehousing and postal service	120.5	2.8	94.2	1.8	47.5	1.0	38.0	0.9
Accommodation and catering	51.4	1.2	30.6	0.6	36.4	0.8	36.4	0.8
Total	<u>4,366.4</u>	<u>100.0</u>	<u>5,218.8</u>	<u>100.0</u>	<u>4,688.2</u>	<u>100.0</u>	<u>4,387.5</u>	<u>100.0</u>

Note:

(1) *Others represents data for other industries, including information transportation, information technology and property management, and data for individual business proprietors.*

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Distribution of Outstanding Guarantees by Exposure Size

Set forth below is a breakdown of the net balance of our outstanding guarantees by exposure size and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Up to RMB3 million	1,645.0	37.7	2,007.5	38.5	2,125.5	45.3	2,034.3	46.4
Over RMB3 to								
RMB5 million	639.0	14.6	651.7	12.5	498.7	10.6	450.3	10.3
Over RMB5 to								
RMB10 million	913.8	20.9	822.4	15.8	667.6	14.2	611.5	13.9
Over RMB10 to								
RMB30 million	928.7	21.3	1,127.3	21.6	650.9	13.9	642.8	14.6
Over RMB30 million	240.0	5.5	610.0	11.7	745.5	15.9	648.7	14.8
Total	<u>4,366.4</u>	<u>100.0</u>	<u>5,218.8</u>	<u>100.0</u>	<u>4,688.2</u>	<u>100.0</u>	<u>4,387.5</u>	<u>100.0</u>

Maturity Profile of Our Outstanding Guarantee Portfolio

Set forth below is the maturity profile of the net balance of our outstanding guarantees and their respective percentages to the total net balance of our outstanding guarantees as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Due within six months	1,295.4	29.6	1,513.8	29.1	1,526.1	32.6	1,318.2	30.0
Due in over six months up to								
one year	1,286.8	29.5	1,499.6	28.7	1,231.0	26.3	1,266.7	28.9
Due in over one year up to								
18 months	692.5	15.9	508.8	9.7	596.4	12.7	341.4	7.8
Due in over 18 months	896.2	20.5	1,452.8	27.8	1,098.3	23.4	1,200.0	27.4
Indefinite ⁽¹⁾	195.5	4.5	243.8	4.7	236.4	5.0	261.1	6.0
Total	<u>4,366.4</u>	<u>100.0</u>	<u>5,218.8</u>	<u>100.0</u>	<u>4,688.2</u>	<u>100.0</u>	<u>4,387.5</u>	<u>100.0</u>

Note:

(1) Indefinite guarantees are for attachment bonds, as we cannot determine the terms of such guarantees.

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Entrusted Loans

We provide entrusted loans to satisfy our customers' needs for quick access to short-term financings. Under a typical entrusted loan arrangement, we act as the principal and deposit our own funds with an intermediary bank, which will on-lend the funds to the ultimate borrowers selected by us. Upon receipt of the repayment of the principal and interest on the loan, the intermediary bank will transfer such amount to us. Our entrusted loan business allows us to provide loans of relatively large amount through banks, usually ranging from RMB3.0 million to RMB30.0 million, and is not subject to geographical restriction. In addition, entrusted loan business is also part of our liquidity management measures, as we can actively manage our available funds through adjusting the size of our entrusted loan portfolio and to provide our customers with entrusted loans to ensure their liquidity.

Under an entrusted loan arrangement, we select and approve borrowers, and determine interest rates for these borrowers according to our credit policies. The intermediary banks follow our instructions when releasing our funds to our selected borrowers and do not bear the credit risks on repayment by such borrowers. In general, our entrusted loans typically have a term ranging from one to six months. We collect interest of our entrusted loans on a monthly basis and the principal upon its maturity. We generally require the borrowers to provide guarantees from individual guarantors or guarantee companies, or provide collateral to secure the loans. The collateral is typically registered in favor of the intermediary banks.

Customers and Entrusted Loan Contracts

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we received interest income from our provision of entrusted loans to 102, 94, 72 and 41 customers, respectively.

Set forth below is a breakdown of the number of our entrusted loan contracts in effect by principal amount as stipulated in the relevant entrusted loan contracts and their respective percentages to the total number of the entrusted loan contracts for the periods indicated:

	Year ended December 31,						Six months ended	
	2012		2013		2014		June 30, 2015	
	Number	%	Number	%	Number	%	Number	%
Up to RMB10 million	143	80.3	108	67.9	58	46.4	21	39.6
Over RMB10 million to								
RMB20 million.....	23	12.9	35	22.0	38	30.4	20	33.7
Over RMB20 million	12	6.8	16	10.1	29	23.2	12	22.6
Total	<u>178</u>	<u>100.0</u>	<u>159</u>	<u>100.0</u>	<u>125</u>	<u>100.0</u>	<u>53</u>	<u>100.0</u>

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Entrusted Loan Portfolio

Set forth below is the key operating data of our entrusted loan business as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
	(RMB in millions, except for percentages)			
Balance	192.1	86.2	117.7	319.0
Average month end balance ⁽¹⁾	229.7	339.0	336.5	374.5
Interest income	42.6	61.6	69.0	32.9
Average interest fee rate ⁽²⁾	18.5%	18.2%	20.5%	17.6%

Notes:

- (1) The average month end balance is derived by averaging our month end balances of our entrusted loans during the relevant period.
- (2) Average interest fee rates for the years ended December 31, 2012, 2013 and 2014 are derived by dividing the interest income from our entrusted loan business by average month end balance of our entrusted loans during the respective years. Average interest fee rate for the six months ended June 30, 2015 is derived by dividing the annualized interest income from our entrusted loan business by average month end balance of our entrusted loans for the six months ended June 30, 2015. The annualized interest income from our entrusted loan business is calculated by multiplying by two the interest income from our entrusted loan business for the six months ended June 30, 2015.

The average month end balance of our entrusted loans increased from RMB229.7 million in 2012 to RMB339.0 million in 2013, primarily due to the increase of the amount of new entrusted loans. The balance of our entrusted loans decreased from RMB192.1 million as of December 31, 2012 to RMB86.2 million as of December 31, 2013, primarily due to the increase of repayment of entrusted loans which are due before the end of 2013.

The average month end balance of our entrusted loans remained stable in 2013 and 2014, and increased to RMB374.5 million in the six months ended June 30, 2015. The balance of our entrusted loans increased from RMB86.2 million as of December 31, 2013 to RMB117.7 million as of December 31, 2014 and further increased to RMB319.0 million as of June 30, 2015, primarily due to the rapid growth of our entrusted loan business in 2014 and the six months ended June 30, 2015.

The average interest fee rates decreased from 2012 to 2013, primarily due to our expansion of the entrusted loan business and focus on large-size projects. The average interest fee rates increased from 2013 to 2014, primarily due to the increased financing costs for SMEs which were affected by the macro economy in China. The average interest fee rates decreased from 2014 to the six months ended June 30, 2015, primarily because (i) PBOC benchmark interest rate decreased in the six months ended June 30, 2015; and (ii) the entrusted loans of larger amount accounted for an increasing portion in our entrusted loan portfolio, and the interest rates for such entrusted loans were generally lower in the six months ended June 30, 2015.

Distribution of Entrusted Loans by Collateral

Based on whether a guarantee or collateral is provided, we classify our entrusted loans into the following three categories:

- *Secured entrusted loans:* Entrusted loans secured by collateral that meets the following standards: (i) such collateral has been registered with the relevant governmental authorities;

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(ii) the market value of such collateral can be easily determined; and (iii) we have priorities over other beneficiaries on such collateral. Such collateral mainly includes real properties and land use rights. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the loan-to-value ratio of our entrusted loans (calculated as the net balance of our entrusted loans divided by the value of the collateral securing the entrusted loans) was 23.7%, 101.2%, 70.7% and 60.8%, respectively. The collateral securing the entrusted loans we provided does not overlap with the collateral securing the capital we provided under our financing solutions and arrangements, and therefore such loan-to-value ratios have not taken into account our provision of capital under our financing solutions and arrangements;

- *Other entrusted loans:* Entrusted loans guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily determined, or on which we do not have priorities over other beneficiaries. Such collateral includes unregistrable real properties and land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests; and
- *Credit entrusted loans:* Entrusted loans which are not secured by collateral or counter-guaranteed.

Set forth below is a breakdown of the balance of our entrusted loans by collateral and their respective percentages to the total balance of our entrusted loans as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
	(RMB in millions, except for percentages)							
Secured entrusted loans ⁽¹⁾	89.2	46.4	24.0	27.8	90.7	77.1	162.3	50.9
Other entrusted loans	62.7	32.7	36.6	42.5	27.0	22.9	92.7	29.1
Credit entrusted loans	40.2	20.9	25.6	29.7	—	—	64.0	20.0
Total	<u>192.1</u>	<u>100.0</u>	<u>86.2</u>	<u>100.0</u>	<u>117.7</u>	<u>100.0</u>	<u>319.0</u>	<u>100.0</u>

Note:

(1) Including (i) secured entrusted loans where the intermediary banks are registered as beneficiaries of the collateral, and (ii) secured entrusted loans where Foshan Industrial Investment acts as the principal, and we, as the guarantee provider for the borrowers of Foshan Industrial Investment are registered as the beneficiary of the collateral.

We have adopted a series of risk management measures to value the collateral provided by our customers. See “Risk Management — Credit Risk Management — Key Credit Risk Management Process — Due Diligence”.

Distribution of Entrusted Loan by Customer Industry

As of December 31, 2012 and 2013, approximately 69.7% and 57.0%, respectively, of the total balance of our entrusted loans were provided for customers operating in the wholesale and retail and manufacturing industries, out of which a majority of the customers were operating in the wholesale and retail industry, representing approximately 48.6% and 22.9%, respectively, of the total balance of our entrusted loans as of the same dates. As of December 31, 2014 and June 30, 2015, approximately 79.6% and 73.5%, respectively, of the total balance of our entrusted loans were provided for customers operating in the wholesale and retail and services industries, out of which a majority of the customers were operating in the wholesale and retail industry, representing approximately 50.3% and 56.1%,

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respectively, of the total balance of our entrusted loans for the same periods. See “Risk Factors — Risks Relating to Our Business — Our customers are concentrated in several industries and any economic downturns in those industries may have a material and adverse effect on our business, financial condition and results of operations.”

Set forth below is a breakdown of the balance of our entrusted loans by customer industry and their respective percentages to the total balance of our entrusted loans as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
(RMB in millions, except for percentages)								
Wholesale and retail.....	93.4	48.6	19.7	22.9	59.1	50.3	178.9	56.1
Services.....	16.2	8.4	7.0	8.1	34.5	29.3	55.5	17.4
Transportation, warehousing and postal service.....	18.0	9.4	15.9	18.4	12.4	10.5	12.4	3.9
Manufacturing.....	40.5	21.1	29.3	34.1	9.3	7.9	19.7	6.2
Real Estate.....	8.0	4.2	14.0	16.2	2.4	2.0	10.0	3.1
Construction.....	15.0	7.8	–	–	–	–	–	–
Individual businesses.....	1.0	0.5	0.3	0.3	–	–	42.5	13.3
Total.....	192.1	100.0	86.2	100.0	117.7	100.0	319.0	100.0

Maturity Profile of Our Entrusted Loan Portfolio

We focus on providing short-term entrusted loans to minimize our risk exposure and, as a result, most of our entrusted loans had a term of less than one year during the Track Record Period.

Set forth below is the maturity profile of the balance of our entrusted loans and their respective percentages to the total balance of our entrusted loans as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Balance	%
	Balance	%	Balance	%	Balance	%		
(RMB in millions, except for percentages)								
Overdue.....	27.6	14.3	20.9	24.2	25.8	21.9	94.2	29.5
Due within three months.....	54.5	28.4	38.0	44.1	79.6	67.6	151.8	47.6
Due in over three months up to one year.....	106.0	55.2	25.8	30.0	12.3	10.5	73.0	22.9
Due in over one year.....	4.0	2.1	1.5	1.7	–	–	0.0	0.0
Total.....	192.1	100.0	86.2	100.0	117.7	100.0	319.0	100.0

Micro-lending

Starting from June 2011, we held a 20% interest in Foshan Micro Credit, which offers micro-lending to SMEs, individual business proprietors and individuals in Foshan to satisfy their needs for quick access to financings. Since June 2014, we increased our equity interest in Foshan Micro Credit to 30% because

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of its good development, and our micro-lending business has been consolidated into our Group, according to HKFRS and our directors' judgment, as we entered into a concert party agreement with certain shareholders of Foshan Micro Credit who held an aggregate of 62.5% equity interest on June 20, 2014.

We may provide loans up to RMB5.0 million due to certain restrictions in the applicable laws and regulations. In general, the micro-lending that we provide have a term within one year. As of June 30, 2015, paid-in capital of Foshan Micro Credit was RMB200.0 million and the total balance of our micro-lending was RMB287.9 million, representing a leverage ratio (calculated by dividing the total balance of our micro-lending by the paid-in capital of Foshan Micro Credit) was 1.44.

Depending on the loan size, we classify our micro-lending products and services into two categories:

- *Small and medium loans:* loans we principally provide to SMEs, individual business proprietors and individuals for an amount from RMB300,000 to RMB5 million; and
- *Micro loans:* loans we principally provide to SMEs, individual business proprietors and individuals for an amount not exceeding RMB300,000.

Similar to our entrusted loan business, we generally require our customers to provide guarantees.

Pursuant to the Guidance on the Pilot Operation of Micro-lending Companies (關於小額貸款公司試點的指導意見) jointly promulgated by the CBRC and the PBOC, the interest rates charged for private lending may not exceed four times of the interests charged by commercial banks for comparable loans, which is generally comparable to the prevailing interest rate announced by the PBOC. The interest rate we charge on our micro-lending depends on a number of factors, such as the prevailing interest rate announced by the PBOC, the term of the loan, the repayment method of our customer, the exposure size of the loans, the credit record of our customer with us and whether the customer is operating in the professional market, namely, a market which has a focused region, industry and scale. For the six months ended December 31, 2014 and June 30, 2015, our annualized average interest fee rate for micro-lending was 20.9% and 19.3%, respectively.

During the Track Record Period, the interest rate we charged for each loan provided by Foshan Micro Credit was below the four-time threshold of the applicable interest rates announced by the PBOC. Our PRC legal advisors, King & Wood Mallesons, confirmed that, our subsidiary, Foshan Micro Credit, had complied with the relevant laws, regulations and regulatory rules and was not subject to any regulatory actions during the Track Record Period.

Customers and Micro-lending Contracts

For the six months ended June 30, 2015, we received interest income from our provision of 376 micro-lending to 272 customers.

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Set forth below is a breakdown of the number of our micro-lending contracts in effect by principal amount as stipulated in the relevant micro-lending contracts and their respective percentages to the total number of our micro-lending contracts for the periods indicated:

	Year ended December 31, 2014		Six months ended June 30, 2015	
	Number	%	Number	%
Up to RMB300,000	231	43.3	127	33.8
Over RMB300,000 to RMB500,000 ...	20	3.7	54	14.4
Over RMB500,000 to RMB1 million ..	42	7.9	37	9.8
RMB1 million to RMB3 million	116	21.7	85	22.6
Over RMB3 million	125	23.4	73	19.4
Total	<u>534</u>	<u>100.0</u>	<u>376</u>	<u>100.0</u>

Micro-lending Portfolio

Set forth below is the key operating data of our micro-lending business as of the dates or for the periods indicated:

	As of or for the six months ended			
	December 31, 2014		June 30, 2015	
	(RMB in millions, except for percentages)			
	Amount	%	Amount	%
Balance				
— Small and medium loans	254.8	94.8	277.4	96.4
— Micro loans	14.0	5.2	10.5	3.6
Total	<u>268.8</u>	<u>100.0</u>	<u>287.9</u>	<u>100.0</u>
Average month end balance ⁽¹⁾	241.3		254.7	
Interest income.....	25.2		24.6	
Average interest fee rate ⁽²⁾	20.9%		19.3%	

Notes:

- (1) The average month end balance is derived by averaging our month end balances of our micro-lendings during the relevant period.
- (2) Average interest fee rate is derived by dividing the annualized interest income from our micro-lending business by average month end balance of our micro-lendings. The annualized interest income from our micro-lending business is calculated by multiplying the interest income from our micro-lending business by two.

Distribution of Micro-lending by Collateral

Depending on whether a guarantee or collateral is provided, we classify our micro-lending into the following three categories:

- *Other Micro-lending:* Micro-lending guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily determined, or on which we do not have priorities other beneficiaries such collateral includes unregistrable real properties and land use over rights, and registrable account receivables, vehicles, machineries, inventories and equity interests;

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- *Secured Micro-lending:* Micro-lending 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 determined; and (iii) we have priorities over other beneficiaries on such collateral. Such collateral mainly includes real properties and land use rights. As of December 31, 2014 and June 30, 2015, the loan-to-value ratio of our micro-lendings (calculated as the net balance of our micro-lendings divided by the value of the collateral securing the micro-lendings) was 57.0% and 51.8%, respectively. The collateral securing the micro-lendings we provided does not overlap with the collateral securing the capital we provided under our financing solutions and arrangements, and therefore such loan-to-value ratios have not taken into account our provision of capital under our financing solutions and arrangements;
- *Credit Micro-lending:* Micro-lending which are not secured by collaterals or guaranteed.

Set forth below is a breakdown of the balance of our micro-lending by collateral and their respective percentages to the total balance of our micro-lending as of the dates indicated:

	As of December 31, 2014		As of June 30, 2015	
	Balance	%	Balance	%
	(RMB in millions, except for percentages)			
Other micro-lending	200.5	74.6	211.2	73.4
Secured micro-lending	67.8	25.2	75.9	26.4
Credit micro-lending	0.5	0.2	0.8	0.2
Total	268.8	100.0	287.9	100.0

We have adopted a series of risk management measures to value the collateral provided by our customers. See “Risk Management — Credit Risk Management — Key Credit Risk Management Process — Due Diligence”.

Distribution of Micro-lending by Customer Industry

Our customers for micro-lending business primarily operate in the manufacturing and service industries, or operate their individual businesses, which in the aggregate accounted for approximately 90.5% as of June 30, 2015. Set forth below is a breakdown of the balance of our micro-lending by customer industry as of the dates indicated:

	As of December 31, 2014		As of June 30, 2015	
	Balance	%	Balance	%
	(RMB in millions, except for percentages)			
Manufacturing	93.2	34.7	64.5	22.4
Individual businesses	90.0	33.5	71.5	24.8
Services	56.3	20.9	124.7	43.3
Wholesale and retail	22.1	8.2	23.2	8.1
Others ⁽¹⁾	7.2	2.7	4.0	1.4
Total	268.8	100.0	287.9	100.0

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Note:

(1) *Others include data from other industries including, among others, agriculture, forestry, livestock and fisheries.*

Maturity Profile of Micro-lending Portfolio

We focus on providing short-term micro-lending to minimize our risk exposure and, as a result, most of our micro-lending had a term of less than one year during the Track Record Period.

Set forth below is the maturity profile of the balance of our micro-lending and their respective percentages to the total balance of our micro-lending as of the dates indicated:

	As of December 31, 2014		As of June 30, 2015	
	Balance	%	Balance	%
	(RMB in millions, except for percentages)			
Overdue	1.2	0.4	2.2	0.8
Due within three months	125.0	46.6	133.7	46.4
Due in over three months up to six months	73.5	27.3	54.1	18.8
Due in over six months up to one year	68.7	25.6	96.2	33.4
Due in over one year	0.4	0.1	1.7	0.6
Total	<u>268.8</u>	<u>100.0</u>	<u>287.9</u>	<u>100.0</u>

Consulting Services

To complement our businesses, during the Track Record Period, upon our customers' request, we provided consulting services to our customers to address their financing needs. We provide the consulting services through our Company, Anhui Join-Share, Foshan Consultancy and Hefei Consultancy (the "Consultancy Entities"). Through our long-standing and intensive cooperation with numerous commercial banks in financing guarantee business, we had established cooperative relationships with 13 commercial banks as of June 30, 2015 and developed an extensive and in-depth understanding of the approval condition, requirements and procedures of commercial banks to extend loan to SMEs. Leverage on such expertise and experience, we formulated and arranged for such customers appropriate financing solution and arrangement through (i) advising our customers on their financing structures, (ii) referring them to commercial banks which suit their needs; (iii) assisting them to prepare the relevant financing documentation; and (iv) facilitating the overall financing application and approval procedures. Our ability and established reputation to assist customers to obtain financings attracted an increasing number of customers to our consulting services. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we received service fee from consulting services from 146, 154, 216 and 166 customers, respectively. As advised by our PRC legal advisors, King & Wood Mallesons, the provision of the consulting services (including financing solutions and arrangements) is within the business scope specified in the business license of each of the Consultancy Entities.

If needed, we provided capital to our existing guarantee customers under financing solutions and arrangements upon their requests to enable them to address their cash flow requirement to repay their financings from commercial banks and trust loans which we guaranteed when their borrowings are expected to become due soon and they need additional capital in order to facilitate their full repayment to their lenders in time. Our Directors believe that it is in our commercial interest in providing the capital under financing solutions and arrangements to our guarantee customers, after taking into account that any

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failure of our guarantee customers to repay their lenders in time may seriously jeopardize their credit profiles with their lenders, thereby further increasing their difficulty in obtaining financing or refinancing for their business operation and hence increase our risks and potential losses as a result of our performance of the relevant guarantees when such customers are in default of their borrowings. In addition, we believe that our provision of such financing solutions and arrangements, including our provision of capital to our customers, enhances our guarantee customer loyalty and enables us to foster business relationship with them.

The capital we provided under such solutions and arrangements are non-interest bearing. We charge a lump sum service fee or waive such service fee at our discretion as appropriate for the provision of consulting services and financing solutions and arrangements. The capital we provided under the financing solutions and arrangements for which we waived the service fees accounted for 4.0%, 13.7%, 16.8% and 0.0% of the total capital we provided under the financing solutions and arrangements during the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Our decision to provide capital under financing solutions and arrangements and the service fee we charged or waived are determined on a case-by-case basis and after we have considered our customers' risk profile, creditworthiness, the length of established business relationship with us, credit records, counter-guarantees and/or collateral offered, the duration of financing solutions and arrangements that we are requested to offer and the amount of capital we are requested to offer. During the period from January 1, 2012 to February 28, 2015, the service fee we charged for the financing solutions and arrangements we provided ranged from nil to approximately RMB0.7 million. In addition to the factors stated above, since March 2015, we have standardized and fixed the maximum service fee we charge at 3% of the capital we provide, and we have ceased waiving the payment of such service fee since then. The terms of financing solutions and arrangements we provided to customers generally were shorter than 12 months during the Track Record Period and before March 2015. To better manage our credit risk and recoverability of receivables, since March 2015, we have shortened the maximum repayment term to six months. We have also implemented measures to manage the recoverability of receivables from guarantee customers under such financing solutions and arrangements. See "Financial Information — Description of Selected Items of Consolidated Statement of Financial Position — Trade and Other Receivables — Receivables from Guarantee Customers" for further details. There are currently no PRC laws and regulations imposing a maximum amount of capital that we can provide to our customers under our financing solutions and arrangements.

Different from our SME lending business, under such financing solutions and arrangements, we provided capital to our existing guarantee customers only. The capital is provided to guarantee customers for the purpose of facilitating their repayment obligation under their borrowings and our Directors consider this as a form of early performance of the guarantee obligations by us before the guarantee customers have been in default of their borrowings and it is essentially an extension of our financing guarantee business. Therefore, capital is provided under the financing solutions and arrangements through our Company and Anhui Join-Share, which are companies engaging in guarantee business and guaranteeing the relevant obligations of our customers. We provide the capital to our existing guarantee customers under the financing solutions and arrangements rather than in the form of entrusted loans or micro-lendings, because: (i) we typically require our customers to use the collateral that secured the original guarantees to secure the capital we provide to them under the financing solutions and arrangements. As the provision of the capital under the financing solutions and arrangements is essentially an extension of our financing guarantee business, our Company and Anhui Join-share are entitled to the existing collateral which has already been registered under their names pursuant to the original guarantees provided by us. It is our practice that our Company and Anhui Join-share will continue to hold the collateral under the names of the entities which the collateral was registered until our customers repay their lenders under the original guarantee and the capital we provide. If we provide the capital in the form of entrusted loans or micro-lendings instead, our customers may not register the

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collateral under the names of the entities through which we provide the entrusted loans or micro-lendings before we provide them with such entrusted loans or micro-lendings, which will leave the entrusted loans or micro-lendings we provided to them unsecured and thus expose us to higher risks; and (ii) Foshan Micro Credit, our subsidiary through which we provide micro-lendings, is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province only, and the loan it extends to a single customer cannot exceed RMB5 million. Therefore, we cannot provide micro-lendings to our guarantee customers under the financing solutions and arrangements if such customers are not located in Chancheng District, Foshan, Guangdong province, or if the capital a single customer requests us to provide exceeds RMB5 million.

PRC government has been encouraging financial institutions to provide financing solutions to ease SMEs' difficulties in meeting their financing needs. Our provision of capital to our existing guarantee customers under our financing solutions and arrangements is an initiative to help SMEs meet their financing needs. We have consulted the financial affairs offices of Guangdong provincial government and Anhui provincial government, and they have indicated their support to our provision of capital to the guarantee customers under our financing solutions and arrangements as an initiative to help SMEs meet their financing needs. As confirmed by the financial affairs offices of Guangdong provincial government and Anhui provincial government, the provision of the capital under the financing solutions and arrangements is an extension of our financing guarantee business, which is, as advised by our PRC legal advisors, King & Wood Mallesons, within the business scopes specified in the business licenses of our Company and Anhui Join-Share.

We have consulted the financial affairs offices of Guangdong provincial government and Anhui provincial government, which confirmed that our provision of capital to our existing guarantee customers under the financing solutions and arrangements as mentioned above is not lending in nature and is not prohibited under the prevailing PRC laws and regulations. To seek further written confirmations from these two regulatory bodies, we made a submission to the financial affairs office of Guangdong provincial government on October 25, 2015, with a view to seek their confirmations regarding our legal and regulatory compliance in respect of our business of the provision of the financing solutions and arrangements (including the provision of the capital thereunder and the charging and receipt of the service fee for our provision of the financing solutions and arrangements) in Guangdong province. In response to our submission, the financial affairs office of Guangdong provincial government issued the regulatory opinions on October 28, 2015, pursuant to which it confirmed that (i) there are currently no specific PRC laws and regulations which regulate the business of the provision of the financing solutions and arrangements; (ii) the provision of the financing solutions and arrangements is essentially an extension of our financing guarantee business and it is neither regarded as entrusted loans, micro-lending or loans extended to borrowers nor the circumvention of the various regulatory requirements applicable to entrusted loans, micro-lending, or loans extended to borrowers; (iii) our provision of the financing solutions and arrangements does not contravene the prevailing PRC laws and regulations; and (iv) we were not fined by it or its subordinate departments in relation to our business of the provision of the financing solutions and arrangements.

We also made a submission to the financial affairs office of Anhui provincial government on October 30, 2015 to seek its view on our provision of the financing solutions and arrangements (including the provision of the capital thereunder and the charging and receipt of the service fee for our provision of the financing solutions and arrangements) in Anhui province. In our submission, we have set out the background for providing financing solutions and arrangements to our existing guarantee customers, the nature of such services which are essentially an extension of guarantee and different from extending loans to our customers. In response to our submission, the financial affairs office of Anhui provincial government issued the regulatory opinions on November 3, 2015, pursuant to which it confirmed that (i) there are currently no specific PRC laws and regulations which regulate our business of the provision of

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the financing solutions and arrangements; and (ii) we were not fined by it or its subordinate departments in relation to our business of the provision of the financing solutions and arrangements. As at the Latest Practicable Date, our Directors confirm that the financial affairs offices of Anhui provincial government did not raise any objection to the nature that provision of the financing solutions and arrangements is essentially an extension of our financing guarantee business and different from extending loans to our customers.

Our PRC legal advisors, King & Wood Mallesons, advise that, under the prevailing PRC regulatory regime, the daily supervision and the administration of the financing guarantee companies are subject to territorial jurisdiction in each of the provincial-level administrative region and that the financial affairs offices of Guangdong provincial government and Anhui provincial government are the provincial-level and also the supreme regulatory authorities in charge of the supervision and administration of the financing guarantee companies in their respective jurisdictions and thus the possibility of their confirmations to be challenged by a higher regulatory authority is remote. As advised by our PRC legal advisers, King & Wood Mallesons, there are currently no specific PRC laws and regulations which regulate the charging and receipt of the service fees for the provision of the financing solutions and arrangements and the provision of the capital under the financing solutions and arrangements and such business is not prohibited by the current PRC laws and regulations, in other words, such business shall not be deemed as lending or any other activity that financing guarantee companies is prohibited from by the Interim Administrative Measures for Financing Guarantee Companies (融資性擔保公司管理暫行辦法) or other applicable regulations. Under such regulatory environment and based on the submissions made by our Group and the confirmations made by the financial affairs offices of Guangdong provincial government and Anhui provincial government and having considered that (i) those governmental authorities are competent authorities to issue the above confirmations within their respective jurisdictions; and (ii) the Company and Anhui Join-share were not fined in relation to their business of provision of the financing solutions and arrangements, our PRC legal advisers, King & Wood Mallesons, are of the view that our operation of such business, in particular, (i) the provision of capital under the financing solutions and arrangements; and (ii) the charging and the receipt of the service fee for the provision of the financing solutions and arrangements, does not contravene the currently valid PRC laws and regulations and will not be regarded as the circumvention of the relevant laws and regulations to conduct the lending business.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our service fee from consulting services amounted to RMB25.1 million, RMB26.1 million, RMB41.8 million and RMB17.6 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the income generated from the financing solutions and arrangements amounted to RMB3.46 million, RMB3.98 million, RMB6.67 million and RMB2.06 million, respectively, representing 1.5%, 1.5%, 2.2% and 1.4%, respectively, of our total revenue.

Customers and Contracts

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we provided capital to 18, 27, 42 and 30 of our then existing guarantee customers, respectively, under the financing solutions and arrangements we provided to them.

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In case where we agree to provide capital to our guarantee customers, we will enter into written agreements with them, setting out the terms of provision of capital by us and the repayment date. Set forth below is a breakdown of the number of arrangements between us and our customers relating to the provision of capital under the financing solutions and arrangements by balance of capital we provided under such arrangements as of the dates indicated, and their respective percentages to the total number of such arrangements as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Number	%	Number	%	Number	%	Number	%
Up to RMB5 million	1	100.0	2	66.7	11	84.6	21	75.0
Over RMB5 million to RMB10 million.....	—	—	1	33.3	1	7.7	6	21.4
Over RMB10 million to RMB20 million	—	—	—	—	1	7.7	1	3.6
Total	<u>1</u>	<u>100.0</u>	<u>3</u>	<u>100.0</u>	<u>13</u>	<u>100.0</u>	<u>28</u>	<u>100.0</u>

Portfolio of the Capital Provided Under the Financing Solutions and Arrangements

Distribution of Outstanding Capital by Collateral

Where capital is provided to our customers pursuant to such financing solutions and arrangements, it is typically secured by the counter-guarantees and/or collateral that such customers provided to us under the original guarantees we provided to them. The original guarantees can be classified into three categories: secured guarantees, other guarantees and credit guarantees. See “— Products and Services — Guarantees — Guarantee Portfolio — Distribution of Outstanding Guarantees by Collateral.” Accordingly, we classify the capital we provided under the financing solutions and arrangements into three categories:

- *Secured capital:* Capital provided under the financing solutions and arrangements which is secured by collateral that was used to secure the original guarantee which falls into the category of “secured guarantees”. As of December 31, 2012, 2013 and 2014 and June 30, 2015, the loan-to-value ratio of our secured provision of capital (calculated as the net balance of the capital provided divided by the value of the collateral securing the capital) was 119.6%, 50.8%, 33.9% and 37.6%, respectively;
- *Other capital:* Capital provided under the financing solutions and arrangements which is secured by collateral that was used to secure the original guarantee which falls into the category of “other guarantees”; and
- *Credit capital:* Capital provided under the financing solutions and arrangements which is not secured by any collateral or counter-guarantee.

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Set forth below is a breakdown of the net balance of the capital we provided under the financing solutions and arrangements by collateral and their respective percentages to the total net balance of such capital as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)								
Secured capital	1.2	100.0	0.5	5.0	37.1	92.5	71.7	69.3
Other capital	-	-	9.6	95.0	3.0	7.5	31.8	30.7
Credit capital	-	-	-	-	-	-	-	-
Total	<u>1.2</u>	<u>100.0</u>	<u>10.1</u>	<u>100.0</u>	<u>40.1</u>	<u>100.0</u>	<u>103.5</u>	<u>100.0</u>

Distribution of Outstanding Capital by Customer Industry

As of December 31, 2012, 2013 and 2014 and June 30, 2015, approximately 0.0%, 98.0%, 86.5% and 78.1%, respectively, of the total net balance of our outstanding capital we provided under the financing solutions and arrangements were for customers operating in the manufacturing and wholesale and retail industries.

Set forth below is a breakdown of the net balance of such outstanding capital by customer industry and their respective percentages to the total net balance of such outstanding capital as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)								
Manufacturing	-	-	9.9	98.0	20.7	51.6	29.1	28.1
Wholesale and retail	-	-	-	-	14.0	34.9	51.7	50.0
Construction	-	-	-	-	1.0	2.5	2.1	2.0
Transportation, warehousing and postal service	1.2	100.0	0.2	2.0	-	-	-	-
Service.....	-	-	-	-	4.4	11.0	20.6	19.9
Total	<u>1.2</u>	<u>100.0</u>	<u>10.1</u>	<u>100.0</u>	<u>40.1</u>	<u>100.0</u>	<u>103.5</u>	<u>100.0</u>

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Maturity Profile of the Portfolio of the Capital Provided Under the Financing Solutions and Arrangements

Set forth below is the maturity profile of the net balance of such outstanding capital and their respective percentages to the total net balance of such outstanding capital as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Balance	%	Balance	%	Balance	%	Balance	%
(RMB in millions, except for percentages)								
Due within six months	–	–	10.1	100.0	38.1	95.0	70.1	67.7
Due in over six months up to one year	–	–	–	–	–	–	–	–
Due in over one year	1.2	100.0	–	–	–	–	–	–
Overdue	–	–	–	–	2.0 ⁽¹⁾	5.0	33.4 ⁽¹⁾	32.3
Total⁽²⁾	1.2	100.0	10.1	100.0	40.1	100.0	103.5	100.0

Set forth below is the maturity profile of the number of arrangements between us and our customers relating to the provision of capital under the financing solutions and arrangements and their respective percentages to the total number of such arrangements as of the dates indicated:

	As of December 31,						As of June 30,	
	2012		2013		2014		2015	
	Number	%	Number	%	Number	%	Number	%
Due within six months	–	–	3	100.0	12	92.3	17	60.7
Due in over six months up to one year	–	–	–	–	–	–	–	–
Due in over one year	1	100.0	–	–	–	–	–	–
Overdue	–	–	–	–	1 ⁽¹⁾	7.7	11 ⁽¹⁾	39.3
Total	1	100.0	3	100.0	13	100.0	28	100.0

Notes:

- (1) The overdue amount of RMB2.0 million under the arrangement relating to the provision of capital as of December 31, 2014 was collected in 2015. The overdue amount of RMB33.4 million under the 11 arrangements relating to the provision of capital as of June 30, 2015 was collected by August 31, 2015.
- (2) As of October 31, 2015, we had collected RMB1.2 million, RMB10.1 million, RMB40.1 million and RMB59.3 million, respectively, among the balance of the capital we provided to our customers under the financing solutions and arrangements as of December 31, 2012, 2013 and 2014 and June 30, 2015, representing 100.0%, 100.0%, 100.0% and 57.3% of such net balance, respectively.

KEY BUSINESS PROCESS

We have standard business procedures for reviewing, processing and approving a guarantee or SME lending application.

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Initial Application Assessment: We consider whether to accept a customer's application for a guarantee and SME lending based on our initial assessment of the background and repayment ability of such customer, purpose of the financing and guarantees or counter-guarantees provided by such customer.

Due Diligence: We collect a customer's information, including information on its operations, financial information and the guarantees or counter-guarantees it provides directly from such customer, public sources or third parties, if necessary. We gather information from the PBOC creditor center, which maintains credit data, including credit history and account receivables. We may also conduct on-site visits and interviews with the customer. Based upon the results of our due diligence and evaluation on the customer's background, operational and financial status and financial resources, such as availability of guarantees and counter-guarantees, our project manager will prepare and submit a project investigation report for our internal review and approval.

Review and Approval: Our risk management department is responsible for reviewing the project investigation report and our project approval officers will conduct quantitative, qualitative and legal assessments. Based on the assessment results, the project approval officers will then prepare a project assessment report. The risk management director may approve a transaction not exceeding a certain transaction value, and further approvals of the president, Chairman or Board of Directors may also be required, depending on the transaction value. For further details, please refer to "Risk Management — Credit Risk Management — Review and Approval."

Most of the financing requests that cannot meet our basic customer eligibility requirements are screened out by our project managers in the initial application assessment process, and will not be further processed or proceeded to review and approval process. Set forth below are the rejection rates in our business during the review and approval process for the periods indicated:

	Year ended December 31,			Six months
	2012	2013	2014	ended June 30, 2015
Guarantees				
Number of applications received	698	784	678	399
Declined applications after review	31	36	54	29
Rejection rate	4.4%	4.6%	8.0%	7.3%
Entrusted Loans				
Number of applications received	123	110	103	37
Declined applications after review	6	4	3	2
Rejection rate	4.9%	3.6%	2.9%	5.4%
Micro-lending⁽¹⁾				
Number of applications received	N/A	N/A	445	274
Declined applications after review	N/A	N/A	58	33
Rejection rate	N/A	N/A	13.0%	12.0%

Note:

(1) Data of our micro-lending business in 2012 and 2013 are not applicable as we only consolidated the results of Foshan Micro Credit into our Group in June 2014. See "Products and Services — Micro-lending."

Signing and Closing: Upon receiving our internal approval, we will proceed with signing and closing, and if any registrable collateral is provided, we will register our security interest in such collateral with the relevant governmental authorities before we issue the letter of guarantee to banks or make our funds available for drawdown.

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Post-transaction Supervision: Our project managers review our customers' credit profile periodically. We classify our customers' credit profile into five levels, with different frequency of our post-transaction inspections. In cases where any heightened risk is noticed, such as material changes in a customer's business or difficulties in repaying the financing we guaranteed or granted, our risk management team will step in and participate in communicating with such customer on its repayment to us. If such customer defaults, we will proceed with the collection and recovery process, through which we seek repayment of any default payment we made or lendings we granted.

Collection and Recovery: We have a standardized collection and recovery procedure for our businesses. We initiate the collection process when we make default payments for a customer or a customer defaults on the loans we granted. We will negotiate with the customer and its guarantors or counter-guarantors, as the case may be, to settle the default amount or enforce the collaterals to repay the default amount. We may initiate legal or arbitration proceedings against a customer if there is any dispute over our right to the collateral or other guarantees.

For details regarding the each key business process above, see "Risk Management — Key Credit Risk Management Process."

PROVISIONING AND IMPAIRMENT POLICIES AND ASSET QUALITY

Provisions for Guarantee Losses and Impairment Losses on Receivables for Default Guarantee Payments

According to the Interim Measures, a financing guarantee company must set aside 50% of its guarantee fee income for each year as unearned premium reserves, and no less than 1% of its year-end net balance of guarantee liabilities as guarantee indemnity reserves. In addition, according to the accounting standards promulgated by the Ministry of Finance, a financing guarantee company must apply the applicable accounting policies which it adopts regarding the recognition of guarantee income and provisions for guarantee losses. During the Track Record Period, we complied with the Interim Measures. We consider it as an indication that we had made sufficient provisions in our guarantee business throughout the Track Record Period. As such, our Directors believe that our provisions for guarantee losses were adequate.

Once our customer defaults and we settle the default payments for it, we record the relevant payments as receivables for default guarantee payments on our statement of financial position. For each of our receivables for default guarantee payments, we normally assess, on an individual basis, the on-going business operations of the borrower and cost for disposing of the collateral provided (if any) as well as other factors to determine the reasonable amount of provisions for probable losses, and recognize the related provisions using the concept of impairment under Hong Kong Accounting Standard 39 ("HKAS 39"). According to our accounting policies, if there is objective evidence that indicates the cash flow for a default guarantee payment is expected to decrease and the amount can be estimated, or if there is any adverse change in the repayment status of the borrower or in national or local economic conditions that cause the default in payment, we impair such default guarantee payment and recognize a relevant amount of impairment loss.

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Set forth below are the key ratios in our guarantee business as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30, 2015
	2012	2013	2014	
Default rate⁽¹⁾	1.96%	1.59%	1.59%	1.75%
Default payment (RMB in millions) ...	69.3	61.9	72.9	37.0
Guarantees released (RMB in millions)	3,538.7	3,889.4	4,600.9	2,111.6
Provision ratio⁽²⁾	1.25%	1.31%	1.63%	1.50%
Provisions for guarantee losses (RMB in millions)	54.7	68.3	76.4	65.6
Net balance of our outstanding guarantees (RMB in millions)	4,366.4	5,218.8	4,688.2	4,387.5
Loss ratio⁽³⁾	0.60%	0.56%	0.48%	0.46%
Impairment losses on receivables for default guarantee payments (RMB in millions)	21.3	21.6	22.2	9.8
Guarantees released (RMB in millions)	3,538.7	3,889.4	4,600.9	2,111.6
Loss/revenue ratio⁽⁴⁾	13.56%	13.05%	13.00%	13.61%
Impairment losses on receivables for default guarantee payments (RMB in millions)	21.3	21.6	22.2	9.8
Revenue from our guarantee business (RMB in millions)	156.9	165.8	170.4	72.0
Recovered amount (RMB in millions) .	12.0	9.6	16.4	12.1
Recovery ratio⁽⁵⁾	17.38%	15.53%	22.47%	32.69%

Notes:

- (1) *Default payment for a period divided by guarantees released during the same period. Default rate indicates the quality of our guarantee portfolio. We use the amount of guarantees released to calculate our default rate because such method is recommended by the CBRC in its notice published in September 2010. We believe that a comparison of default payments against our guarantees released during the same period provides a better representation of our default rate. By dividing the default payment by the amount of guarantees released, we can properly present the default payment as a percentage of the aggregate amount of guarantees released. Guarantees released are calculated by adding the net balance of our guarantees at the beginning of the year and the guarantees we provide during the year and deducting the net balance of our guarantees at the end of the year.*
- (2) *Provisions for guarantee losses at a period end divided by the net balance of the outstanding guarantees. The provision ratio indicates the level of reserve we set aside for our guarantee portfolio.*
- (3) *Impairment losses on receivables for default guarantee payments divided by guarantees released. Loss ratio indicates the level of estimated loss for our receivables for default guarantee payments. Similar to the calculation of our default rate, we believe a comparison of the amount of impairment losses on receivables for default guarantee payments against our guarantees released during the same period provides a better representation of our loss ratio.*
- (4) *Impairment losses on receivables for default guarantee payments divided by revenue from our guarantee business.*
- (5) *Recovered amount for the period indicated divided by default payment during the same period.*

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The default rate decreased from 2012 to 2013, primarily because we strengthened the post-transaction supervision in 2013. The default rates remained stable in 2013 and 2014. The increase in default rate in the six months ended June 30, 2015 compared to 2014, was primarily because many SMEs have encountered increasing pressure on cash flow due to the general slowdown in China's economic growth in recent years.

The provision ratio remained stable in 2012 and 2013. The provision ratio increased from 2013 to 2014, primarily due to the risk of default arising from certain uncertainties in our industries. The decrease in provision ratio in the six months ended June 30, 2015 compared to 2014, was primarily due to the decrease in the percentage of the net balance of our outstanding financing guarantees, based on which the provisions for guarantee losses were derived, to the total net balance of our outstanding guarantees.

Our loss ratio and loss/revenue ratio remained stable during the Track Record Period.

The recovery ratio increased from 2013 to 2014, and further increased to the six months ended June 30, 2015, primarily because we established the asset safeguard department in 2014 to further strengthen our ability to recover default payment in our guarantee business.

Set forth below is a breakdown of our default payment by customer industry for the periods indicated:

Industry	Year ended December 31, 2014		Six months ended June 30, 2015	
	Number of customers	Amount	Number of customers	Amount
		(RMB in millions)		(RMB in millions)
Wholesale and retail	7	26.8	2	4.5
Manufacturing	12	37.8	9	16.1
Others	4	8.3	3	16.5
Total	23	72.9	14	37.0

Provisions for SME Lendings

We review our SME lending portfolio periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment. See "Financial Information — Critical Accounting Policies — Impairment of receivables, loans and advances to customers and available-for-sale financial assets" and note 34(b)(i) to our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

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Set forth below are the key ratios in our SME lending business as of the dates and for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Impaired loan ratio⁽¹⁾				
Entrusted loans	12.3%	23.1%	21.9%	22.2%
Micro-lending ⁽²⁾	–	–	0.8%	1.1%
Balance of impaired loans (RMB in millions)				
Entrusted loans	23.6	19.9	25.8	70.9
Micro-lending	–	–	2.1	3.1
Balance of loans (RMB in millions)				
Entrusted loans	192.1	86.2	117.7	319.0
Micro-lending	–	–	268.8	287.9
Allowance coverage⁽³⁾				
Entrusted loans	99.6%	92.0%	67.4%	33.3%
Micro-lending ⁽²⁾	–	–	557.1%	441.9%
Allowance for impairment losses ⁽⁴⁾ (RMB in millions)				
Entrusted loans	23.5	18.3	17.4	23.6
Micro-lending ⁽²⁾	–	–	11.7	13.7
Balance of impaired loans (RMB in millions)				
Entrusted loans	23.6	19.9	25.8	70.9
Micro-lending ⁽²⁾	–	–	2.1	3.1
Provision for impairment losses ratio⁽⁵⁾				
Entrusted loans	12.2%	21.3%	14.8%	7.4%
Micro-lending ⁽²⁾	–	–	4.4%	4.8%
Loss/revenue ratio⁽⁶⁾				
Entrusted loans	39.4%	–	2.5%	18.5%
Micro-lending ⁽²⁾	–	–	23.0%	8.1%
Impairment losses/(write back) on loans (RMB in millions)				
Entrusted loans	16.8	(2.4)	1.7	6.1
Micro-lending ⁽²⁾	–	–	5.8	2.0
Interest income (RMB in millions)				
Entrusted loans	42.6	61.6	69.0	32.9
Micro-lending ⁽²⁾	–	–	25.2	24.6

Notes:

- (1) The balance of impaired loans divided by the balance of loans. Impaired loan ratio indicates the quality of our loan portfolio.
- (2) Data of our micro-lending business as of or for the years ended December 31, 2012 and 2013 is not included as we only consolidated its results since June 2014. See "Products and Services — Micro-lending."
- (3) Allowance for impairment loss for all loans (including allowances provided for performing loans which are assessed collectively, and allowances provided for impaired loans which are assessed individually) divided by the balance of impaired loans. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in our loan portfolio.
- (4) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.
- (5) Allowance for impairment losses divided by the balance of loans. Provision for impairment losses ratio measures the cumulative level of provisions.

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(6) *Impairment loss on loans divided by interest income from our micro-lending or entrusted loan business. Loss/revenue ratio is a benchmark which our management uses to monitor our financial results in relation to impairment loss incurred.*

The balance of our impaired entrusted loans decreased from RMB23.6 million as of December 31, 2012 to RMB19.9 million as of December 31, 2013, primarily due to our recovery of entrusted loans of RMB0.9 million and write-off of entrusted loans of RMB2.8 million which were not collectable. The balance of our impaired entrusted loans increased from RMB19.9 million as of December 31, 2013 to RMB25.8 million as of December 31, 2014, primarily due to the addition of an impaired entrusted loan of RMB11.0 million and our recovery and write-off of entrusted loans of RMB5.1 million in 2014.

We assess our allowance for impairment losses both individually and collectively. The allowance coverage for the impairment losses of the entrusted loans assessed collectively remained stable from December 31, 2013 to June 30, 2015. The allowance coverage for the impairment losses of the entrusted loans assessed individually decreased from December 31, 2013 to December 31, 2014, and further decreased from December 31, 2014 to June 30, 2015, because the entrusted loans impaired in 2014 and the six months ended June 30, 2015 were guaranteed by collateral of relatively higher value. The value of the collateral accounted for 15.7% of the impaired entrusted loans in 2013, and such percentage increased to 42.8% in 2014 and 135.7% in the six months ended June 30, 2015. Therefore, the overall allowance coverage for the impairment losses of the entrusted loans decreased from December 31, 2013 to December 31, 2014, and further decreased from December 31, 2014 to June 30, 2015. As our impaired loan ratio remained stable from 2013 to the six months ended June 30, 2015, the provision for impairment losses ratio also decreased from December 31, 2013 to December 31, 2014, and further decreased from December 31, 2014 to June 30, 2015.

Set forth below is a breakdown of our impaired entrusted loans by industry as of the dates indicated:

Industry	As of December 31, 2014		As of June 30, 2015	
	Number of customers	Amount (RMB in millions)	Number of customers	Amount (RMB in millions)
Real estate	1	2.4	1	2.4
Wholesale and retail	1	11.0	2	44.0
Transportation, warehousing and postal service	2	12.4	3	12.4
Manufacturing	—	—	1	3.0
Others	—	—	1	9.1
Total	4	25.8	8	70.9

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Set forth below is a breakdown of our impaired micro-lending by customer industry as of the dates indicated:

Industry	As of December 31, 2014		As of June 30, 2015	
	Number of customers	Amount	Number of customers	Amount
		(RMB in millions)		(RMB in millions)
Manufacturing	10	2.1	10	2.1
Service	1	0.0	2	0.4
Wholesale and retail	—	—	1	0.6
Total	<u>11</u>	<u>2.1</u>	<u>13</u>	<u>3.1</u>

Set forth below is a summary of our difficulties in collecting repayment from the customers of our entrusted loan and micro-lending businesses and their guarantors:

	Year ended December 31,						Six months ended June 30, 2015	
	2012		2013		2014		Amount	%
	Amount	%	Amount	%	Amount	%		
Entrusted loan business								
Number of defaults								
(customers defaulted) ⁽¹⁾	3	100.0	—	—	1	100.0	4	100.0
Shortfall amounts								
(customers defaulted)								
(RMB in millions) ⁽¹⁾	14.8	100.0	—	—	11	100.0	42.4	100.0
Micro-lending business								
Number of defaults								
(cannot locate guarantors) ⁽²⁾	—	—	—	—	5	50.0	1	50.0
Shortfall amounts								
(cannot locate guarantors)								
(RMB in millions) ⁽²⁾	—	—	—	—	0.6	31.7	0.6	62.5
Number of defaults								
(customers defaulted) ⁽¹⁾	—	—	—	—	5	50.0	1	50.0
Shortfall amounts								
(customers defaulted)								
(RMB in millions) ⁽¹⁾	—	—	—	—	1.4	68.3	0.36	37.5

Notes:

- (1) The number of defaults or the shortfall amounts, as the case may be, during the period indicated where the guarantors were located but were unable to make full repayment to us.
- (2) The number of defaults or the shortfall amounts, as the case may be, during the period indicated where we were unable to locate any guarantors.

Provisions for Consulting Services

We periodically review our portfolio of the capital we provided to our customers under the financing solutions and arrangements to assess whether any impairment losses exist and the amount of impairment losses if there is any indication of impairment.

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Set forth below are the key ratios for such capital we provided as of the dates and for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Impaired capital ratio ⁽¹⁾	—	—	—	3.57%
Balance of impaired capital provided (RMB in millions).....	—	—	—	3.70
Balance of capital provided (RMB in millions).....	1.19	10.11	40.08	103.53
Allowance coverage ⁽²⁾	N/A	N/A	N/A	262.43%
Allowance for impairment losses ⁽³⁾ (RMB in millions).....	0.14	1.21	4.28	9.71
Balance of impaired capital provided (RMB in millions).....	—	—	—	3.70
Provision for impairment losses ratio ⁽⁴⁾	11.76%	11.97%	10.68%	9.38%
Loss/revenue ratio ⁽⁵⁾	N/A	26.88%	46.03%	263.11%
Impairment losses/(write back) on capital provided (RMB in millions) .	(0.98)	1.07	3.07	5.42
Income generated from the financing solutions and arrangements (RMB in millions)	3.46	3.98	6.67	2.06

Notes:

- (1) *The balance of impaired capital provided divided by the balance of capital provided. Impaired capital ratio indicates the quality of the portfolio of the capital provided.*
- (2) *Allowance for impairment loss for all the capital provided (including allowances provided for performing capital which are assessed collectively, and allowances provided for impaired capital which are assessed individually) divided by the balance of impaired capital provided. Allowance coverage ratio indicates the level of allowance we set aside to cover probable loss in the portfolio of the capital provided.*
- (3) *Allowance for impairment losses reflects our management's estimate of the probable loss in the portfolio of the capital provided.*
- (4) *Allowance for impairment losses divided by the balance of capital provided. Provision for impairment losses ratio measures the cumulative level of provisions.*
- (5) *Impairment loss on capital provided divided by income generated from the financing solutions and arrangements. Loss/revenue ratio is a benchmark which our management uses to monitor our financial results in relation to impairment loss incurred.*

The capital we provided to our customers pursuant to the financing solutions and arrangements is typically secured by the counter-guarantees and/or collateral that such customers provided to us under the original guarantees we provided to them. Under a financing arrangement under which we provided capital to our customer, if such capital falls overdue, we impair such capital if the present value of the estimated future cash flow of such capital, calculated as the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, is lower than the carrying amount of such capital, and we determine that there is a risk that we cannot recover a portion of such capital. The capital we provided as of December 31, 2012 and 2013 did not fall overdue and we did not need to impair it. We did not impair the capital overdue as of December 31, 2014, as the present value of the estimated future cash flow of such capital was higher than the carrying amount of such capital. We impaired RMB3.70 million of the capital overdue as of June 30, 2015.

We assess our allowance for impairment losses both individually and collectively. The allowance for impairment losses we provided for the year ended December 31, 2014 and the six months ended June 30, 2015 increased significantly compared to that we provided for the years ended December 31, 2012 and 2013, primarily because the balance of the capital we provided as of December 31, 2014 and June 30,

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2015 was significantly higher than that as of December 31, 2012 and 2013. As a result, the allowance for the impairment losses assessed collectively increased significantly for the year ended December 31, 2014 and the six months ended June 30, 2015. For the same reason, the impairment losses on the capital provided increased significantly for the year ended December 31, 2014 and the six months ended June 30, 2015 as well. In particular, such impairment loss amounted to RMB5.42 million for the six months ended June 30, 2015. However, our income generated from the financing solutions and arrangements we provided for the six months ended June 30, 2015 did not increase proportionately, because (i) we have fixed the maximum service fee we charge at 3% of the capital we provide since March 2015; (ii) we have shortened the maximum term for the financing solutions and arrangements we offer to six months since March 2015; and (iii) we have stopped granting extensions for the financing solutions and arrangements we provided to our customers since March 2015. See “— Business — Products and Services — Consulting Services” and “Business — Internal Control.” As a result, our impairment loss on the capital provided for the six months ended June 30, 2015 exceeded the income generated from the financing solutions and arrangements we provided for the same period.

Although we record impairment losses on capital we provided, we have collected the overdue capital we provided of RMB2.0 million and RMB33.4 million as of December 31, 2014 and June 30, 2015, respectively, and there was no actual loss on such capital. See “Business — Products and Services — Consulting Services — Portfolio of the Capital Provided Under the Financing Solutions and Arrangements — Maturity Profile of the Portfolio of the Capital Provided Under the Financing Solutions and Arrangements.”

GOVERNMENT GRANTS

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we received government grants of approximately RMB16.3 million, RMB12.2 million, RMB2.5 million and RMB2.7 million, respectively, from national governmental authorities, such as MIIT and MOF, and local and district governmental authorities. The government grants were mainly issued with an aim to promote SME development in the PRC.

AWARDS AND RECOGNITION

We have received numerous awards and recognitions since 2006. A selection of these awards and recognitions received during the Track Record Period and up to the Latest Practicable Date are set out below:

<u>Year</u>	<u>Award/Recognition</u>	<u>Issuing Entity</u>
2015	Famous Brand of Guangdong Province (廣東省著名商標)	Guangdong Province Famous Brand committee (廣東省著名商標評審委員 會)
2014	Financing Guarantee Company with Highest Growth Rate of the Year (年度最具成長性融資擔保公司)	Financial Times/Institution of Financial Research, Chinese Academy of Social Sciences (《金融時報》社/中 國社會科學研究院金融研究所)
2014	Corporate rating AAA- (公司信用等級 AAA-)	Shenzhen Lianhe Credit Information Service Co., Ltd. (深圳聯合信用管理 有限公司)
2013	Top 30 National SME Credit Guarantee Institutions (全國中小企業 信用擔保機構三十強)	Joint Conference of the Leaders of the National SME Credit Guarantee Institutions (全國中小企業信用擔保機 構負責人聯席會議)

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Year	Award/Recognition	Issuing Entity
2013	An Enterprise with Tax Payment Exceeding RMB30 million in Foshan in 2012 (2012年度佛山市納稅超3,000萬元企業)	Foshan Municipal People's Government (佛山市人民政府)
2012	Outstanding Contribution Award for SME Credit Guarantees (中小企業信用擔保突出貢獻獎)	Joint Conference of the Leaders of the National SME Credit Guarantee Re-guarantee Institutions (全國中小企業信用擔保再擔保機構負責人聯席會議)
2012	Most Creditworthy SME Credit Guarantee Institution in the PRC (全國最具公信力中小企業信用擔保機構)	Joint Conference of the Leaders of the National SME Credit Guarantee Re-guarantee Institutions (全國中小企業信用擔保再擔保機構負責人聯席會議)
2012	Special Contribution Award for Promoting Industry Development (推動行業發展特別貢獻獎)	China Guarantee Magazine (《中國擔保》雜誌社)
2012	Best Guarantee Innovation Award (最佳擔保創新獎)	China Guarantee Magazine (《中國擔保》雜誌社)
2012	Best Risk Control Award (最佳風險控制獎)	China Guarantee Magazine (《中國擔保》雜誌社)
2011	Top 30 National Guarantee Institutions in 2010 (2010年全國擔保機構三十強)	Joint Conference of the Leaders of the National SME Credit Guarantee Institutions (全國中小企業信用擔保機構負責人聯席會議)
2011	Model Institution of SME Financing Services in Guangdong Province (廣東省中小企業融資服務示範機構)	Guangdong SME Bureau (廣東省中小企業局)
2011	Third Prize of Guangdong Finance Innovation Award in 2010 (2010年廣東省金融創新獎三等獎)	Guangdong Provincial People's Government (廣東省人民政府)
2010	Top 30 Institutions of Renminbi One Trillion Guarantee Scale in 2009 (2009年萬億擔保規模上榜機構30強)	Joint Conference of the Leaders of the National SME Credit Guarantee Institutions (全國中小企業信用擔保機構負責人聯席會議)
2009	The Enterprise with Most Social Responsibility (最具社會責任感企業)	China Association of Small and Medium Enterprises (中國中小企業協會)
2006	The Most Influential SME Credit Guarantee Institution in the PRC (全國最具影響力中小企業信用擔保機構)	Joint Conference of the Leaders of the National SME Credit Guarantee Institutions (全國中小企業信用擔保機構負責人聯席會議)

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SALES AND MARKETING

We source customers primarily through our sales and marketing team, referrals from banks, non-bank financial institutions and local governments. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our selling and marketing expenses amounted to RMB2.6 million, RMB4.1 million, RMB4.3 million and RMB1.0, respectively.

Sales and Marketing Team

Our sales and marketing team comprised over 100 project managers as of June 30, 2015. Our sales and marketing team conducts client development activities primarily through direct on-site marketing, sales campaign, advertisements on television, newspapers and internet and participating in exhibitions organized by associations, banks and governmental authorities. We have also established a designated department primarily responsible for channel marketing, focusing on the development of new and existing relationships with banks, other financial institutions and the governmental authorities. The salary of our sales and marketing team is not commission-based.

Referrals from Banks, Non-bank Financial Institutions and Local Governments

Referrals from cooperative banks are one of the key sources for our guarantee business. As of June 30, 2015, we had established cooperative relationships with 13 commercial banks, which had agreed to grant credit lines of approximately RMB6.9 billion in aggregate to us. We have provided guarantee services to customers in transactions involving over 100 branches of these commercial banks.

Non-bank financial institutions, such as re-guarantee institutions and other guarantee companies, trust companies, securities companies and finance lease companies, also provide customer referrals to us. Referrals from the local governments are another source for our guarantee business.

CUSTOMERS AND COOPERATIVE BANKS

Our customers primarily comprise SMEs and individual business proprietors. In 2012, 2013 and 2014 and the six months ended June 30, 2015, revenue derived from our five largest customers accounted for 8.4%, 8.0%, 8.6% and 10.5%, respectively, and revenue derived from our largest customer accounted for 2.3%, 1.8%, 2.2% and 2.8%, respectively, of our total revenue. All of our existing customers are Independent Third Parties and we do not have ownership or direct management control over our customers. None of our Directors, Supervisors, any of their respective associates, nor any Shareholder who, to the knowledge of our Directors, owns more than 5.0% of our issued Shares or had any interests in any of our customers throughout the Track Record Period.

In 2012, 2013 and 2014 and the six months ended June 30, 2015, our five largest cooperative banks accounted for 78.9%, 79.5%, 78.1% and 80.5%, respectively, of the total net balance of our outstanding indirect financing guarantees, while the largest cooperative bank accounted for 49.9%, 45.0%, 45.8% and 40.9%, respectively, of the total net balance of our outstanding indirect financing guarantees for the same periods. As of June 30, 2015, we guaranteed a total financing of RMB2,196.8 million provided by our top five cooperative banks. None of our Directors, Supervisors, any of their respective associates, nor any Shareholder who, to the knowledge of our Directors, owns more than 5.0% of our issued Shares or had any significant interest in our five largest cooperative banks during the Track Record Period.

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MARKET AND COMPETITION

We face fierce competitions in the industries that we operate in as the numbers of both guarantee companies and SME lending companies are rapidly increasing in China. According to the CBRC, there were approximately 8,185 guarantee companies and, according to the PBOC Investigation and Statistics Department, 7,839 micro-lending companies in China as of December 31, 2013.

For our guarantee business, our major competitors include regional-based state-owned or foreign-invested guarantee companies which have a strong presence in the two provinces in which we operate. We compete with the competitors in the guarantee industry primarily on the basis of pricing and terms, amount of net assets, which affects the amount of loans we can guarantee, relationships with cooperative banks, customer service, ability to develop new products and services that suit customers' needs, risk management capabilities and brand recognition.

For our entrusted loan business, our main competitors include publicly listed companies. We compete with the competitors in the entrusted loan industry primarily on the basis of pricing and terms, customer service and accessibility, risk management capabilities, brand recognition and access to capital.

For our micro loan business, our main competitors include local micro loan companies, private money lenders and rural banks which lend to SMEs. We compete with the competitors in the micro loan industry primarily on the basis of pricing and terms, customer service and accessibility, risk management capabilities, brand recognition and access to capital.

As we expand into new regions and product areas, we will face competition from additional competitors. See "Risk Factors — Risks Relating to Our Industry — We may face increasing competition from existing and new market participants."

INFORMATION TECHNOLOGY

Our information technology systems are integral to many aspects of our business operations, including transaction processing, risk management, customer services and financial management. Historically, we have incorporated a number of functions into our information technology systems to improve the efficiency and quality of our services and to further strengthen our risk and financial management capabilities, which include the following:

- ***Information technology system for guarantee businesses:*** supports the whole business process in our guarantee businesses, from application acceptance to collection. The information technology system helps us manage our business records and risks. It also manages information of our clients and cooperative partners.
- ***Information technology system for micro-lending business:*** supports the key business process in our micro-lending business, including customer information management and financial reporting.

During the Track Record Period, our information technology related expenses, which comprised expenses for software development, purchase of hardware and training, amounted to RMB3.0 million. As of the Latest Practicable Date, we had completed the upgrade of the information technology systems for our guarantee and entrusted loan businesses to improve the support of operational, financial and administrative functionalities, such as maintaining our client relationships, cooperative channels and risk control. Our new information technology system is intended to provide us with streamlined business process management systems, which will enable us to effectively monitor and manage our guarantee and

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entrusted loan businesses across the PRC with predefined rules and criteria, as well as a centralized data hub to support data analysis and information processing for us, which we expect will greatly improve our operational efficiency.

We may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations significantly rely. We manage our information technology risks through information technology governance, information system formulation, system maintenance and information security. We have established an information technology team consisting of four employees to collaborate with our service providers and to supervise the implementation of information technology-related rules and procedures. See "Risk Factors — Risk Relating to Our Business — Our inability to introduce and integrate new information technology systems or to upgrade our existing information technology systems could materially and adversely affect our competitiveness, business and results of operations."

INTELLECTUAL PROPERTY RIGHTS

We believe our brand, Join-Share (中盈盛達), is widely recognized in Guangdong province. We have used all reasonable and proper measures to protect our proprietary rights with regard to intellectual property developed in the process of our business development. As of the Latest Practicable Date, we owned three trademarks and two domain names which were registered in the PRC and one trademark which was registered in Hong Kong. We had not involved in any material intellectual property rights dispute, infringement claims or litigation during the Track Record Period.

PROPERTIES

Our headquarters are located at 22/F, Chuangye Building, No. 215, Fenjiang Middle Road, Foshan City, Guangdong Province, China. As of June 30, 2015, we owned eight properties in the PRC, with an aggregate gross floor area of 708.4 square meters, and leased 23 properties in China with an aggregate leased area of 8,349.0 square meters.

As of June 30, 2015, our property interests represented less than 15% of our total assets. Accordingly, this document is exempt from the requirements under the Listing Rules and the Companies Ordinance to include a property valuation report. Pursuant to Rule 5.01A of the Listing Rules, a document is exempt from the requirement if the carrying amounts of a listing applicant's property activities and non-property activities are below 1% and 15%, respectively. A similar exemption applies under section 6 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, with respect to the requirement under section 342(1)(b) of the Companies Ordinance and paragraph 34(2) of the Third Schedule to the Companies Ordinance.

Owned Properties

As of June 30, 2015, we did not have any land-use rights.

As of June 30, 2015, we had eight owned properties in the PRC with aggregate area of 708.4 square meters, mainly for residential use. We have the legal ownership of such properties and have the rights to possess, utilize, and general income from these properties.

Leased Properties

As of June 30, 2015, we leased 23 properties in China, with aggregate leased areas of 8,349.0 square meters. Our leased properties are primarily used for business and office purposes, with gross floor areas

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ranging from 40 square meters to 1,298 square meters. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our total rental expenses were approximately RMB3.3 million, RMB4.5 million, RMB6.0 million and RMB2.7 million, respectively.

All our lessors of our leased properties are the owners of, or authorized persons to lease or sublease, the respective properties and that the owners have obtained valid building ownership certificates.

EMPLOYEES

As of June 30, 2015, we had 233 full-time employees, all of whom had entered into employment contracts with us. Set forth below are the breakdowns of our employees by business function as of June 30, 2015:

	<u>Number of employees</u>	<u>% of total</u>
Guarantee business	139	59.7
Micro-lending business	12	5.2
Risk management	35	15.0
Financial and accounting	15	6.4
Information technology	4	1.7
Administration	<u>28</u>	<u>12.0</u>
Total	<u><u>233</u></u>	<u><u>100.0</u></u>

We offer a base salary with bonuses based on their performance and benefits and allowances to all our employees as an incentive. For the years ended December 31, 2012 and 2013 and 2014 and the six months ended June 30, 2015, we paid RMB36.6 million, RMB38.3 million, RMB40.9 million and RMB20.8 million, respectively, 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 salaries of our employees are not commission-based.

In accordance with applicable PRC laws and regulations, we provide our employees with benefits, such as basic pension insurance, basic medical insurance, workplace injury insurance, unemployment insurance, maternity insurance and housing provident funds. Except as disclosed in "Non-Compliance" below in the document, during the Track Record Period, we had paid up all our required contribution to social insurance funds and housing provident funds of our employees in accordance with the relevant state and local laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any labor strikes or other material labor disputes that have affected our operations. We believe that our senior executives, labor union and employees will continue to maintain good relationships with each other.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We maintain social welfare insurance for our employees in the PRC, including medical insurance and personal injury insurance. Our administrative management system contains policies and procedures regarding work safety and occupational health issues. We provide our employees with annual medical checks and safety training.

During the Track Record Period and up to the Latest Practicable Date, we did not incur any cost of compliance with applicable environmental protection and safety rules and regulations, as we do not

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generate industrial pollutants and did not raise any material safety issues due to our nature of business. As of the Latest Practicable Date, we had not come across any non-compliance issues in respect of any applicable laws and regulations on environmental protection, and work safety or any complaints from our employees, customers or the public in respect of work safety and health issues relating to our operations.

Our Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of our services in any material respect and that our operations are in compliance with the applicable laws and regulations of the PRC in all material respects.

INSURANCE

We maintain standard insurance, including vehicle, life and disability, as well as medical, insurance. Our insurance coverage is provided by reputable companies in accordance with commercially reasonable standards. Consistent with the industry practice in China, we do not maintain business interruption insurance, key-person insurance or insurance covering potential liabilities.

We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other financial services companies in China. We periodically review our insurance coverage to ensure that it is adequate.

LICENSES AND PERMITS

As advised by our PRC legal advisors, King & Wood Mallesons, during the Track Record Period and up to the Latest Practicable Date, we had duly obtained all approvals, permits, consents and licenses relating to our operations, no penalty had been imposed on us for failure to comply with the relevant licensing requirements, and there are no foreseeable impediment to their renewal upon expiry.

As of the Latest Practicable Date, we obtained the following permits and licenses for our operations in addition to the business licenses:

Name of the Group member	License/Permit	Issuing Authority	Date of Issue	Date of Expiry	Industry
The Company	Operating License for Financing Guarantee Institutions (融資性擔保機構經營許可證)	Guangdong Finance Affairs Office	December 27, 2013	August 1, 2016	Financing Guarantee
Anhui Join-Share	Operating License for Financing Guarantee Institutions (融資性擔保機構經營許可證)	Anhui Finance Affairs Office	March 31, 2015	March 13, 2017	Financing Guarantee
Zhongshan Join-Share	Operating License for Financing Guarantee Institutions (融資性擔保機構經營許可證)	Guangdong Finance Affairs Office	June 10, 2014	June 10, 2019	Financing Guarantee
Foshan Micro Credit	Permit on the establishment of Foshan Micro Credit (關於核准佛山禪城中盈盛達小額貸款有限公司設立資格的通知)	Guangdong Finance Affairs Office	April 26, 2011	N/A	Micro-lending

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Name of the Group member	License/Permit	Issuing Authority	Date of Issue	Date of Expiry	Industry
Foshan Micro Credit	Permit on the change of business scope of Foshan Micro Credit (關於核准佛山禪城中盈盛達小額貸款有限公司變更經營範圍的批復)	Foshan Finance Affairs Bureau	November 8, 2012	N/A	Micro-lending

COMPLIANCE MATTERS

We are subject to extensive and complex national, provincial and local laws, rules and regulations with regard to our guarantee and SME lending businesses, capital structure, pricing and provisioning policy, as set out in “Regulations.”

Key Regulatory Requirements Applicable to Our Guarantee Business

Set forth below are the highlights of the key regulatory requirements relevant to our guarantee business. For further details of such requirements as well as information on other requirements relevant to our guarantee business, please refer to “Regulations — Financing Guarantee Industry.”

Key requirements	Compliance status			
<ul style="list-style-type: none"> The outstanding net guarantee balance should not exceed 10 times of the net assets of a financing guarantee company 	<ul style="list-style-type: none"> We complied with such requirement during the Track Record Period: 			
	As of or for the year ended			As of or for the
	December 31,			six months ended
	2012	2013	2014	June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Net balance of outstanding financing guarantees (A)	3,982.2	4,789.2	4,300.9	3,675.2
Net assets (B)	1,054.9	1,181.4	1,357.9	1,416.2
A/B (times)	3.8	4.1	3.2	2.6

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Key requirements	Compliance status	As of or for the year ended			As of or for the
		December 31,			six months ended
		2012	2013	2014	June 30,
		2015			
		(RMB in millions)			
<ul style="list-style-type: none"> • No less than 1% of its year-end net balance of guarantee liabilities as guarantee indemnity reserves. If the accumulated guarantee indemnity reserves reach 10% of the net balance of the guarantee liabilities in a specific year, guarantee indemnity reserves for that year may be set aside on the basis of the difference of the year-end net balance of the guarantee liabilities between that year and the preceding year 	<ul style="list-style-type: none"> • We complied with such requirement during the Track Record Period: 				
	Provisions for guarantee losses (C)	54.7	68.3	76.4	65.6
	C/A (%) ⁽¹⁾	1.4%	1.4%	1.8%	1.8%
<ul style="list-style-type: none"> • The outstanding net financing guarantees provided by a financing guarantee company: <ul style="list-style-type: none"> ◦ to an individual guaranteed customer shall not exceed 10% of the financing guarantee company's net assets; 	<ul style="list-style-type: none"> • We complied with such requirement during the Track Record Period: <ul style="list-style-type: none"> ◦ Maximum outstanding financing guarantee liability to an individual customer (D) ... 	37.5	60.0	60.0	50.0
	D/B (%)	3.6%	5.1%	4.4%	3.5%
<ul style="list-style-type: none"> ◦ to an individual guaranteed customer and its affiliated parties shall not exceed 15% of the financing guarantee company's net assets; and 	<ul style="list-style-type: none"> ◦ Maximum outstanding financing guarantee liability to an individual customer and its affiliated parties (E) 	37.5	60.0	60.0	50.0
	E/B (%)	3.6%	5.1%	4.4%	3.5%

Note:

(1) We consulted the financial affairs office of the Guangdong provincial government and the financial affairs office of the Anhui provincial government in June 2015, and they confirmed we had been in compliance with the requirement in the Interim Measures to set aside 1% of the net balance of our outstanding financing guarantees as of the end of each year as guarantee indemnity reserves, which were presented as provisions for guarantee losses in our Accountants' Report. As advised by our PRC legal advisors, King & Wood Mallesons, the financial affairs office of the Guangdong provincial government and the financial affairs office of the Anhui provincial government are competent regulatory authorities to supervise the implementation of the Interim Measures in Guangdong province and Anhui province, respectively.

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Key requirements	Compliance status	As of or for the year ended December 31,			As of or for the six months ended June 30,
		2012	2013	2014	2015
		(RMB in millions)			
<ul style="list-style-type: none"> ◦ to a bond issuance by an individual guaranteed customer shall not exceed 30% of the financing guarantee company's net assets 	<ul style="list-style-type: none"> ◦ Maximum outstanding financing guarantee liability to a bond issuance by an individual guarantee customer (F) 	100.0	250.0	241.5	166.7
	<ul style="list-style-type: none"> F/B (%) 	9.5%	21.2%	17.8%	11.8%
<ul style="list-style-type: none"> • A financing guarantee company must set aside 50% of its guarantee fee income for each year as unearned premium reserves 	<ul style="list-style-type: none"> • We complied with such requirement during the Track Record Period: 				
	<ul style="list-style-type: none"> Guarantee fee income (A) 	156.9	165.8	170.4	72.0
	<ul style="list-style-type: none"> Deferred income (B) 	88.2	116.1	99.0	87.7
	<ul style="list-style-type: none"> B/A (%) ⁽¹⁾ 	56.2%	70.0%	58.1%	121.8%
<ul style="list-style-type: none"> • The financing guarantee companies established in Foshan City must have a minimum of RMB100 million registered capital. 	<ul style="list-style-type: none"> • We complied with such requirements during the Track Record Period. 				
<ul style="list-style-type: none"> • When applying for establishment of financing guarantee companies in Anhui province: <ul style="list-style-type: none"> ◦ the financing guarantee company's registered capital shall be no less than RMB100 million; and ◦ the capital it allocates to each subsidiary shall be no less than RMB10 million and the total capital it allocates to all subsidiaries shall be no more than 50% of its net profits 	<ul style="list-style-type: none"> • We complied with such requirements during the Track Record Period. 				

Note:

(1) We consulted the financial affairs office of the Guangdong provincial government and the financial affairs office of the Anhui provincial government in June 2015, and they confirmed that we had been in compliance with the requirement in the Interim Measures to set aside 50% of our guarantee income for each year as unearned premium reserves, which were presented as deferred income in our Accountants' Report. As advised by our PRC legal advisors, King & Wood Mallesons, the financial affairs office of the Guangdong provincial government and the financial affairs office of the Anhui provincial government are competent regulatory authorities to supervise the implementation of the Interim Measures in Guangdong province and Anhui province, respectively.

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Key Regulatory Requirements Applicable to Our Entrusted Loan and Micro-lending Businesses

Set forth below are the highlights of the key regulatory requirements relevant to our entrusted loan and micro-lending business. For further details of such requirements as well as information on other requirements relevant to our entrusted loan and micro-lending business, please refer to “Regulations — The Microcredit Industry.”

Key requirements	Compliance status				
<ul style="list-style-type: none"> The registered capital shall be no less than RMB30 million for a limited liability microcredit company in Guangdong Province 	<ul style="list-style-type: none"> We complied with such requirement during the Track Record Period: 				
			As of December 31,		As of June 30,
	2012	2013	2014	2015	
	(RMB in millions)				
	Registered capital of Foshan Micro Credit				
	N/A	N/A	200.0	200.0	
<ul style="list-style-type: none"> The balance of the capital borrowed by a microcredit company from banking financial institutions shall not exceed 50% of its net capital and such banking financial institutions shall not exceed two 	<ul style="list-style-type: none"> We complied with such requirement during the Track Record Period: 				
				As of or for the year ended	
	December 31,			June 30,	
	2012	2013	2014	2015	
	(RMB in millions, except for percentages)				
	Maximum balance of capital borrowed by Foshan Micro Credit (A)				
	N/A	N/A	75.0	75.0	
	Share capital of Foshan Micro Credit (B)				
	N/A	N/A	200.0	200.0	
	A/B (%)				
	N/A	N/A	37.5%	37.5%	

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Key requirements	Compliance status						
<ul style="list-style-type: none"> The balance of loans to single borrower may not exceed 5% of the net capital of a microcredit company and such balance shall not exceed RMB5 million 	<ul style="list-style-type: none"> We complied with such requirement during the Track Record Period: 						
	Maximum balance of loans to single borrower (C)	N/A	N/A	5.0	5.0		
	C/B (%)	N/A	N/A	2.5%	2.5%		
<ul style="list-style-type: none"> Lending interest rates shall not exceed the PBOC benchmark interest rate by four times and more. The lower limit shall be 0.9 times of the same 	<ul style="list-style-type: none"> We complied with such requirement during the Track Record Period: 						
		For the year ended December 31,	January 1, 2015 to February 28, 2015	March 1, 2015 to May 10, 2015	May 11, 2015 to June 27, 2015	June 28, 2015 to June 30, 2015	
Maximum lending interest rate (A)	2012	2013	2014				
	24.0%	24.0%	24.0%	22.4%	21.0%	20.4%	19.2%
PBOC benchmark interest rate for one to three year loans (B)	6.3%	6.0%	6.0%	6.0%	5.75%	5.5%	5.25%
A/B (times)	3.8	4.0	4.0	3.7	3.7	3.7	3.7
Minimum lending interest rate	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Lower limit	1.9	2.0	2.0	2.0	2.1	2.2	2.3

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Non-compliance

Except as disclosed below, we complied with the law and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The table below sets forth summaries of certain incidents of historical non-compliance with applicable law and regulations during the Track Record Period. Our Directors believe that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us.

Historical non-compliance	Reason(s) for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisions and latest status	Internal control measures to prevent future non-compliance and help ensure compliance
<p>Our subsidiary, Anhui Join-Share conducted its business activities in an unregistered place of business</p>	<p>Anhui Join-Share conducted business activities in a new place by invitation of the local government and did not file an application for an alteration of place of business.</p>	<p>According to "Interim Measure for the Administration of Financing Guarantee Companies" (《融資擔保公司管理暫行辦法》) effective on March 8, 2010, a financing company's application for an alteration of place of business should be reviewed and approved by the relevant government authority. After such review and approval, the financing guarantee company should apply to register the alteration with the local Department of Administration for Industry and Commerce. If a financing guarantee company fails to comply with the foregoing rules, the relevant government authority may issue warnings or fines.</p> <p>According to "Interim Measures for the Administration of Financing Guarantee Companies in Anhui Province (Trial)" (《安徽省融資擔保公司管理辦法(試行)》) effective on March 1, 2014, regulatory authorities above the county level may issue warnings or fines of no less than RMB10,000 and no greater than RMB30,000 to a financing guarantee company which alters its place of business without applying for alteration registration.</p> <p>According to "Regulations of the People's Republic of China on the Administration of Registration of Companies" (《中華人民共和國公司登記管理條例》) amended on February 19, 2014 and effective on March 1, 2014, a company must apply to alter its registration of place of business before it moves into the new place. In the event of an alteration to a company's registered information, the relevant government authorities will require the company to register the alteration within a certain period of time. If the company fails to register within the prescribed time, the relevant government authorities may issue a fine of no less than RMB10,000 and no greater than RMB100,000.</p>	<p>Anhui Join-Share has terminated business activities in the unregistered place of business, and started to conduct business at a new place for which it obtained the necessary approval and registration in May 2015.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we were not penalized or fined for this non-compliance. In March 2015, we consulted Anhui administration for industry and commerce (安徽省工商行政管理局), and they notified us that we would not be penalized or fined if we could rectify this non-compliance. As advised by our PRC legal advisors, King & Wood Mallesons, Anhui administration for industry and commerce is the competent regulatory authority to impose penalty on us for our conducting business in an unregistered place of business.</p> <p>We do not have any provision with respect to any potential fine in connection with this non-compliance, due to (i) our consultation with Anhui administration for industry and commerce in March 2015, (ii) our relocation to the new place for which we had obtained the necessary approval and registration, and (iii) our belief that the maximum fine that may be levied will not have material financial effects on us.</p>	<p>In the future, we will only conduct business activities in a new place after the registered place of business is altered to the new place in accordance with relevant laws, and will seek assistance from PRC legal advisors if necessary.</p>

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Historical non-compliance	Reason(s) for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisions and latest status	Internal control measures to prevent future non-compliance and help ensure compliance
<p>We failed to fully contribute to certain employees' social insurance and housing provident funds during the Track Record Period, until January 2015 when we started to fully contributed to such social insurance and housing provident funds</p>	<p>During the Track Record Period, we failed to contribute to certain of our employees' social insurance and housing provident funds in the full amount required under the relevant laws and regulations.</p>	<p>According to "Social Security Law" (《社會保險法》) effective on July 1, 2011, the relevant government authorities may order a company to make payments or supplementary payments for unpaid social insurance within a prescribed period, with a 0.05% surcharge since the non-payment date. The relevant government authorities may issue a fine of no less than one time and no greater than three times of the unpaid contribution amount if the company fails to make such payment in full within the prescribed period. The outstanding amount of our unpaid social insurance for the Track Record Period was RMB3.1 million. According to the Social Security Law, the maximum penalty for our unpaid social insurance is RMB10.5 million.</p> <p>According to "Regulations on the Administration of Housing Fund" (《住房公積金管理條例》) effective on April 3, 1999, the relevant government authorities may require a company to make the necessary payments within a certain period of time and may request an enforcement order from the court if the company fails to pay within the prescribed period of time. The outstanding amount of our unpaid housing provident funds for the Track Record Period was RMB0.5 million.</p>	<p>We have received certificates from Foshan Human Resources and Social Security Bureau (佛山市人力資源和社會保障局), Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局), Hefei Human Resources and Social Security Bureau (合肥市人力資源和社會保障局), Foshan Housing Provident Fund Management Center (佛山市住房公積金管理中心), Guangzhou Housing Provident Fund Management Center (廣州市住房公積金管理中心) and Hefei Housing Provident Fund Management Center (合肥市住房公積金管理中心), confirming that we had not been penalized by them as a consequence of our non-compliance with the laws or regulations of the social insurance and housing provident funds during the Track Record Period. As advised by our PRC legal advisors, King & Wood Mallesons, these regulatory authorities are the competent regulatory authorities to administrate labor insurance matters, and impose penalty on us for our failure to contribute to our employees' social insurance and housing provident funds.</p> <p>During the Track Record Period and up to the latest Practicable Date, we were not penalized or fined for this non-compliance. We consulted the regulatory authorities above from March to May 2015, and they confirmed that the chance of us being fined for this non-compliance was remote.</p> <p>We do not have any provision with respect to any potential fine in connection with this non-compliance, due to (i) our consultation with the regulatory authorities above from March to May 2015, and (ii) our belief that the maximum fine that may be levied will not have material financial effects on us.</p> <p>In addition, our Chairman, Mr. Wu Liejin and our president Mr. Xie Yongdong, have undertaken to indemnify us for any costs and liabilities we may incur in the event that competent government authorities require us to make up for any deemed shortfall in contribution amounts, or impose fines on us as a result of this non-compliance.</p> <p>We started to fully contribute to such social insurance and housing provident funds since January 2015.</p>	<p>Our human resources department will be responsible for ensuring full contribution to social security and housing provident funds going forward.</p>

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Historical non-compliance	Reason(s) for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken, provisions and latest status	Internal control measures to prevent future non-compliance and help ensure compliance
<p>Our Dongguan and Zhaoqing branches operated without social insurance registrations during the Track Record Period, until April 2015 when we completed the social insurance registrations for these branches</p>	<p>Our Dongguan and Zhaoqing branches did not hire employees directly. The employees designated to our Dongguan and Zhaoqing branches entered into employment contracts with our Company, and our Company was responsible for contributing, and had contributed, to the social insurance fund with respect to these employees. Under the relevant laws and regulations, however, our Dongguan and Zhaoqing branches should have filed for social insurance registrations after their establishments, no matter whether they hired employees directly.</p>	<p>According to "Social Security Law" (《社會保險法》) effective on July 1, 2011, the relevant government authorities may require the rectification of non-compliance within a certain period of time. If the company fails to pay within the prescribed period of time, the employer may be fined no less than one time and no greater than three times of the unpaid contribution amount.</p>	<p>We completed the social insurance registrations for our Dongguan and Zhaoqing branches in April 2015, and obtained the compliance certificates in April and May 2015 from Dongguan Social Security Bureau (東莞市社會保障局) and Zhaoqing Human Resources and Social Security Bureau (肇慶市人力資源和社會保障局). As advised by our PRC legal advisors, King & Wood Mallesons, these regulatory authorities are the competent regulatory authorities to administrate social insurance registration matters, and impose penalty on us for our failure to file for such registrations.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we were not penalized or fined for this non-compliance.</p> <p>We do not have any provision with respect to any potential fine in connection with this non-compliance, due to our belief that the maximum fine that may be levied will not have material financial effects on us.</p>	<p>We will file for social insurance registrations when establishing future branches and will seek advice from our PRC legal advisors if needed.</p>
<p>Our Shunde, Guangzhou, Dongguan and Zhaoqing branches operated without housing provident fund registrations during the Track Record Period, until April 2015 when we completed the housing provident fund registrations for these branches</p>	<p>Our Shunde, Guangzhou, Dongguan and Zhaoqing branches did not hire employees directly. The employees designated to these four branches entered into employment contracts with our Company, and our Company was responsible for contributing, and had contributed, to the housing provident fund with respect to these employees. Under the relevant laws and regulations, however, these four branches should have filed for housing provident fund registrations after their establishments, no matter whether they hired employees directly.</p>	<p>According to "Regulations on the Administration of Housing Fund" (《住房公積金管理條例》) effective on April 3, 1999, the relevant government authorities may require the rectification of non-compliance within a certain period of time, and may issue a fine of no less than RMB10,000 and no greater than RMB50,000 if the non-compliance is not rectified within the prescribed period of time.</p> <p>We expect that we may be fined up to RMB200,000 for such non-compliance.</p>	<p>We completed the housing provident fund registrations for our Shunde, Dongguan and Zhaoqing branches in April 2015, and obtained the compliance certificates in April and May 2015 from Shunde Housing Provident Fund Management Center (順德市住房公積金管理中心), Guangzhou Housing Provident Fund Management Center (廣州市住房公積金), Dongguan Housing Provident Fund Management Center (東莞市住房公積金) and Zhaoqing Housing Provident Fund Management Center (肇慶市住房公積金). As advised by our PRC legal advisors, King & Wood Mallesons, these regulatory authorities are the competent regulatory authorities to administrate housing provident fund registration matters, and impose penalty on us for our failure to file for such registrations.</p> <p>During the Track Record Period and up to the Latest Practicable Date, we were not penalized or fined for this non-compliance.</p> <p>We do not have any provision with respect to any potential fine in connection with this non-compliance, due to our belief that the maximum fine that may be levied will not have material financial effects on us.</p>	<p>We will file for housing provident fund registrations when establishing future branches and will seek advice from our PRC legal advisors if needed.</p>

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Our Board of Directors are responsible for monitoring our internal control system and for reviewing its effectiveness. The Board is further assisted by our audit committee and risk management committee, the primary duties of which include reviewing the effectiveness of our internal control system, and identifying and managing legal and compliance risks. In addition to the primary rectification measures we took as discussed above, we have generally enhanced our internal control system with a view to helping ensure ongoing compliance with relevant laws and regulations and preventing the re-occurrence of past non-compliance incidents, including the following measures:

- *Designated officer in charge of compliance matters.* We plan to appoint, before Listing, Mr. Wang Wei to be our designated officer responsible for the proper implementation of the internal control measures and overseeing our compliance with relevant laws and regulations in the PRC and to liaise with the PRC legal advisors regarding compliance issues. Mr. Wang Wei is qualified to practise laws in the PRC, and experienced in legal and compliance matters. He currently serves as a vice general manager of our risk management department and director of our legal division.
- *Compliance with PRC laws and regulations.* We have engaged PRC legal advisors to provide our Directors and relevant senior management members legal training on key aspects of PRC laws and regulations applicable to our business, such as laws and regulations on employment and various registration requirements.
- *Compliance with the Listing Rules.* We have appointed KGI Capital Asia Limited as our compliance advisor to advise us on certain compliance matters in relation to the Listing Rules.
- *Strengthened internal control framework.* We have improved, and are in the process of continuously improving, our internal control framework by adopting a set of internal control manual and policies, including the corporate governance manual, which covers corporate governance, risk management, operations, legal matters, finance and audit.
- *Internal control.* See “— Internal Control.”

LEGAL PROCEEDINGS

We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us that may have a material adverse effect on our business, financial condition or results of operations.

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INTERNAL CONTROL

We have engaged an independent internal control consultant to conduct a private reporting engagement in June 2014 for the agreed scope including inquiries to the situation from June 2014 to June 2015 and checking on the walk-through samples, among which 1.5% were collected from the period between July 2011 and December 2012, and 98.5% were collected from the period between January 2013 and June 2015. The samples were selected independently and on random basis by our internal control consultant. We engaged the internal control consultant to conduct a comprehensive checking of the above-mentioned samples, although it is typical for the internal control consultant to check samples from the most recent year only. The walk-through samples were collected from us and our subsidiaries with respect to our major business cycles, including guarantee business and SME lending business, corporate governance policies, risk management policies and systems, controls and procedures over compliance, information system, financial management, human resources and payroll, cash and treasury management, fixed assets management and tax management (to the extent the relevant controls are applicable to us and our subsidiaries), and checked various types of documents, which covered our operations and the services we provided to our customers, including due diligence investigation reports, on-site investigation documents, appraisal reports for the collateral provided by our customers, risk-assessment reports, approval documents and records, minutes of our meetings for granting such approvals, agreements we entered into with our customers, and documentation of our post-transaction supervisions. These documentations recorded our internal control systems and practices for: (i) our internal assessment of the creditworthiness of our customers and their respective guarantors; (ii) valuation of the collateral our customers provided, (iii) identification and assessment of our operational, financial and legal risks; (iv) our decision-making and approval processes in our daily operations, and (v) the on-going monitoring of the status of our customers and the collateral they provided. The internal control consultant also checked our internal controls over the code of conduct and the conflict of interest. We have also engaged the internal control consultant to conduct a long form report engagement in August 2015 mainly to classify the identified control deficiencies and matters in relation to our internal control system. The work performed by the internal control consultant did not involve an assurance engagement in relation to our internal controls.

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Set out below are a summary of the material deficiencies in our internal control system identified by our internal control consultant, the specific circumstances or reasons leading to them and the rectification measures implemented by us, together with our implementation status and timeline:

Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Material deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectifications, status and timeline
Business operation	Our staff did not strictly follow our established practices in performing their daily duties.	Consulting services	1-1 For the consulting services we provide, we did not keep full and complete written records for due diligence investigations conducted on our customers before we provided consulting services to them.	12	14	900 to 15,000	We have enhanced our internal policies by mandatorily requiring our staff to ensure that all written records for such due diligence investigations are properly maintained, and have further strengthened the supervision on the implementation of such policies since January 2015.
		Entrusted loans	1-2 For the entrusted loans we provide, although we conducted post-transaction supervisions, including site visits and follow-up telephone review, we did not keep full and complete written records for such post-transaction supervision.	1	12	5,000	We have enhanced our internal policies by mandatorily requiring our staff to ensure that all written records for such post-transaction supervisions are properly maintained, and have further strengthened the supervision on the implementation of such policies since October 2014.

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Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Material deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectifications, status and timeline
	We did not establish adequate and detailed procedures for the post-transaction supervision with respect to the consulting services we provided.	Consulting services	1-3 For the consulting services we provided to our customers, although we conducted post-transaction supervisions, we did not keep full and complete written records for such post-transaction supervisions.	11	14	900 to 15,000	We established written policies in October 2014 for post-transaction supervision with respect to the consulting services we provide.
	One of our mid-level approval officers was on a business trip and approved the alteration orally. The internal policies on the approval procedures failed to provide for alternative arrangements when the authorized signatories were absent.	Counter-guarantee	1-4 One of our mid-level approval officers was on a business trip and approved the alteration orally. As a result, we did not collect all the signatures required by our approval procedures before we altered the term of a counter-guarantee agreement with our customer.	1	44	5,000	We updated our approval procedures in October 2014, requiring that when any approval officer is absent, his or her senior officers, or the person designated by such senior officers, shall be responsible for performing his or her duty, including signing on the relevant approval documents.

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Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Material deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectifications, status and timeline
	After our approval officers approved certain transactions orally, our staff executed the relevant agreements with our customers rather than strictly following the relevant internal policies to execute the agreements after the approval officers have signed the approval forms.	Consulting services	1-5 Although the approval officers approved the transactions orally, the execution of the relevant agreements to provide consulting services took place before the approval officers had signed on the approval forms to approve such transactions in writing.	10	14	900 to 15,000	In January 2015, we required our employees to enter into agreements only after the relevant approval forms are properly signed.
Accounting treatments and financial records	As a domestic company in the PRC, we did not fully follow the relevant accounting standards and requirements under the HKFRSs to recognize our revenues on an accrual basis in our management accounts.	Guarantee and consulting services	2-1 Failure to adopt accrual basis in recognizing the guarantee fee income and service fee from consulting services in our preliminary management accounts according to our accounting policies.	45	58	1.5 to 4,356.0	We have further strengthened the implementation of our accounting policies by all of our relevant departments since October 2014. When preparing the consolidated financial information of our Group for the Track Record Period which are included in this document, we recognized the guarantee fee income and service fee from consulting services in accordance with the relevant accounting standards and requirements under the HKFRSs. In addition, we have appointed Mr. Leung Hon Man (梁漢文) as an independent non-executive Director to further enhance the financial and accounting functions of our Group. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會).

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Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Material deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectifications, status and timeline
	Zhongshan Join-Share was newly established and its accounting staff were newly recruited. As a result, our staff did not strictly follow the relevant internal accounting policies in performing their daily duties.	Accounting vouchers	2-2 Zhongshan Join-Share did not perform the required two-officer review procedure for the preparation of its accounting vouchers.	4	5	4.0 to 550	In April 2015, we further strengthened the implementation of two-officer review procedures for the preparation of accounting vouchers of Zhongshan Join-Share.
Financial management and the related information technology systems	We did not establish the relevant internal control procedures.	Financial management system	3-1 Failure to monitor (i) application and approval procedures for alteration of chart of accounts in our financial management system; and (ii) identification of extraordinary transactions and procedures to determine accounting treatment for such transactions.	N/A	N/A	N/A	We have established the relevant internal policies which came into effect in September 2014. In addition, we have appointed Mr. Leung Hon Man (梁漢文) as an independent non-executive Director to further enhance the financial and accounting functions of our Group. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會).

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Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Material deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectifications, status and timeline
		Financial information technology systems	3-2 Failure to (i) keep full and complete written records for alteration to the access rights of the financial information technology systems of us and Foshan Micro Credit, (ii) review the access rights of such financial information technology systems regularly and (iii) monitor the administrator accounts for the financial information technology systems of us, Foshan Micro Credit and Zhongshan Join-Share.	N/A	N/A	N/A	We started to keep written records for such alteration, and review such authorizations regularly since October 2014. We started to manage the administrator accounts by performing regular logging record reviews for such administrator accounts or setting up more complicated password rules for such administrator accounts for the financial information technology systems of us, Foshan Micro Credit and Zhongshan Join-Share in May 2015, October 2014 and January 2015, respectively. In addition, we have appointed Mr. Leung Hon Man (梁漢文) as an independent non-executive Director to further enhance the financial and accounting functions of our Group. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants (香港會計師公會).

Note: "Material deficiency" refers to a deficiency, or a combination of deficiencies, that could result in a serious deviation from the control objectives in operations, structure, procedures and systems, directors and key senior managers, or result in a material misstatement in financial reporting. In terms of internal controls over financial reporting, such a deficiency would indicate that the controls do not provide a reasonable level of assurance that there will not be material errors in future financial reporting.

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Set out below are a summary of the other control deficiencies in our internal control system identified by our internal control consultant, the specific circumstances or reasons leading to them and the rectification measures implemented by us, together with our implementation status and timeline:

Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Other control deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectification, status, and timeline
Business operation	Failure to strictly follow our internal policies or established practices	Guarantee	1. In the written records of one of the guarantees provided by Zhongshan Join-Share provided, the date of approval for use of its company seal in the date of approval form was earlier than the date of approval for the transaction. This incident was due to a typo in the documentation committed by the employees.	1	4	3,000	In March 2015, Zhongshan Join-Share reviewed the use of its company seal since its incorporation, and did not identify similar mistakes. Zhongshan Join-Share has required its employees to exercise greater care in the use of its company seal.
		Consulting services	2. We did not use the most updated templates when entering into certain agreements to provide consulting services to our customers.	2	14	100 to 324	In April 2015, we required our employees to double check to ensure they use the most updated templates before execution of agreements.
		Consulting services	3. For the consulting services we provide, the duration of the consulting services as stated in some of the agreements is not consistent with the corresponding record in the relevant approval documents.	9	14	1.5 to 466.7	We have enhanced our internal policies by mandatorily requiring our staff to ensure that the terms such as the duration of consulting services as stated in the relevant agreements shall be properly recorded in the corresponding approval documents, and have further strengthened the supervision on the implementation of such policies since January 2015.
	Our staff did not customise all relevant transaction details in the templates containing standard business term when he was preparing the transaction documents to be entered into with customers.						

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Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Other control deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectification, status and timeline
	Lack of written internal policies to reflect our established management requirements or practices	Guarantee	4. We did not formulate our written internal policies to reflect our then latest management requirements and business practice in pledging deposit certificates to commercial banks to secure our customers' financings.	N/A	N/A	N/A	We developed the relevant internal policies in September 2014.
		Entrusted loans	5. We did not well establish written internal policies to fully reflect our established review and approval procedures before we provided entrusted loans to our customers.	N/A	N/A	N/A	We well established the relevant internal policies in October 2014.
		Convertible bonds	6. We did not formulate written internal policies for our review, approval, fee arrangement and post-transaction supervision procedures with respect to the convertible bonds we provided to our customers.	N/A	N/A	N/A	We have ceased to engage in convertible bond transactions since September 2014 and do not expect to engage in such transactions in future.

BUSINESS

Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Other control deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectification, status and timeline
	Lack of written internal policies to standardize our practices	Consulting services	7. We did not provide for a standardized fee arrangement and extension procedures of the consulting services we provided to our customers in our internal policies.	N/A	N/A	N/A	We adopted the relevant internal policies in January 2015, and stopped granting extensions for the consulting services we provided to our customers since March 2015.
	Lack of updated internal policies	Guarantee	8. We did not update our written internal policies in time, which led to inconsistencies in the internal policies on the approval hierarchies required for certain matters in the guarantee business, financing guarantee business and construction contract bond and other contract bond business.	N/A	N/A	N/A	The Company has updated its internal policies for the guarantee business, financing guarantee business and construction contract bond and other contract bond business, which came into effect in October 2014.
Corporate governance and human resources management	Lack of written internal policies to reflect our established practices	Internal policies	9. We did not formally issue the internal policies on confidentiality of information and recruitment that we had adopted.	N/A	N/A	N/A	We formally issued such internal policies in September 2014.

BUSINESS

Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Other control deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectification, status and timeline
	Lack of established practice to identify key employees	Internal policies	10. We did not have established practice or internal policies to identify our key employees and regularly monitor and report departures of such key employees.	N/A	N/A	N/A	We adopted the relevant internal policies to identify our key employees to regularly monitor and report departures of such key employees in September 2014.
	Failure to keep full and complete records for committee meetings	Meeting minutes	11. We did not maintain meeting minutes of certain board committees, including our audit committee, remuneration and appraisal committee, nomination committee, risk management committee and strategy committee.	N/A	N/A	N/A	We started to maintain such meeting minutes since the third quarter of 2014.
Cash management and financial management	Lack of written internal policies	Internal policies	12. As a company to be listed on the Stock Exchange, we did not establish internal policies to regulate securities transactions by our Directors and senior management and connected transactions.	N/A	N/A	N/A	We adopted the relevant internal policies in May 2015 and August 2015, respectively, and provided training to our Directors and senior management on such policies.
	Lack of written internal policies to reflect our established practices	Financial management	13. We did not fully update our written internal policies to reflect our established practice in making provisions for guarantee losses.	N/A	N/A	N/A	We updated the relevant internal policies in September 2014.

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Area of deficiencies	Circumstances/reasons leading to deficiencies	Area of business operation	Other control deficiencies ^{Note}	Number of deficiencies found in the samples	Sample size	Range of transaction amounts in the samples (RMB in thousands)	Rectification, status and timeline
Financial information technology systems	Failure to strictly follow our internal policies	Cash management	14. Zhongshan Join-Share did not keep written records of its periodic stock take of cash and blank checks it held.	N/A	N/A	N/A	Zhongshan Join-Share has required its employees to properly maintain written records for its stock take of cash and blank checks it held since May 2015.
	Failure to establish control practice	Financial information technology systems	15. The requirements on the strength of the passwords to the financial information technology systems of us, Foshan Micro Credit and Zhongshan Join-Share were inadequate.	N/A	N/A	N/A	We adopted the relevant requirements for the financial information technology systems of us, Foshan Micro Credit and Zhongshan Join-Share in May 2015, October 2014 and May 2015, respectively.
		Financial information technology systems	Financial information technology systems	16. We failed to maintain proper backup data for the financial information technology systems of us, Foshan Micro Credit and Zhongshan Join-Share.	N/A	N/A	N/A

Note: "Other control deficiency" refers to a deficiency, or a combination of deficiencies, that is less severe than a material deficiency yet important enough to merit attention by those responsible for operations, structure, procedures and systems, directors and key senior managers, and oversight of the company's financial reporting.

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We have carefully investigated the above findings, and established, amended, strengthened and implemented our respective internal policies, procedures and practices in response to the above control deficiencies. Our internal control consultant conducted follow-up checkings on the status of rectifications in relation to the deficiencies it identified from March to May 2015 (for the underlying period of January 2013 to December 2014) and in August 2015 (for the underlying period of January 2015 to June 2015). After these follow-up checkings, the internal control consultant reported that, other than those products or services which we had ceased to provide to our customers, (a) all recommendations made by our internal control consultant in relation to the internal control deficiencies identified during the private reporting engagement and the long form report engagement had been implemented by us as of August 2015; and (b) no further and additional deficiency was identified as of June 2015. Specifically in respect of (a) our internal control deficiency relating to accounting treatments and financial records, we will assign one of our independent non-executive Directors, Mr. Leung Hon Man, to further enhance the financial and accounting functions of our Group; and (b) our major internal control deficiencies and those deficiencies identified with relatively high rate of occurrence during the Track Record Period, we will establish a specific internal control supervision team before Listing to regularly monitor and perform sample checking on a monthly basis to make sure the respective rectification will be implemented properly and continuously after the Listing. The internal control supervision team will also report its findings and results to the responsible senior management and the Audit Committee on a regular basis.

In addition, to further enhance the degree of enforcement of our internal control measures, we will strengthen (a) our internal policy which escalates the level of disciplinary action in future against those employees who have failed to strictly observe the respective internal control measures; and (b) our double checking and review arrangements of the respective internal control measures. Training has also been provided and will continue to be provided to our employees to increase their awareness of our internal control policies and ensure compliance with the same. To minimize the risk of recurrence of the deficiencies identified by our internal control consultant and facilitate our Directors and senior management to monitor the proper implementation of our internal control policies, we will engage an internal control consultant to advise us on internal control matters after the Listing. Report on the findings of our compliance with the internal control systems will be contained in our annual report for the years ending December 31, 2015 and 2016.

Given the above, our Directors are of the view that our internal control measures as rectified and enhanced in accordance with the disclosures above are adequate and effective. Taking into account: the review of our internal control procedures, discussions with our Directors, responsible senior management members and the internal control consultant, the agreed-upon procedures and long form report engagement performed by and the findings of the internal control consultant, the recommendations suggested by the internal control consultant and adopted by us in connection with the above internal control findings, the bases of the internal control consultant in formulating the recommendations, the internal control consultant having considered, including but not limited to, (a) the frequency of occurrence of the samples for each of the deficiencies identified by it; and (b) the applicability of the recommendations for our Group to design and implement its rectification measures to address the deficiencies identified by it, when formulating the rectification recommendations, the follow-up checkings conducted by the internal control consultant, and that no further and additional deficiency was identified after the follow-up checkings as of June 2015, the experience and expertise of our internal control consultant as well as the sampling and review by the Sole Sponsor of relevant walk through documents and records, the Sole Sponsor is not aware of any fact or circumstance which may contradict or cause it to cast doubt on the reliability and reasonableness of the work performed or findings or recommendations reported by our internal control consultant, and concurs with the Directors' view that the enhanced internal control measures, when fully and properly implemented, are adequate and effective.

RISK MANAGEMENT

OVERVIEW

As a financing services provider, we are subject to substantial credit risk, market risk and liquidity risk in our business operations, and are also exposed to operational risk, legal and compliance risk and reputation risk. We have put in place a series of risk management procedures for guarantee business since our establishment in 2003. We review and enhance those procedures annually and when necessary to cater to the on-going development and evolution of our business and products as well as any changes in the regulatory and industry environment, and supplement our risk management procedures when we start new business lines or introduce new products. The risk management procedures disclosed in this section had been in place and were all implemented during the entire the Track Record Period except for (i) we upgraded our information technology system for our business operations in October 2014, which further strengthened our risk management; (ii) we amended our policy to determine the frequency of post-transaction risk management review in September 2014; (iii) we started to keep signing video or photo on record as part of our standardized signing procedures since January 2014; and (iv) we implemented certain rectification measures for the deficiencies in our internal control system identified by our internal control consultant. See “— Overview,” “— Credit Risk Management — Key Credit Risk Management Process — Risk profile classification” and “Operational Risk Management” and “Business — Internal Control” for further details. We aim to manage our risks through internal mechanisms that carefully and systematically manage the risks we bear via a series of standardized risk management procedures, and external mechanisms that allocate risks among ourselves and other parties, including counter-guarantees from customers or their affiliates, and joint-guarantee arrangements with certain guarantee companies and local governments. We are also trying to develop and maintain a diversified customer base to reduce the risks of any downturn in any of our customers’ industries causing a material adverse effect on our business, and to cautiously select our customers. In addition, we continuously manage our project portfolio to avoid concentration of our guarantee obligations and loans maturing in a particular period. We tailor our risk management procedures according to the characteristics of each of our business segments, focusing on implementing a systematic and thorough review of our potential risks at multiple levels, and covering every key stage of our business operations, from pre-transaction assessment, customer due diligence, multiple-level review and approval processes and counter-guarantee arrangement to post-transaction monitoring. We also continuously monitor the strengths and weaknesses of our risk management system, aiming to minimize risk and adapt to changes in the markets in which we operate.

We believe that we have established a comprehensive risk management system, which has enabled us to maintain various risk indicators in a controllable range. For example, for our guarantee business, our default ratio was 1.96%, 1.59%, 1.59% and 1.75% for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. We adhered to the risk management policies that we had adopted, and there was no material violation of such policies during the Track Record Period.

Each of our Company, Anhui Join-Share, Zhongshan Join-Share and Foshan Micro Credit had established an independent risk management department during the Track Record Period. Our Company’s risk management members have also been invited to provide guidance and advice on review and approval of customer applications of Anhui Join-Share. We believe this measure not only enables us to enhance the overall efficiency and effectiveness of the credit approval process of our Group in relation to our guarantee business and other financing services, but also have better control over credit risk and other risks in our business operations.

We conduct risk management through our information technology system for our business operations. Prior to October 2014, such information technology system supported certain procedures in our customer acceptance, due diligence, review and approval for our guarantee business only. In October 2014, we upgraded such information technology system. The upgraded system enable us to manage the most of the procedures in our risk management process, including all the procedures in our customer acceptance, due diligence, review and approval as well as post-transaction reviews, for our financing

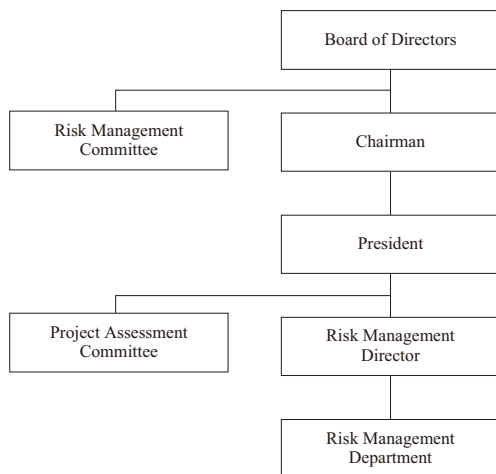
RISK MANAGEMENT

guarantee business, construction contract bond and other contract bond business and entrusted loan business. We expect to further upgrade the information technology system to support our attachment bond business and consulting services by the end of 2015. The risk management over our micro-lending business is conducted through a separate information technology system that Foshan Micro Credit has been maintaining since we consolidated it into our financial statement. We aim to provide an integrated computerized platform for our overall risk management, which can enable us to further identify, manage and minimize credit risk and other risks relating to our business operations in a more efficient and effective way. For further details, see “Business — Business Strategies — Continue to enhance our information technology and other capabilities to strengthen our risk management and internal control.”

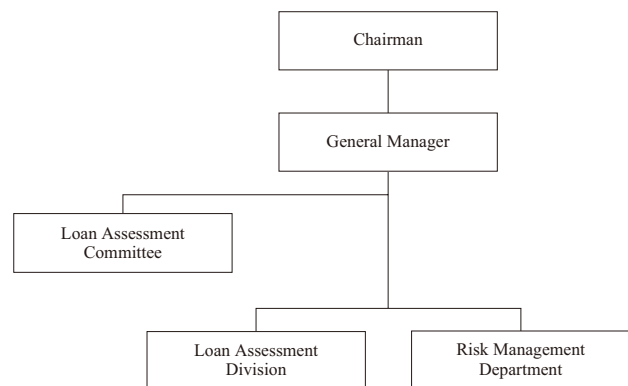
RISK MANAGEMENT STRUCTURE

The following diagram illustrates the organization structure of our risk management system:

With respect to our guarantee business and entrusted loan business:



With respect to our micro-lending business:



Board of Directors

Our Board of Directors takes ultimate responsibility for our overall risk management. It oversees the risk management functions through our senior management and the risk management department.

Risk Management Committee

Our risk management committee had five members, including Mr. Wu Xiangneng (吳向能), Mr. Wu Liejin (吳列進), Mr. Zhang Mingming (張敏明), Mr. Huang Guoshen (黃國深) and Mr. Xie Yongdong (謝勇東) as of the Latest Practicable Date, and Mr. Zhang Mingming, our executive Director, was the chairman of the risk management committee. For details on each member’s experience and qualification, see “Directors, Supervisors, Senior Management and Employees — Board of Directors.” Our risk management committee is mainly responsible for (i) updating our policies from time to time to ensure that our business operations and development plans are conducted and implemented in accordance with laws and regulations stipulated by relevant governmental authorities; (ii) reviewing our risk management system and policy, supervising and evaluating their implementation and effects and providing related advices to the Board based on our overall strategy; (iii) reviewing our annual risk management index, including the default ratio and loss ratio of the guarantee business and micro-lending business and commenting on its execution; and (iv) reviewing our risk category standards and provisioning policy for annual reserve and verification matters.

RISK MANAGEMENT

Chairman

Our Chairman, Mr. Wu Liejin, is primarily responsible for monitoring our overall risk management. For details about Mr. Wu’s experience and qualification, see “Directors, Supervisors, Senior Management and Employees — Board of Directors — Executive Directors.”

President

Our president, Mr. Xie Dongyong, assists our Chairman in risk management and is primarily responsible for managing risks associated with our business operations. For details about Mr. Xie Dongyong’s experience and qualification, see “Director, Supervisors, Senior Management and Employees — Board of Directors — Executive Directors.”

Project Assessment Committee

Our project assessment committee is responsible for reviewing and approving customer applications which exceed a specified transaction amount threshold, or which our risk management director determines as special purchases requiring review and approval from our project assessment committee and preparing project assessment reports for those applications. For details on its approving authority, see “— Credit Risk Management — Key Risk Management Process — Review and Approval” below. Our project assessment committee comprises six permanent members, including the president, vice president, risk management director, general manager of risk management department, general manager of business management department and head of legal and compliance division, and one to three temporary members, who are randomly selected from the list of provisional members of the financing guarantee business assessment committee. For each project that is submitted to our project assessment committee, there will be five to nine members to vote. If there are one-third of the committee members vetoing a project, the project will not be approved. Our Chairman or the president has the right to veto any project.

Risk Management Director

Our risk management director, Ms. Huang Biwen (黄碧汶), is responsible for reviewing and approving the customer applications which is below a specified transaction amount threshold and administering the operation of risk management department. For details about her approving authority, see “Credit Risk Management — Key Risk Management Process — Review and Approval.” Ms. Huang has over 11 years of experience in risk management in the financing guarantee industry and six years of experience in the banking industry.

Risk Management Department

Our risk management department is a standing department of our Company. It performs the daily risk management functions on behalf of our Company. As of December 31, 2014, our risk management department comprised 26 members and was led by our risk management director, Ms. Huang Biwen. We have four managers who are responsible for the daily operations of the project assessment division, transaction execution division, post-transaction supervision division and legal and compliance division. We believe we have a strong risk management team, of which key members have an average of nine years of experience in banking, financing, guarantee or legal industry and five members have obtained the senior credit manager qualification. To maintain and improve the quality of our risk management team, we provide regular training to our risk management personnel on a variety of topics, including our corporate culture, introduction of risk management procedures, operational best practice as well as case study, counter-guarantee measures and legal and industry update starting from 2008. Our risk management department organizes risk management seminars from time to time for case study and experience sharing. Our legal and compliance division also arranges legal training to our employees on a monthly basis.

RISK MANAGEMENT

Our risk management department has four divisions, including (i) project assessment division (項目審查組), (ii) transaction execution division (合同組), (iii) post-transaction supervision division (保後監管組), and (iv) legal and compliance division (法律室).

Project Assessment Division (項目審查組)

As of the Latest Practicable Date, our project assessment division comprised 12 members, including three legal approval officers, two financial approval officers, four financial/general approval officers and three legal assistants. Generally, we require our legal approval officers to have PRC bar qualifications, financial approval officers to possess CPA qualifications or work experience in the finance department of enterprises and with at least three years of working experience, and general approval officers to have working experience in the finance industry. Our project assessment division is mainly responsible for (i) reviewing project investigation reports and due diligence documents submitted by project managers and conducting on-site due diligence in relation to the projects, if necessary; (ii) reviewing and assessing the quantitative, qualitative and legal risks in relation to the transaction proposals submitted by project managers (see "Credit Risk Management — Key Risk Management Process — Review and Approval" for further details); (iii) developing credit policies and criteria for our various financial products; and (iv) conducting feasibility study and risk assessment on our new products and services.

Transaction Execution Division (合同組)

As of the Latest Practicable Date, our transaction execution division comprised five members, all of whom are legal professionals and had an average of five years of working experience handling related legal matters. Our transaction execution division is mainly responsible for (i) establishing operational standards for the signing of contracts and other transaction documents, (ii) providing training to, evaluating and the assessing of our signing staff, (iii) reviewing and checking whether we have completed all the relevant due diligence or investigation procedures and prepared all necessary documentation, and (iv) inspecting the implementation of counter-guarantee measures.

Post-transaction Supervision Division (保後監管組)

As of the Latest Practicable Date, our post-transaction supervision division comprised three members. It is mainly responsible for (i) managing and supervising our customer portfolio after we provide guarantee or other financing services to them, including periodic review and on-site diligence, as the case may be, (ii) developing portfolio management policies and procedures; and (iii) establishing post-transaction supervision plans and ensuring their implementation.

Legal and Compliance Division (法律室)

As of the Latest Practicable Date, our legal and compliance division comprised five members, including the head of legal and compliance division and two legal managers and two legal assistants. Our head of legal and compliance division has 16 years of experience in the legal industry and our legal manager and legal assistants have PRC bar qualifications. It is mainly responsible for (i) reviewing our compliance with regulatory requirements, (ii) providing training to legal and compliance personnel, (iii) dealing with legal matters arising from and in connection with our business operations, assets collection, intellectual property rights and trade secrets protection and other legal matters, (iv) participating in establishing and reviewing our corporate governance policies and procedures, and (v) drafting and reviewing contracts and other legal documents.

RISK MANAGEMENT

Risk Management Department of Anhui Join-Share and Zhongshan Join-Share

Anhui Join-Share and Zhongshan Join-Share established a separate risk management department to manage their respective business routine. Our Company is responsible for supervising overall risk management of the Group including that of Anhui Join-Share and Zhongshan Join-Share.

Risk Management Department of Foshan Micro Credit

Foshan Micro Credit also established its own risk management department, which is responsible for the loan review and approval process, contract signing and other transaction documents, controlling the process for release of funds, post-transaction supervision and dealing with projects where risks occurred.

The risk management responsibilities are assigned to different members of Foshan Micro Credit and overseen by the manager of the risk management department. There are three general approval officers and two legal approval officers responsible for on-site investigation and project assessment, one legal manager responsible for contract signing and other transaction documents and controlling the process for release of funds, one project manager responsible for filing and post-transaction supervision, one collection and recovery officer responsible for collection and recovery, and one assistant to approval officers responsible for assisting the approval officers. The risk management manager of Foshan Micro Credit will coordinate with the legal approval officers, legal manager, project manager of Foshan Micro Credit and the legal and compliance division of our Company to deal with projects where risks occurred.

Loan Assessment Committee of Foshan Micro Credit

The loan assessment committee is mainly responsible for reviewing small and medium clients' loan applications for more than RMB300,000 and no more than RMB5 million. The loan assessment committee comprises five permanent members, including general manager of Foshan Micro Credit, general manager of the risk management department, general manager of the credit department, general manager of other department and one external member. If any permanent member is unable to review the loan applications and the number of the loan assessment committee is less than five, we will appoint an internal expert or hire an external expert in the same industry to fill the position.

Loan Assessment Division of Foshan Micro Credit

The loan assessment division of Foshan Micro Credit was established in 2014 and is mainly responsible for reviewing clients' micro loan applications for no more than RMB300,000. The loan assessment division comprised five members, including general managers of the risk management department and credit department, approval officer of Foshan Micro Credit and two project managers. The loan assessment division will not produce any project assessment report and is only focusing on investigating project risks. If any project is considered unsuitable or high-risk, general managers of the risk management department can veto the loan.

RISK MANAGEMENT

CREDIT RISK MANAGEMENT

Credit risk is one of the major risks to which we are exposed. Credit risk is the risk that we have to compensate or loan loss due to the default of our customers as a result of the change in their credit conditions. It arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans we guarantee or provide, or a change of its credit quality, such as the failure of a customer to collect receivables which led to its inability to repay bank loans timely.

Our senior management, risk management committee and risk management department are all involved in managing the credit risk arising from our business, for which we have established what we believe is a comprehensive risk management system.

Credit Risk Assessment

Generally, we conduct quantitative, qualitative and legal assessment in relation to a customer's credit risk:

- *Quantitative assessment* — we focus on reviewing and assessing the customer's financial status, including its solvency, profitability, growth prospect, results of operations and comparison with competitors, based on the customer's financial statements and our calculation of certain financial ratios. For example, to assess and measure solvency, we usually use debt ratio, current ratio and cash ratio; to assess and measure profitability, we usually use gross profit margin, net profit margin and return-on-asset ratio; to assess and estimate growth prospect, we usually calculate its growth rate on sales revenue, net profit, total assets and operating cash flow; to assess and measure results of operations, we usually use account receivables turnover rate, inventory turnover rate and fix assets turnover rate; we may compare its certain growth rates on trade receivables, inventory, bank borrowings and account payables with its competitors; and we may review its accounting policies and how it manages its cash flows and profit and loss. Usually, our financial approval officers conduct quantitative assessment.
- *Qualitative assessment* — we focus on reviewing and assessing the customer's non-financial status, including its (i) reputation, for which we usually review its credit history, tax payment and historical transactions with us; (ii) management team, for which we usually review experience, education and reputation of its senior management, such as chairman, president and chief financial officer; (iii) future development, for which we usually review its industry ranking, competitive strengths and business strategies as well as competitive landscape in the industry it operates, (iv) use of proceeds from the loans and the authenticity of the purpose; and (v) source of funds or ability for repayment. Usually, our chief approval officers conduct the qualitative assessment.
- *Legal assessment* — we focus on reviewing and assessing the customer's corporate governance and compliance with relevant laws and regulations as well as legal risks associated with the transaction. We review the qualifications of the borrower and the guarantor, including (i) the legality, compliance and integrity of the licenses, certificates, permits, minutes and resolutions of the Shareholders and the board, constitutional documents and information in relation to its registration with relevant government authorities and its principal place of business activity; (ii) the search results on the enterprise credit search system; (iii) the legality, compliance and integrity of basic information of natural persons, such as identity cards, registered household books, passports, proof of marital status, list of financial assets and credit search authorization; (iv) online searches on the national court enforcement information search

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platform, court notices, local court websites for recent litigations or any matters which might adversely affect our customers' ability to repay or fulfil their obligations; and (v) searches on the Account Receivables Mortgage Registration Publication System of the PBOC Credit Information Center (www.zhongdengwang.com). Usually, our legal approval officers conduct the legal assessment.

We generally conduct all of the above assessments for each proposed transaction except for our micro-lending business. Based on our assessment procedures, we divide our clients' creditworthiness gradings into nine grades, namely, AAA, AA, A, BBB, BB, B, CCC, CC and C grade, with assessed credit risk graded from the lowest to the highest accordingly. We might adjust our counter-guarantee requirements and the guarantee fee rate according to the grading assigned to our customer.

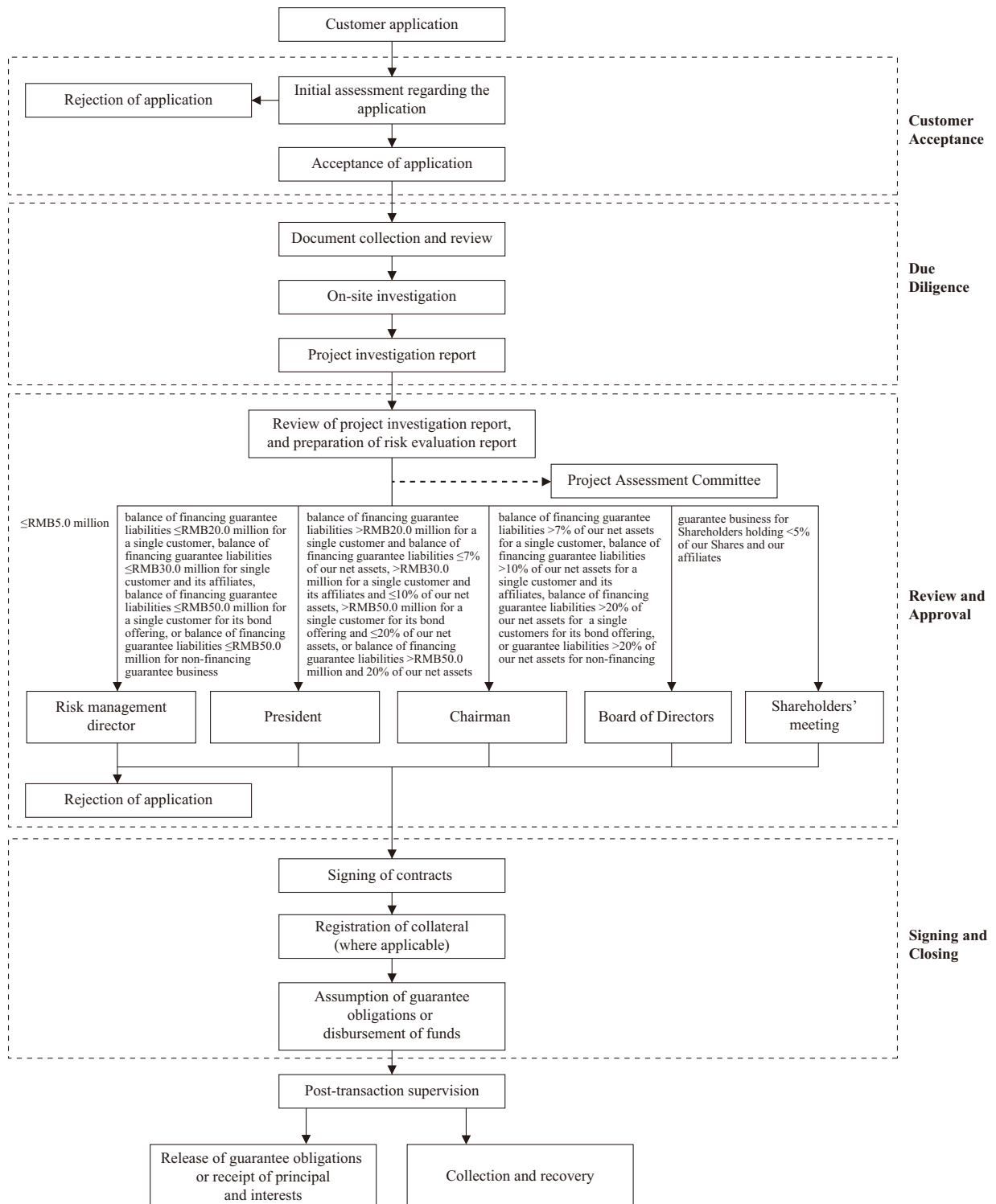
For our micro-lending business, generally our legal approval officer assesses the legitimacy, regulatory compliance, feasibility and the risks of the loans and provides advice on the transaction operation. The loan assessment committee determines whether to approve such loans, reduce the loan credit, increase collaterals and interest rate, shorten the term and change the method of payment, establishes withdrawal conditions and post-transaction monitoring measures and confirms the post-transaction monitoring matters and levels after taking transaction supervisor's advice into account.

Key Credit Risk Management Process

The key elements of our credit risk management process consist of: (i) customer acceptance; (ii) due diligence, (iii) review and approval, (iv) signing and closing, (v) post-transaction supervision, and (vi) collection and recovery. For our guarantee, entrusted loan and micro-lending businesses, we typically use one to two months, three to five days and five to 10 days, respectively, from customer acceptance to completion of signing and closing.

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The flowchart below illustrates the key processes of our credit risk management system:



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Customer Acceptance

The credit risk management workflow begins with customer application. During this process, our project manager answer enquiries from the customer, assess the customer’s financial needs and planned use of proceeds, introduce our products and services, establish initial relationship with the customer and gain a basic understanding of the customer’s business and financial status. We may take into consideration the prevailing market conditions of the industry in which our customer operates, such as the legal environment, industry development and macro-economic conditions. Our project manager may reject a customer’s application if such customer cannot meet our basic requirements if, for example, the customer’s operational or financial track record fails to meet a certain threshold.

Due Diligence

Our due diligence investigations into our customer’s credit profile are at the core of our risk management system. We collect customer information through various channels as the basis for assessment of a customer’s creditworthiness. We normally obtain information directly from the customer and from public sources, and we may seek information from third parties if necessary. We also gather information from the PBOC credit reference center, which was established by the PBOC in 2006. The PBOC credit reference center maintains basic information (including residential information of individuals and information on major shareholders and senior management of enterprises), and credit data (including credit history and account receivables of enterprises and individuals and others). Materials and information gathered during our due diligence investigations are used to create a comprehensive report on the customer’s suitability according to our customer selection criteria and the risk of the proposed transaction, which is then used in our assessment of whether to proceed with the transaction.

Our due diligence investigation includes the following key processes:

- *Two-member team investigation* — our due diligence process is founded on a two-member team investigation. The two-member team produces an investigation report and assesses the potential risk exposure and profitability of the transaction based upon review of the due diligence documents and the results of on-site inspection.
- *Interviews* — our two-member team will interview the customer and collect information to make an assessment of the customer’s experience, personality and integrity, which will be one of the bases for us to evaluate the customer’s credit. We may also conduct interview with the customer’s major suppliers or lending banks on a case-by-case basis.
- *On-site investigation* — the two-member team will conduct an on-site investigation, in order to gain first-hand information and verify the authenticity of the information provided by the customer. Our on-site investigation focuses on: (i) business operations and production condition, such as equipment maintenance, production capacity, inventory conditions and employee morale, (ii) verifying financial data; and (iii) major assets or major collaterals and counter-guarantors provided. For our micro-lending transactions, the risk management department of Foshan Micro Credit will cooperate with the business department of Foshan Micro Credit to conduct due diligence investigations.
- *Due diligence on counter-guarantee* — One of our important risk management measures is to ensure that the customer has sufficient financial resources to fulfill its obligations. We typically require three types of counter-guarantees. See “Business — Products and Services — Guarantee — Financing Guarantees — Indirect Financing Guarantees.”

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Generally, we require a combination of all the above three types of counter-guarantees for each transaction because the major clients of our SME lending business are SMEs which may not be able to provide sufficient collateral. We may adjust the composition of each type of counter-guarantee, depending on different products or services we provide and depending on our assessment on the credit profile of the customer and the collateral provided.

We believe we have taken a prudent counter-guarantee valuation approach. Our valuation methods vary according to the types of the counter-guarantees. For collateral, such as real estate, equipment and machinery, vehicles and account receivables, we assess the value of the collateral by examining factors such as its susceptibility to damage and deduction, potential cash liquidation, the ease of estimating its value, and its price stability and likelihood of appreciation or depreciation. We also check whether the collateral provider has the legal right to offer it as collateral and whether it may be used as collateral under PRC law. We have designated a team of experienced valuers, holding qualifications of land value appraisers (土地估價師), real property value appraisers (房地產估價師) or second-hand vehicle value appraisers (二手車鑒定評估師), to value the collateral provided by our customers. Such valuers possess 13 to 24 years of experience in valuation. We engage third party valuers to provide valuation reports for all the real properties provided by our customers as collateral. For counter-guarantors, we consider their creditworthiness, experience, family wealth, personal credit history, business scales, assets and liabilities, among other factors.

Upon completion of the due diligence investigation, if the results are positive and consistent with information provided by the customer, the project manager will prepare a project investigation report, which summarizes the due diligence results, evaluates the customer's repayment ability, cash flow and a credit assessment of the customer, and describes the provision of counter-guarantees and financial resources by the customer and its major shareholders.

Review and Approval

For our guarantee business, after the project investigation report is prepared, the project manager will submit the report, together with the due diligence documents, including collateral or other counter-guarantee related materials, financial or bank statements, as well as other gathered information regarding the customer, to the head of the guarantee and then to other business segments. Once the report is reviewed and approved by the relevant business segment head, it will be submitted to the project assessment division under our risk management department. Our project approval officers will then conduct quantitative, qualitative and legal assessment on the project based on the report and the due diligence documents. See "Credit Risk Assessment" for details. Our project approval officers may discuss with the project manager any identified issues and potential risk exposure and conduct on-site re-inspection or interviews if necessary.

The project approval officers will then prepare a project assessment report, based upon the result of their review of the project investigation report, due diligence documents and their quantitative, qualitative or legal assessments. The project assessment report sets forth the risks identified in connection with the proposed transaction and its evaluation of these risks.

The complexity of the review and approval process and the level of scrutiny generally vary according to the size of the transaction amount. We have set up an approval hierarchy based on transaction amounts, which is subject to adjustment based upon our management's review of our business operations and market conditions. Transactions exceeding the specified amount thresholds will be subject to additional review and approval procedures.

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The chart below illustrates the approval hierarchy in our credit review and approval process for our guarantee business:

Approval level	Transaction amount threshold and other factors
Risk management director	≤RMB5.0 million
President	Financing guarantee: (i) balance of financing guarantee liabilities ≤RMB20.0 million for a single customer, (ii) balance of financing guarantee liabilities ≤RMB30.0 million for a single customer and its affiliates, or (iii) balance of financing guarantee liabilities ≤RMB50.0 million for a single customer's for its bond offering Non-financing guarantee: ≤RMB50.0 million
Chairman	Financing guarantee: (i) balance of financing guarantee liabilities >RMB20.0 million for a single customer, transaction amount to our net assets ≤7%, (ii) balance of financing guarantee liabilities >RMB30.0 million for a single customer and its affiliates, transaction amount to our net assets ≤10%, (iii) balance of financing guarantee liabilities >RMB50.0 million for a single customer for its bond offering, transaction amount to our net assets ≤20% Non-financing guarantee: >RMB50.0 million, transaction amount to our net assets ≤20%
Board of Directors	Financing guarantee: (i) balance of financing guarantee liabilities >7% of our net assets for a single customer, (ii) transaction amount to our net assets >10% for a single customer and its affiliates, or (iii) balance of financing guarantee liabilities to our net assets >20% for a single customers for its bond offering Non-financing guarantee: transaction amount to our net assets > 20%
Shareholders' meeting	for Shareholders holding <5% of our Shares and our affiliates

The chart below illustrates the approval hierarchy in our credit review and approval process for our entrusted loan business:

Approval level	Transaction amount threshold and other factors
President	≤RMB5.0 million for the sum of outstanding and transaction amounts for a single customer and its affiliates
Chairman	>RMB5.0 million for the sum of outstanding and transaction amounts for a single customer and its affiliates

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For our micro-lending business, the project manager will submit the project investigation report, together with the due diligence documents, including collateral or other guarantee-related materials, financial or bank statements, and other gathered information regarding the customer, to our project approval officers.

The project approval officers will then prepare a project assessment report, based upon the result of their review of the project investigation report, due diligence documents and their quantitative, qualitative or legal assessments.

The chart below illustrates the approval hierarchy in our credit review and approval process for our micro-lending business:

Approval level	Transaction amount threshold and other factors
Manager of Risk Management Department	≤RMB300,000
General Manager	>RMB300,000 but ≤RMB3.0 million (after review and approval of the loan assessment committee)
Chairman	>RMB3.0 million (after review and approval by loan assessment committee)

Signing and Closing

For our guarantee business, upon receiving our internal approval, the transaction execution division under our risk management department or our relevant business departments will arrange for the execution of the transaction documentation, as the case may be. We require both the legal assistant and the project manager present during signing. Typically, we issue our letter of guarantee to the bank and enter into a guarantee contract with our customer and counter-guarantors, and the bank signs a loan agreement with our customer. If any registrable collateral is provided, we will register our security interest in such collateral with the relevant governmental authorities before the letter of guarantee becoming effective. In addition, we will need to place the security deposits, if any, to the relevant lending banks according to the relevant cooperative agreement. Once these steps are completed, our customer is able to draw down the financing guaranteed by us.

For our entrusted loan business, according to the transaction assessment and approval letter, the bank will prepare the transaction documents. The bank will require the customer to sign the transaction documents on site with a bank representative and our project manager. If any registerable collateral or pledge is required, the bank will register the security interest in such collateral or pledge with the relevant governmental authorities. Once these steps are completed, we will notify the bank to release the bank loans to the borrowers.

For our micro-lending business, upon receiving our internal approval, the contract production member from our signing team will prepare and arrange for execution of the transaction documentation.

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Post-Transaction Supervision (事後管理)

We apply risk management measures to monitor the quality of our customers for the loans we guarantee or provide promptly after we grant our guarantees or loans. These measures are integrated into our post-transaction risk management process with the following key features:

Regular Monitoring of Our Customers and Assets

Our project manager reviews our guarantee customers' credit profile periodically. In general, we assess our guarantee customers' profile through various indicators, including daily production or operation, financial status, actual use of proceeds, changes in the counter-guarantee measures, changes in the condition or value of collateral, changes in beneficial owner, guarantors or counter-guarantors, and any other material adverse change. We have established certain measures and procedures in order to monitor the quality of our customers and assets, which include regular post-transaction supervision, special post-transaction supervisor supervision, risk screening and procedures for storing collateral:

1. Regular post-transaction supervision

The project supervisor regularly monitors and assesses the project conditions and risk conditions, evaluates risk conditions according to the supervision plan, and reports to relevant departments. We conduct such supervision once every half month, every month, two months, three months or six months.

2. Special post-transaction supervisor supervision

A special post-transaction supervisor, in addition to the project supervisor, will be introduced for post-transaction supervision when necessary, generally for: (i) projects with certain operational risks; (ii) the first time guarantee projects; (iii) projects with high cumulative balance of guarantee liabilities; or (iv) projects with certain industry risks. The special post-transaction supervisor may generally be a senior management member, risk management director, from post-transaction supervision division member, an officer responsible for collection and recovery, senior project manager or department head. We conduct the special post-transaction supervision every month.

3. Risk screening

We conduct risk screening by organizing stricter, higher standard and more specific risk supervision on companies that are in industries with greater risks, or easily affected by the macro economy or the transactions which material counter-guarantee measure is in abnormal condition. We conduct this risk screening from time to time.

If there are abnormal matters or risks detected during the post-transaction supervision, the risk management department will adjust the supervision frequency and risk category, and arrange a special post-transaction supervisor's on-site supervision or risk screening. Since 2013, we have also used remote video surveillance to monitor certain customer's manufacturing operations on a real-time basis.

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4. Management procedures for collateral

Our collateral includes both tangible and intangible assets. Normally there is no storage requirement for intangible assets. For tangible assets, subject to conditions including transaction risks, characteristics of the customer’s business and mortgage rate, we may adopt different measures, such as entering into and registering a mortgage, regular on-site inspections, regular real-time supervision via remote video surveillance and regular supervision through a third party designated by us.

The business department of Foshan Micro Credit monitors loan customer and their guarantors periodically. In general, we monitor their operational and financial status and repayment ability.

Through our post-transaction inspection procedures, we aim to identify any potential repayment difficulties of our customers ahead of the guarantee or loan due date and to take appropriate precautionary measures.

Risk Profile Classification

For outstanding guarantees, prior to September 2014, we assigned a supervision grade to each of our transactions. In general, transactions involving customers facing adverse changes to their business operations, having other overdue borrowings or subject to litigation are subject to supervision grade I. Transactions involving new customers are subject to supervision grade II. Transactions involving customers who have provided us with sufficient counter-guarantees or collateral or have proven sound business operations or sufficient working capital are subject to supervision grade III. We determined the frequency of the post-transaction risk management reviews for a transaction according to its supervision grade. The following chart sets forth frequency of review for each of the supervision grades:

Supervision Grade	Frequency of Review	
	Financing Guarantees and Attachment Bonds	Construction Contract Bonds and Other Contract Bonds
I	Once every week or every two weeks	Once every month
II	Once every two months or every three months	Once every three months
III	Once every three months or every four months	Once every six months
IV	Once every five months or every six months	Once every nine months
V	Once every nine months or every 12 months	–

After the post-transaction risk management reviews, we further classified our customer’s risk profile as “normal,” “special-attention,” “substandard,” or “loss” based upon the customer’s level of compliance with the transaction documents, financial condition, counter-guarantee conditions and other relevant matters. Based on such risk profile classification, we adjusted a transaction’s supervision grade and the corresponding frequency of review. The following chart sets forth the major criteria for our

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four-level risk profile classification and the adjustments to the supervision grade and the corresponding frequency of review for each classification:

Classification	Major Criteria	Measures Adopted
Normal	<ul style="list-style-type: none"> • the customer is able to comply with the terms and conditions in transaction agreements • the customer has provided sufficient collateral and/or counter-guarantees 	may apply for the supervision grade which is one level higher than the supervision grade that is originally assigned
Special-attention	<ul style="list-style-type: none"> • adverse changes have occurred in the macro-economic condition, market and/or industry in which the customer conducts its business, and may affect the customer's ability to repay • adverse changes have occurred in the customer's corporate structure, or to its principal shareholders, affiliates or parent companies • the customer has encountered difficulties in its business operations and cash flow management • collateral value has declined and issues exist as to the control right of the collateral • the customer is involved in legal disputes which may lead to a substantial economic loss 	shall be subject to the supervision grade which is one level lower than the supervision grade that is originally assigned
Substandard	<ul style="list-style-type: none"> • the customer has ceased or is expected to cease operations • the customer has encountered difficulties in cash flow management, which significantly affect its ability to repay, or the customer is unable to repay • the collateral is insufficient to secure the full repayment, or the liquidity of the collateral decreased 	shall be subject to supervision grade I
Loss.....	<ul style="list-style-type: none"> • both the customer and the counter-guarantors have claimed bankruptcy, and are unable to repay after their liquidations • the customer is unable to repay, and the collateral is insufficient to secure the full repayment. As a result, we cannot recover, or can recover only a limited portion, of our losses, even if we have pursued all the necessary measures and legal proceedings 	shall assign a special team to follow up

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In September 2014, we amended our policy for post-transaction risk management reviews. Under the new policy, we classify our customer's risk profile as "normal," "special-attention," "substandard," "doubtful" or "loss" based upon the customer's level of compliance with the transaction documents, financial condition, counter-guarantee conditions and other relevant matters. We determine the frequency of the post-transaction risk management reviews for a transaction according to the customer's risk profile. The following chart sets forth the major criteria for our five-level risk profile classification, the frequency of review and other special measures adopted in respect to each level:

Classification	Major Criteria	Frequency of Review	Other Special Measures Adopted
Normal	<ul style="list-style-type: none"> • the customer is able to comply with the terms and conditions in transaction agreements; • the customer makes loan payments with funds generated from their business operations; • the customer provides true and reliable financial documents which demonstrate a healthy financial condition and business performance record; • the guarantees and collateral are in normal conditions in all aspects 	<ul style="list-style-type: none"> • once every month, two months, three months or six months 	<ul style="list-style-type: none"> • assign special post-transaction supervisors to supervise and monitor project manager's post-transaction inspection • investigate risks from time to time • Use remote video surveillance systems to monitor customers' operations
Special-attention	<ul style="list-style-type: none"> • adverse changes have occurred in the customer's business environment • adverse changes have occurred in the customer's corporate structure, or to its principal shareholders, affiliates or parent companies • sales and profits have declined, which may affect the customer's loan payment ability • collateral value has declined and issues exist as to the control right of the collateral • the customer is involved in legal disputes which may lead to a substantial economic loss 	<ul style="list-style-type: none"> • once every half month or every month 	<ul style="list-style-type: none"> • assign special post-transaction supervisors to supervise • perform regular risk assessment • collection and recovery department implements the collection process • prepare litigation materials • obtain non-compliance record from public sources • install remote video surveillance systems to monitor customers' operations

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Classification	Major Criteria	Frequency of Review	Other Special Measures Adopted
Substandard . . .	<ul style="list-style-type: none"> • the customer has ceased or is expected to cease operations • the customer encounters material cash flow problems and is unable to pay its debts when due • guarantees are not enforceable 	<ul style="list-style-type: none"> • once every half month 	<ul style="list-style-type: none"> • collection and recovery department implements the collection process • initiate legal proceedings to protect our rights • assign client with assets reorganization • assign creditor’s rights
Doubtful	<ul style="list-style-type: none"> • the customer fails to pay loans when due after restructuring or is unable to repay the loans • collateral value is insufficient to ensure the full repayment of principal and interests or the guarantees are not enforceable or the enforceability of the guarantees has worsened 	<ul style="list-style-type: none"> • once every half month 	<ul style="list-style-type: none"> • collection and recovery department implements the collection process • initiate legal proceedings to protect our rights • assign client with assets restructuring • assign creditor’s rights
Loss	<ul style="list-style-type: none"> • both the customer and the counter-guarantors have claimed bankruptcy, liquidation or terminated operations and are unable to pay after we claim • the customer and the counter-guarantors have no assets to be disposed of to compensate for our loss and are unable to pay after we claim 	<ul style="list-style-type: none"> • once every half month 	<ul style="list-style-type: none"> • collection and recovery department implements the collection process • initiate legal proceedings to protect our rights

For our outstanding SME lendings, we classify our customers’ risk profile as “normal,” “special-attention,” “substandard,” “doubtful” and “loss” based upon the customer’s level of compliance with the transaction documents, financial condition, counter-guarantee conditions and other relevant matters.

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The following chart sets forth the major criteria for our five-level risk profile classification and the frequency of our post-transaction inspection in respect to each level:

Classification	Major Criteria	Frequency of Review
Normal	<ul style="list-style-type: none"> the borrower is able to perform its obligations the contract, and there is no reason to doubt whether it can repay the principal and interests in full when due 	<ul style="list-style-type: none"> every month, two months or three months
Special-attention	<ul style="list-style-type: none"> the borrower is able to repay the principal and interests when due, but there are certain factors which may negatively affect its ability to repay 	<ul style="list-style-type: none"> every month
Substandard	<ul style="list-style-type: none"> the borrower's ability to repay is obviously compromised. Its revenue cannot cover the principal and interests of the loan in full when due. We may suffer losses even if the loan guarantee is honored. 	<ul style="list-style-type: none"> every fifteen days
Doubtful	<ul style="list-style-type: none"> the borrower cannot repay the principal and interests of the loan in full when due. Our material losses cannot be avoided even if the loan guarantee is honored. 	<ul style="list-style-type: none"> every seven days
Loss	<ul style="list-style-type: none"> The principal and the interests cannot be fully recovered, or only a very limited amount can be recovered, even after all the possible measures or necessary legal procedures are taken 	<ul style="list-style-type: none"> every seven days

Collection and Recovery

We initiate our collection and recovery process if we assess, that the risk level has reached certain criteria, as further described in the five-level risk profile classification chart above. In the case of a customer default under our guarantee business, we will pay to the lending bank the outstanding principal amount of the loan, plus all accrued and unpaid interest and expenses within the time frame set forth in the relevant guarantee agreement. Our collection efforts generally involve our collection and recovery department and our legal department. Our collection and recovery process primarily involves the following:

Phone and On-site Collection

For our micro-lending, we will commence our collection process by calling the customer within the first two days of default. After that, we will attempt to collect the default payment on-site at the customer's business address and residential address.

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Restructuring of Repayment Obligations

In most cases where a customer defaults, we will work with the customer to develop alternative payment plans to restructure repayment obligations if the customer indicates an intention to repay, the fundamentals of the customer’s business are found to be sound, the cash flow prospects are expected to be sufficient to assure repayment and we are not aware of enforcement actions being taken by other creditors. Terms of the restructuring may include rescheduling the maturity and payment dates, taking additional collateral and allowing repayment by installments pending the customer’s refinancing.

Enforcing Rights to Collateral, Guarantees and Counter-guarantees

With respect to guarantees or loans secured by collateral, we usually choose to enforce our rights to collateral when we determine that the customer’s business prospects or the value of the collateral have deteriorated, when the customer does not indicate any intention to make repayments or when actions taken by other creditors may compromise our rights. The precise nature of our actions will depend upon the form of the underlying collateral. With respect to real estate with valid and marketable title, and subject to a collateral auction contract and collateral title transfer entrustment letter that our customer pre-signs, we will enforce our rights under these agreements to recover our losses with the proceeds from the disposal of such collateral. In addition, we may call upon the guarantees or counter-guarantees provided by the customers and other guarantors or counter-guarantors.

Initiation of Legal or Arbitration Proceedings

Under similar circumstances to those in which we would consider enforcing our rights to collateral, we may initiate legal or arbitration proceedings against a customer if there is any dispute over our right to the collateral or other assurance measures. We generally seek a court order enforcing the guarantee contract and the right of sale in relation to pledged or mortgaged collateral.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that funds will not be available to meet the liabilities as they fall due and may arise from value or maturity mismatches of assets and liabilities (including contingent liabilities arising from guarantees). Our financing department is primarily responsible for managing and controlling our liquidity risk by generally matching our assets and liabilities at a proportion that we believe to be appropriate and making provisions for our loan guarantees based on prior experience and historical default rates. For more details about our liquidity risk, see “Financial Information — Quantitative and Qualitative Disclosure about Market Risk — Liquidity Risk.”

We have adopted various measures to control and reduce our liquidity risk according to our internal policies and procedures established, such as setting up risk management indicators to control the overall risk scale, maintaining the ratio of our outstanding financing guarantee balance and net assets of our guarantee business at a reasonable level, assessing the effect of each business segment and product on liquidity and adopting measures accordingly to reduce the degree of risks, managing cash position from time to time to match the scale of risks, making provisions for losses to offset potential risks, cooperating with third parties to diversify risks and increasing our share capital to withstand our liquidity risks.

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OPERATIONAL RISK MANAGEMENT

Operational risk is the risk resulting from inadequate or failed internal controls and systems, human errors or external adverse events. We have established comprehensive policies and procedures in order to control or mitigate our operational risk, which includes the following measures:

1. separating the power of execution, monitoring and supervision, such as establishing an independent review and approval system;
2. requesting our internal audit department to review and evaluate the performance of our operational risk management system and supervise the implementation of our operational risk management policies;
3. applying our business information system to the entire business process;
4. establishing the two-member team system to conduct due diligence on the customer and its affiliates and assess the performance of the contract;
5. establishing three review positions, including legal approval officer, financial approval officer and general approval officer to review the quantitative, qualitative and legal risks of a guarantee transaction;
6. conducting review and approval procedures on core projects and complicated projects in advance by our business and risk management departments;
7. setting the scope for business approvals and authorizations and forbidding acting beyond authority;
8. establishing standardized signing procedures. We have a designated team which arranged for signing logistics and witnessed signing process. Since January 2014, we started to keep signing video or photo on record. Prior to that, we relied on technical methods, including judicial identification of handwriting, to solve disputes regarding authenticity of our customers' signatures;
9. establishing a multi-level post-transaction supervision system, including project manager's regular monitoring, risk management department's special monitoring and risk screening from time to time, following up on the risk alert and avoiding information asymmetry;
10. centralizing file management; and
11. establishing report and supervision systems for internal fraud and illegal acts.

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LEGAL AND COMPLIANCE RISK MANAGEMENT

Legal and compliance risk is the risk to our business, financial condition, results of operations and reputation, due to our failure to fulfill or violate laws and related regulations and policies. We believe we have successfully reduced our legal and compliance risk through our review and approval authorization process and supervision system.

We are subject to extensive regulatory requirements and supervision by national, provincial and local government authorities in relation to our loan guarantee business, capital structure, pricing and provisioning policy, which may constantly change. For details, see "Regulations." If we do not respond to these changes in a timely manner or are found to be not in compliance with applicable laws and regulations, we may be subject to fines or other penalties and as a result, our business, results of operations, financial condition and reputation may be adversely affected. See "Risk Factors — Risk Relating to Our Business — Our risk management policies and procedures and internal control system may not enable us to effectively prevent or detect risks and assess the magnitude of potential losses, which may materially and adversely affect our business, financial condition, results of operations and reputation." We have set up a legal and compliance division under our risk management department, which is responsible for operational compliance review, provision of operational guidance and training to legal personnel, legal matters related to asset collection, and drafting and review of contracts and other legal documents, and a transaction execution division under our risk management department, which is responsible for examining the completeness of guarantee procedures. For Foshan Micro Credit, we have legal approval officers under our risk management department responsible for operational compliance review, and legal managers under our risk management department responsible for examination of the completeness of lending procedures.

When planning for a new product or service, our legal and compliance division, together with our other divisions involved, will review the relevant development plans thoroughly, including advising on the legal and regulatory requirements applicable to such new product or service, and the relevant restrictions. We may also consider consulting external legal advisors and liaising with the relevant government authorities on the legal compliance aspects of offering a new product or service. Such information will be included in the new product or service proposal for the senior management's consideration and approval.

MARKET RISK MANAGEMENT

Market risk is the risk of incurring a loss in both our business and off-balance sheet business due to adverse changes in the market. We have adopted comprehensive policies and procedures to mitigate our market risk. We have also adopted certain business strategies, diversified our product portfolio, and expanded our business into more markets and regions, and through arranging our products, markets and regions with negative or no correlation among them, we seek to further reduce our market risk. Furthermore, we have standardized the guarantee fee rate by adjusting the guarantee fee rate according to designated factors, including the term and repayment method of the guarantee, the standard collateral ratio, credit ratings and credit records of the customer, and limited our business development in industries with significant fluctuations in operational and financial results or in high risk industries, such as the real estate industry, and have adopted business strategies to develop more products and promote innovation. In respect of micro-lending business we have also prioritized projects with customers in good operational environments and with good reputation.

RISK MANAGEMENT

REPUTATION RISK MANAGEMENT

Reputation risk is the risk resulting from negative comments about us from stakeholders or the market due to our operations, management, other conducts or external events. Our Board of Directors, risk management committee and senior management are all involved in managing our reputation risk. We have adopted certain measures in order to control and mitigate our reputation risk, such as establishing a comprehensive mechanism for handling customer complaints, multiple channels for disclosing our operational and financial information, a comprehensive reputation risk management system and a strict reputation risk emergency publicity management system, strengthening our internal training on reputation risk management, maintaining a good relationship with the media and further improving our employee incentive and punishment mechanism.

We have adopted various policies and procedures to control and mitigating our reputation risk, including the following measures:

1. establishing a contingency plan for material events;
2. establishing report and response policies for reputation matters;
3. maintaining good communication with cooperative institutions, in particular with all levels of banks; preventing changes in credit policy granted to us by cooperative institutions due to credit risks of certain projects or negative events of other guarantee companies, which may in turn affect our cooperation with other cooperative institutions;
4. reporting our operations status to relevant government authorities regularly;
5. enhancing our communication with all levels of guarantee associations, obtaining industry information on a timely basis and analyzing our potential reputation risk in the event of negative incidents in the industry;
6. maintaining good relationships with the media, in particular, the mainstream media in Foshan city, and participating into industry magazine editing work; and
7. monitoring news and information in relation to our reputation and assessing and researching the potential factors which may lead to reputation risks.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, Supervisors, substantial shareholders and chief executive officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions of our Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions which are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements

Guarantee agreements in respect of the provision of the guarantee by the Connected Guarantors

For the purpose of facilitating our financing guarantee business and at the request of China Construction Bank Corporation, Mr. Wu Liejin and Mr. Xie Yongdong entered into personal guarantee agreements with China Construction Bank Corporation in March 2013, December 2013 and June 2014 to facilitate our customers to obtain various bank financings, principally, bank loans from China Construction Bank Corporation with an aggregate principal amount of approximately RMB35 million under the respective loan agreements with maturity dates of three years with no guarantee fee being charged by Mr. Wu Liejin and Mr. Xie Yongdong. The last expiration date of the guarantee obligation undertaken by Mr. Wu Liejin and Mr. Xie Yongdong under the personal guarantee agreements is July 28, 2019, after which, it is expected that the Mr. Wu Liejin and Mr. Xie Yongdong will not enter into any further personal guarantee agreements with China Construction Bank Corporation. As of June 30, 2015, the balancing guarantee amount undertaken by Mr. Xie Yongdong and Mr. Wu Liejin under the personal guarantee contracts with China Construction Bank Corporation is RMB26 million. Such transaction is of trading nature.

For the purpose of facilitating our financing guarantee business and at the request of China Development Bank, Mr. Wu Liejin entered into a maximum guarantee contract with China Development Bank in September 2013 with the maximum guarantee amount of RMB500 million to facilitate our customers to obtain bank financings, principally, bank loan from China Development Bank for the loans extended by China Development Bank to our customers during the period from September 2012 to September 2014, with no guarantee fee being charged by Mr. Wu Liejin. The last expiration date of the guarantee obligation undertaken by Mr. Wuliejin under the maximum guarantee contract is December 25, 2016, after which, it is expected that the Mr. Wuliejin will not enter into any further personal guarantee agreements with China Development Bank. As of June 30, 2015, the balancing guarantee amount undertaken by Mr. Wu Liejin under the maximum guarantee contract with China Development Bank is RMB55 million. Such transaction is of trading nature.

Mr. Wu Liejin and Mr. Xie Yongdong are our executive Directors and therefore they are connected persons of our Company. Mr. Wu Liejin and Mr. Xie Yongdong provided personal guarantee to the Company's customers in favour of the lending banks, namely China Construction Bank Corporation and China Development Bank, in connection with the loan extended by the lending banks to such customers of the Company, where the Company provided similar guarantee in favour of the banks. Such personal guarantee was provided by Mr. Wu Liejin and Mr. Xie Yongdong to facilitate the financing guarantee business of the Company, and it was one of the conditions imposed by the banks before they would extend loans to the Company's customers. In light of the above, the personal guarantee provided by Mr. Wu Liejin and Mr. Xie Yongdong is part of the financing arrangement between the Company and its

CONNECTED TRANSACTIONS

customers, without which the Company would not be able to secure loan for its customers from the lending bank. In light of the above, such personal guarantee is regarded as financial assistance provided by Mr. Wu Liejin and Mr. Xie Yongdong in favour of the Company, thus a connected transaction of the Company. As the personal guarantee provided by Mr. Wu Liejin and Mr. Xie Yongdong was on more favorable commercial terms for the benefit of our Company, and it was not secured by our Group's assets in respect of such financial assistance, the guarantee agreements and the transactions contemplated thereunder are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below shows certain information in respect of members of our Board, Supervisors and senior management⁽¹⁾:

DIRECTORS

Name	Age	Appointment date of as Director	Date of joining our Group	Existing positions in our Company, roles and responsibilities
Executive Directors				
Mr. Wu Liejin (吳列進)	54	May 23, 2003	May 23, 2003	Executive Director and Chairman; responsible for the overall development planning and business operation of our Group
Mr. Xie Yongdong (謝勇東)	44	May 11, 2012	May 26, 2003	Executive Director and president; responsible for day-to-day management and business operation of our Group
Non-executive Directors				
Mr. Zhang Minming (張敏明)	35	April 21, 2015	April 21, 2015	Non-executive Director and vice chairman of the Board, responsible for assisting the Chairman and performing roles as a non-executive Director
Ms. Gu Lidan (顧李丹)	39	March 28, 2014	March 28, 2014	Non-executive Director, performing roles as a non-executive Director
Ms. Wu Yanfen (吳艷芬)	50	May 23, 2003	May 23, 2003	Non-executive Director, performing roles as a non-executive Director
Mr. Huang Guoshen (黃國深)	52	May 23, 2003	May 23, 2003	Non-executive Director, performing roles as a non-executive Director
Independent non-executive Directors				
Mr. Wu Xiangneng (吳向能)	41	August 7, 2013	August 7, 2013	Independent non-executive Director; responsible for supervising and providing independent judgment to the Board
Mr. Leung Hon Man (梁漢文)	49	June 23, 2014	June 23, 2014	Independent non-executive Director; responsible for supervising and providing independent judgment to the Board
Mr. Liu Heng (劉恆)	51	June 23, 2014	June 23, 2014	Independent non-executive Director; responsible for supervising and providing independent judgment to the Board

Note:

(1) Save as disclosed in this table, none of our Directors, Supervisors and senior management is personally related to any other Directors, Supervisors, senior management, or substantial Shareholders.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

SUPERVISORS

Name	Age	Appointment date of as Supervisor	Date of joining our Group	Existing positions
Mr. Li Qi (李琦).....	39	May 11, 2012	May 11, 2012	Chairman of the Board of Supervisors
Ms. Feng Qunying (馮群英).....	41	April 21, 2015	April 21, 2015	Supervisor representing a Shareholder
Ms. Wang Wei (王維).....	51	February 9, 2010	October 31, 2008	Employee Representative Supervisor
Mr. Liang Yi (梁毅).....	51	April 21, 2015	June 1, 2006	Employee Representative Supervisor
Mr. Liao Zhenliang (廖振亮).....	64	April 21, 2015	April 21, 2015	Independent Supervisor
Mr. Zhong Jian (鍾堅).....	53	April 21, 2015	April 21, 2015	Independent Supervisor

SENIOR MANAGEMENT

Name	Age	Appointment date of as a senior management	Date of joining our Group	Existing positions in our Company, roles and responsibilities
Mr. Xie Yongdong (謝勇東).....	44	July 29, 2004	May 26, 2003	Executive Director and president; responsible for day-to-day management and business operation of our Group
Mr. Zhang Deben (張德本).....	54	July 6, 2009	July 6, 2009	Executive vice president; responsible for day-to-day operational management of Anhui Financing Guarantee
Mr. Ou Weiming (歐偉明).....	49	July 30, 2008	April 25, 2005	Vice president; responsible for day-to-day operational management of Foshan Micro Credit
Ms. Lu Haoming (陸皓明).....	49	January 8, 2008	July 8, 2003	Assistant to president, chief financial officer and general manager of finance management department; responsible for the overall financial management of our Group
Ms. Huang Biwen (黃碧汶).....	41	November 5, 2012	June 5, 2003	Chief risk officer and general manager of risk management department; responsible for risk management of our Group
Mr. Zheng Zhengqiang (鄭正強)	39	February 28, 2014	April 13, 2005	Secretary to the Board, joint company secretary, head of office of the Board of Directors and general manager of development planning department (規劃發展部); responsible for management of the office of the board and development planning

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. According to the Articles of Association, all the Directors shall be elected by the general meeting for a term of three years, and are eligible for re-election upon expiry of their terms. The powers and duties of our Board include, but not limited to convening Shareholders’ general meetings, reporting the Board’s work at the Shareholders’ meetings, implementing the resolutions passed at general meetings, determining our business and investment plans, formulating our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Articles of Association.

Executive Directors

Mr. Wu Liejin (吳列進), aged 54, is our executive Director and the Chairman. He was appointed as a Director on May 23, 2003 and was re-designated as our executive Director on June 6, 2014. Mr. Wu joined our Group on May 23, 2003. Mr. Wu is responsible for the overall development planning and business operation of our Group. Mr. Wu is also the chairman of Foshan Micro Credit, Anhui Join-Share, Zhongshan Join-Share as well as a director of Foshan Consultancy and Foshan Join-Share Industrial Investment. Apart from his duty in our Group, Mr. Wu holds or had previously held positions in various associations since 2008.

Organization, programme and university	Position
11th and 12th Guangdong Provincial People’s Congress (廣東省第11屆、12屆人民代表大會)	Representative
China Association of Small and Medium Enterprises (中國中小企業協會)	Executive director
Guangdong Provincial Credit Guarantee Association (廣東省信用擔保協會)	Chairman
Guangdong Credit Association (廣東省信用協會)	Executive vice-chairman
Foshan Guarantee Association (佛山市信用擔保行業協會)	Chairman
Executive Committee of Foshan Federation of Industry & Commerce Federation (佛山市工商業聯合會執行委員會)	Executive member
Guangdong Provincial Qualification Authentication Committee for Credit Guarantee Industry (廣東省信用擔保行業從業 資格認證委員會)	Director
Guangdong Credit Association Credit Service Professional Committee (廣東省信用協會信用服務專業委員會)	Deputy director
Guangdong Business College (廣東商學院) ¹	Master instructor (off campus)

¹ Now known as Guangdong University of Finance & Economics (廣東財經大學).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

In the earlier period of his career, Mr. Wu worked at Tongling Finance and Economics College (銅陵財務專科學校) (now known as Tongling University (銅陵學院)) in China from July 1983 to May 1993, and was primarily responsible for teaching courses and school administration management. He had been a Party committee member of the college, director of accounting department (with professional lecturer title) during that period. He had also concurrently been appointed as a vice director of Tongling municipal youth league committee through September 1985 to October 1988. Then from May 1993 to May 1994, Mr. Wu served as the manager of the general manager(s) office at Hainan Jialing Group (海南嘉陵集團), a company principally engaged in industry, trade, real estate development, where he was primarily responsible for system establishment and branch management. Mr. Wu has about 20 years of experience in finance industry. From May 1994 to May 2001, he served as the vice general manager and then general manager at Guangzhou Yinye Development Group Co., Ltd. (廣州銀業發展集團有限公司), a company principally engaged in materials supply and sales, investment, properties development and consulting service, where Mr. Wu was primarily in charge of operation management of the company. From May 2001 to May 2003, Mr. Wu served as the general manager at Guangdong Yinda Financing Guaranty Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司), a company principally engaged in providing financing guarantee, guarantee-related consulting service and doing investment, where he was primarily responsible for business operations.

In July 1983, Mr. Wu received his bachelor's degree of economics from Anhui Finance and Trading College (安徽財貿學院) (now known as Anhui University of Finance and Economics (安徽財經大學)) in the PRC, majoring in business accounting. In July 2010, he obtained a certificate of completion for a "Foshan 2010 Advanced Workshop of Enterprises Leaders" (佛山市2010年企業領導人高級研修班) granted by Fudan University (復旦大學) in the PRC. In April 1990, Mr. Wu obtained a lecturer eligibility qualification certificate (講師任職資格證書) of PRC granted by Teachers Qualification Evaluation Committee of Tongling Finance and Economics College (銅陵財經專科學校教師職務評審委員會). In September 2007, he obtained a certificate from a training course on eligibility of independent directors of listed companies of Shanghai Stock Exchange (上海證券交易所上市公司獨立董事任職資格培訓班) granted by Shanghai Stock Exchange in the PRC. In December 2013, Mr. Wu obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong Province.

Mr. Xie Yongdong (謝勇東), aged 44, is our executive Director and the president. Mr. Xie was appointed as a Director on May 11, 2012 and was re-designated as an executive Director on June 6, 2014. Mr. Xie joined our Group in May 26, 2003 and has served as a vice-president from July 2004 to July 2012. Mr. Xie is responsible for day-to-day management and business operation of our Group. Mr. Xie is also a director of Zhongshan Join-Share and Foshan Micro Credit.

Mr. Xie has about 20 years of experience in finance industry. From July 1994 to March 2000, he worked as the vice manager at international finance department of Guangdong Oversea-Chinese Trust Investment Co., Ltd (廣東華僑信託投資有限公司), a company principally engaged in finance service including trust, securities, investment, commercial trading and so on, where Mr. Xie was primarily responsible for operation of credit business. In April 2000, Mr. Xie participated in the founding and served as an assistant of the general manager of Guangzhou Guohao Small and Medium-Sized Enterprises Guarantee Co., Ltd. (廣州國浩中小企業擔保有限公司), a company principally engaged in providing credit guarantee to medium, small and micro enterprises, where Mr. Xie was primarily responsible for business expansion and cooperation with banks.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Xie received his bachelor's degree of economics from Hunan University in the PRC in November 2002 through external higher adult education (函授成人高等教育), majoring in finance. Mr. Xie received his executive master of business administration degree from Sun Yat-Sen University (中山大學) in the PRC in December 2010. In November 2001, he obtained an intermediate qualification certificate of financial economy, granted by MOP. In December 1997, he obtained a certificate of completion for a investment economy professional training workshop (投資經濟專業培訓班) granted by economy department of Jinan University (暨南大學經濟系) (now known as economy college of Jinan University (暨南大學經濟學院)) in the PRC and Guangdong Oversea-Chinese Trust Investment Co., Ltd. In December 2013, Mr. Xie obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong Province.

Non-executive Directors

Zhang Minming (張敏明), aged 35, is our non-executive Director. Mr. Zhang was appointed as our non-executive Director on April 21, 2015. Mr. Zhang joined our Group on April 21, 2015.

Mr. Zhang has about 10 years of experience in enterprise operations and management industry. From August 2008 to May 2009, Mr. Zhang served as the manager of purchasing department at concretes branch of Guangdong Formanda Group Co., Ltd. (廣東科明達集團有限公司), a company principally engaged in property development and the commodity concretes production, where he was primarily responsible for coordinating daily purchase work of concretes company and controlling procurement cost. From May 2009 to May 2010, Mr. Zhang served as the general manager of Guangdong Formanda Group Co., Ltd. and primarily responsible for daily operational management, establishing and improving management system, and implementing and realizing management objectives and development goals. Since May 2010, Mr. Zhang has been the president of Guangdong Formanda Group Co., Ltd. and primarily responsible for formulating and implementing the overall strategy and annual operational plan of the Group establishing and improving the management system and organizational structure of the Group.

Mr. Zhang received his bachelor's degree of science from Saint Peter's College in the USA in May 2003, majoring in computer. Mr. Zhang received his master of business administration degree from Saint Peter's College in the USA in May 2005. Currently, Mr. Zhang is the president of Guangdong Private enterprise, chamber of commerce Youth Work Committee (廣東民營企業商會青年工作委員會).

Ms. Gu Lidan (顧李丹), aged 39, is our non-executive Director. Ms. Gu joined our Group as a Director on March 28, 2014 and was re-designated as a non-executive Director on June 6, 2014.

Ms. Gu has about 18 years of experience in management of state-owned assets and enterprises. From July 1996 to April 2003, Ms. Gu worked as a clerk at Jiangxi Branch of China National Exported Goods Bases Development Corporation Co., Ltd. (中國出口商品基地建設江西公司), a company principally engaged in international commercial trade of goods, where Ms. Gu was primarily responsible for import and export trade of commodity. From April 2003 to October 2009, she was a governmental officer at enterprises division (企業處) of State-owned Assets Supervision and Administration Commission of Jiangxi province (江西省人民政府國有資產監督管理委員會), where she successively served as the junior member and then senior member and was primarily responsible for state-owned enterprise restructuring and capital operation. From December 2004 to October 2009, Ms. Gu served as a director of Jiangxi Guoxing Assets Management Co., Ltd. (江西省國興資產管理有限公司), a company principally engaged in assets managements and other investment, where she was primarily responsible for asset management and other investments. Between October 2009 to July 2012, Ms. Gu served as the deputy director of evaluation and assignment division (考核分配處) of the State-owned Assets Supervision and Administration Commission of Jiangxi province, where she was mainly responsible for operation

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

performance appraisal and remuneration review of leaders in state-owned enterprises. Since July 2012, Ms. Gu works in Foshan Investment Holdings Co., Ltd. (佛山市投資控股有限公司) (now known as Foshan Financial Investment Holding Co., Ltd. (佛山市金融投資控股有限公司)), a company principally engaged in property management and investment and finance related business, where she served as a director, deputy general manager, member of Party committee, general manager and deputy Party secretary and was primarily responsible for strategic development department, finance department and financial management department, and successively in charge of production operational management, work safety, enterprise resource planning. From July 2012 to January 2013, she has also concurrently served as the assistant to the director of State-owned Assets Supervision and Administration Commission of Foshan city (佛山市人民政府國有資產監督管理委員會) under secondment. Since May 2013, Ms. Gu has been the chairwoman of board of directors and general manager at Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司), where she was primarily in charge of overall management.

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

Ms. Wu Yanfen (吳艷芬), aged 50, is our non-executive Director. Ms. Wu joined our Group as a Director on May 23, 2003 and was re-designated as a non-executive Director on June 6, 2014.

Ms. Wu has about 33 years of experience in enterprises management. From July 1981 to March 1988, Ms. Wu served as at Yanbu Top Firm Underwear Factory (鹽步奧麗斯內衣廠), a underwear manufacturing and processing plant, where she was primarily responsible for management. From June 1988 to July 1989, she was factory director at Yanbu Xinghua Underwear Factory (鹽步興華內衣廠), another underwear manufacturing plant, where she was primarily responsible for workshop production management. From August 1989 to October 1990, Ms. Wu served as the general manager at Nanhai Meisi Underwear Co., Ltd. (南海美思內衣有限公司), now known as Guangdong Meisi Underwear Co. Ltd (廣東美思內衣有限公司), a company principally engaged in female underwear's development, design, manufacturing, marketing, sales and export, where she was primarily responsible for production, sales and research and development management. Since January 1990, Ms. Wu has been the chairwoman of board of directors at Guangdong Meisi Underwear Co., Ltd., where she was primarily responsible for the development, design, production, marketing, sales and exports of women's underwear and mainly focus on the overall development strategy, brand management and general management. Apart from her current duty in the enterprise, Ms. Wu also holds or has held positions in various organizations.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Organization	Position
Foshan Tenth Committee of Chinese People's Political Consultative Conference (佛山市第十屆人民政治協商會議)	Member
China Female Entrepreneur Association (廣東省工商聯企業家商會)	Executive director
Guangdong Provincial Female Entrepreneur Association (廣東省女企業家商會)	Vice-chairwoman
Commercial Committee Directly under Guangdong Federation of Industry & Commerce (廣東省工商聯直屬會員商會)	Executive director
China Woman's Chamber of Commerce (全國工商業聯合會女企業家商會)	Chief supervisor
Guangdong Private Entrepreneur Investment Committee (廣東省民營企業投資商會)	Vice director
Foshan Federation of Industry & Commerce Federation (佛山市工商業聯合會)	Vice-chairwoman
Foshan Female Entrepreneur Commercial Association (佛山市民營女企業家商會)	President
Foshan Investment Chamber of Private Entrepreneur (佛山市民營企業投資商會)	Executive director
Foshan Thirteenth Municipal People's Congress (佛山市第十三屆人民代表大會)	Representative
Third Executive Committee of Nanhai Yanbu Underwear Industry Association (南海區鹽步內衣行業協會第三屆)	Vice-chairwoman

Ms. Wu received a certificate of completion on advanced course seminar for executive master of business administration from Sun Yat-Sen University (中山大學) in the PRC in April 2001, majoring in business administration. In November 2008, she obtained a certificate of completion on advanced workshop of entrepreneurs innovative management granted by School of Marxism of Peking University (北京大學馬克思主義學院) in the PRC.

Mr. Huang Guoshen (黃國深), aged 52, is our non-executive Director. Mr. Huang joined our Group as a Director on May 23, 2003 and was re-designated as a non-executive Director on June 6, 2014.

Mr. Huang has about 20 years of experience in enterprises operation and management. From August 1994 to September 2010, he worked at Guangdong Chigo Air Conditioning Co., Ltd (廣東志高空調有限公司), a company listed on the Stock Exchange (stock code: 449) and primarily engaged in designing, development, manufacturing and sales of air conditioners products, where he served successively as a technician, manager, vice general manager, director of costs center, director of infrastructure center and director and was primarily responsible for operational management of the pipeline valves and copper pipe plant, costs control, management of infrastructure and power equipments. Since June 2007, Mr. Huang has served as the general manager at Sihui Zhigao Huamei Investment Co., Ltd. (四會市志高華美投資有限公司), a company principally engaged in investment in tourism, industry, construction and services projects, where he was primarily in charge of overall operation. Since August 2007, he has been the general manager at Yangjiang Zhigao Lido Real Estate Development Co., Ltd. (陽江市志高麗島房地產開發有限公司), a company principally engaged in real estate development, hotel management service and property management, where he was primarily responsible for overall operation. Apart his duty in these companies, Mr. Huang was also a member of Zhaoqing municipal ninth committee of Chinese People's Political Consultative Conference (肇慶市第九屆政協委員).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent non-executive Directors

Mr. Wu Xiangneng (吳向能), aged 41, was appointed as an independent non-executive Director of our Company on August 7, 2013.

Mr. Wu has about 18 years of experience in finance and financial management.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Mr. Leung Hon Man (梁漢文), aged 49, was appointed as an independent non-executive Director on June 23, 2014.

Mr. Leung has over 20 years of experience in company management, accounting and company secretarial matters. From June 1990 to May 1994, he served as a senior officer in the Loans department of the Hong Kong Branch of the Kwangtung Provincial Bank (廣東省銀行香港分行) (now known as Bank of China (Hong Kong) Limited (中國銀行(香港)有限公司)). From May 1994 to August 2000, he served as the finance manager in Soundwill Holdings Limited (金朝陽集團有限公司), a company listed on the Stock Exchange (stock code: 878) and primarily engaged in property consolidation, development and leasing, where he was principally responsible for financial management. From August 2000 to December 2007, Mr. Leung was employed by Sanyuan Group Limited (三元集團有限公司), a company formerly listed on the Stock Exchange and primarily engaged in property investment, medical care and healthcare etc., where he held various positions including the company secretary, financial controller and executive director and primarily responsible for financial management. Mr. Leung has served as the chief financial officer since December 2007 and served concurrently as the company secretary since August 2008 in Chigo Holding Limited, a company listed on the Stock Exchange (stock code: 449) and primarily engaged in designing, development, manufacturing and sales of air-conditioning products, where he was responsible for financial management and compliance.

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

Mr. Liu Heng (劉恆), aged 51, was appointed as an independent non-executive Director on June 23, 2014.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Company name	Listed stock exchange	Stock code	Principal business	Duration
Guangdong Kaiping Chunhui Co., Ltd. (廣東開平春暉股份有限公司)	Shenzhen Stock Exchange	000976	Chemical fiber products manufacturing	September 2008– September 2014
Dongguan Development (Holdings) Co., Ltd. (東莞發展控股有限公司)	Shenzhen Stock Exchange	000828	Investment, construction and management on Dongguan highway	October 2002– June 2008
Shenzhen Yantian Port Holdings Co., Ltd. (深圳鹽田港股份有限公司)	Shenzhen Stock Exchange	000088	Port development and management, goods loading and unloading, port ancillary facilities construction and management, container reparation, entrepot trade, importation and exportation of goods and technique	September 2003–April 2008
Fenghua Advanced Technology Holding Co., Ltd. (廣東風華高新科技股份有限公司)	Shenzhen Stock Exchange	000636	Electronic information basic products including new types of components, electronic materials and special equipments	August 2003– July 2010

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

BOARD OF SUPERVISORS

The board of Supervisors of the Company consists of six members. Except for the two employee representative Supervisors elected by employees, the Supervisors were elected by our Shareholders for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the board of Supervisors include, but are not limited to: reviewing and verifying financial reports, business reports and profit accountants and practicing auditors to re-examine the Company's financial information; monitoring the financial activities of the Company; supervising the performance of the Directors, the president and other senior management members, and monitoring whether they had acted in violation of the laws, regulations and Articles of Association in the performance of their duties; requesting the Directors, the president and other senior management members to rectify actions which are harmful for the Company's interest; and exercising other rights authorized to them under the Articles of Association.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Li Qi (李琦), aged 39, was appointed as the chairman of the board of Supervisors on April 21, 2015. Mr. Li joined our Group on May 11, 2012.

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

Mr. Li received his college diploma from Hebei University of Economics and Business (河北經貿大學) in the PRC in June 1995 through self-study higher education examination (高等教育自學考試), majoring in business economy management. In December 2004, he obtained a certificate for the forty-eighth business administration training course (第48期工商管理培訓班) granted by School of Economics and Management of Tsinghua University (清華大學經濟管理學院) in the PRC. Mr. Li was elected as the deputy secretary-general for the second EMBA alumni association of school of business of Renmin University of China (中國人民大學商學院) in December 2010. Mr. Li obtained a qualification certificate of accountant (會計師資格證書) granted by MOF in May 1998.

Ms. Feng Qunying (馮群英), aged 41, was appointed as a Supervisor on April 21, 2015. Ms. Feng joined our Group on April 21, 2015.

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

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

Mr. Wang Wei (王維), aged 51, was appointed as an employee representative Supervisor on February 9, 2010. Mr. Wang joined our Group in October 30, 2008. He currently serves as the general manager of the asset safeguard department, a vice general manager of risk management department and the director of legal division. He is responsible for the affairs of our legal division.

Entities	Principal Business	Position	Duration	Responsibilities
Anhui Maanshan Materials Recycling Co., Ltd. (安徽馬鞍山市物資回收公司)	Materials recycling	Labor and personal staff, economic staff (經濟員)	June 1985– September 1989	Human resources

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Entities	Principal Business	Position	Duration	Responsibilities
Anhui Maanshan Foreign Trade Industrial Company (安徽馬鞍山市外貿實業開發公司)	Foreign trade	Clerk (辦事員)	September 1989– December 1990	Security work
Anhui Maanshan Labor-Dispute Arbitration Office of Labor Bureau (安徽馬鞍山市勞動局勞動爭議仲裁辦公室)	Labor-dispute arbitration and mediation	Public servant	December 1990– December 1992	Labor dispute arbitration work
Anhui Maanshan Foreign Trade Law Firm (安徽馬鞍山市對外經濟律師事務所)	Legal business	Full-time lawyer	December 1992– August 1997	Practicing PRC Law
Sanfang Law Firm in Anhui (安徽三方律師事務所)	Legal business	Partner, full-time lawyer	August 1997– May 2001	Practicing PRC Law
Guangdong Xinlicheng Law Firm (廣東新里程律師事務所)	Legal business	Full-time lawyer	May 2001– June 2003	Practicing PRC Law
Guangdong Guardian Law Firm (廣東國鼎律師事務所)	Legal business	Partner, full-time lawyer	June 2003– March 2005	Practicing PRC Law
Whobound Law Firm in Guangdong (廣東合邦律師事務所)	Legal business	Partner, full-time lawyer	March 2005– October 2008	Practicing PRC Law

Mr. Wang received the graduation certificate in law from Anhui University (安徽大學) in the PRC in June 1999 through self-study higher education examination, majoring in law. In March 1991, Mr. Wang obtained the lawyer's qualification certificate (律師資格) of the PRC issued by department of justice of Anhui province (安徽省司法廳). In April 2007, he obtained the lawyer's license of the PRC issued by department of justice of Guangdong province (廣東省司法廳). In March 2014, Mr. Wang obtained a certificate of senior credit manager (guarantee) granted by the department of human resources and social security of Guangdong province.

Mr. Liang Yi (梁毅), aged 51, was appointed as an employee representative Supervisor on April 21, 2015. Mr. Liang joined our Group as a project manager and was primarily responsible for business marketing and project operation management on June 1, 2006. From March 2007 to December 2010, Mr. Liang successively served as the vice general manager and general manager of Zhaoqing branch of our Company, where he was primarily responsible for business marketing, project management and risk control of first-line business of Zhaoqing branch. Since January 2011, he has served as the general manager of Nanhai branch of our Company, where he was primarily responsible for business marketing and team management of Nanhai branch.

From September 1984 to May 1986, Mr. Liang served as a principal staff member in forestry section of Jinchang agriculture bureau in Gansu province, where he was primarily responsible for the forestry management of the city. From June 1986 to June 1987, he served as a landscape assistant engineer at Foshan Shiwan park management office in Guangdong, where he was primarily responsible for landscape design and green management. From July 1987 to October 1999, Mr. Liang served as the chief of credit

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

division and director of Zhangcuo office at Shiwan sub-branch under Foshan branch of Industrial and Commercial Bank of China, a commercial bank, where he was primarily responsible for credit issuance and management of Shiwan sub-branch and overall management of Zhangcuo office. From November 1999 to May 2004, Mr. Liang worked at Foshan Urban Cooperative Bank (佛山市城市合作銀行), a commercial bank, where he successively served as the vice president of Xinyuan sub-branch, general manager of special assets department, general manager of credit department of the head office of the bank and president of Xinjiang branch, he was primarily responsible for management of credit business, disposal of non-performing assets and operational management of the head office of the bank.

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

Mr. Liao Zhenliang (廖振亮), aged 64, was appointed as an independent Supervisor on April 21, 2015.

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

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

Mr. Zhong Jian (鍾堅), aged 53, was appointed as an independent Supervisor on April 21, 2015.

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

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

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SENIOR MANAGEMENT

For details of Mr. Xie Yongdong’s biography, see “Directors — Board of Directors — Executive Directors.”

Mr. Zhang Deben (張德本), aged 54, is a executive vice president of our Group. Mr. Zhang joined our Group on July 6, 2009 as the vice president. He is responsible for day-to-day operational management of Anhui Financing Guarantee. Mr. Zhang is also a director of Anhui Join-Share and Hefei Consultancy.

Mr. Zhang has about 15 years of experience in guarantee industry.

Entities	Principal business	Position	Duration	Responsibilities
Anhui Tongling Economy and Trade Committee (安徽銅陵市經濟貿易委員會)	–	Section member and section chief	July 1984– May 1994	Integrated planning analysis
Tongling Suburban District Government (銅陵市郊區政府)	–	Deputy head	May 1994– October 1997	Instructing township enterprises
Tongling State-Owned Assets Administration Bureau (銅陵市國有資產管理局)	–	Deputy head of the bureau	October 1997– June 2002	Administration of state-owned assets
Tongling Municipal Finance Bureau (銅陵市財政局)	–	Chief accountant	June 2002– June 2003	Managing accountant team and accounting regulations
Tongling Jinyu Small and Medium-Sized Enterprises Guarantee Center (銅陵金譽中小企業擔保中心)	Guarantee	General manager	March 1999– June 2003	Day to day operations and financing
Guangdong Yinda Financing Guaranty Investment Group Co., Ltd.	Financing guarantee, guarantee-related consulting service and investment	Deputy general manager	June 2003– June 2004	Government relationship and communication inside the industry
Guangdong Provincial Guarantee Association (廣東省擔保協會)	–	Secretary-general	June 2004– July 2008	Daily work of secretariat
Guanghui Sci-Tech Financing Guarantee Co., Ltd. (廣匯科技融資擔保股份有限公司)	Guarantee products and other types of finance service	Vice president	July 2008– July 2009	Day to day operations

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhang received his bachelor's degree of economics from Anhui Finance and Trading College in the PRC in June 1992, majoring in statistics through self-study education. He received his master's degree of business administration from Anhui Institute of Business Administration (安徽工商管理學院) in the PRC in December 2003. In April 2008, Mr. Zhang obtained a certificate of completion issued by examination council of chartered accountants' at Ministry of Finance of the PRC. In April 1994, he also obtained an intermediate qualification certificate of industrial economy granted by MOP.

Mr. Ou Weiming (歐偉明), aged 49, is a vice president of our Group and general manager of Foshan Micro Credit. Mr. Zhang joined our Group on April 25, 2005. He is responsible for day-to-day operational management of Foshan Micro Credit.

Mr. Ou has about 21 years of experience in finance industry. Prior to joining our Group, he served as a clerk, manager, deputy manager and deputy general manager successively at credit sector of Foshan Branch of Agricultural Bank of China from July 1993 to April 2005, a commercial bank listed on Stock Exchange (stock code: 1288) and Shanghai Stock Exchange (stock code: 601288), where Mr. Ou was primarily responsible for marketing, credit business investigation and assessment work successively.

Mr. Ou received his master's degree of science from Huazhong University of Science and Technology (華中理工大學) in the PRC in June 1993, majoring in applied mathematics. In September 1996, he obtained an engineer certificate granted by Professional and Technical Title Evaluation Committee of Foshan Branch of Agricultural Bank of China (中國農業銀行佛山市分行專業技術職務評審委員會). In November 2000, he also obtained an intermediate professional certificate of finance granted by MOP. In December 2013, Mr. Ou was awarded as a China Guarantee Elite (中國擔保英才) by China Guarantee magazine (《中國擔保》雜誌社) and China Guarantee Pioneer & China Guarantee Elite Committee (中國擔保先鋒中國擔保英才評委會).

Ms. Lu Haoming (陸皓明), aged 49, is the chief financial officer and general manager of finance management department (財務管理部) of our Company. Ms. Lu joined our Group on July 8, 2003. She is responsible for the overall financial management of our Group.

Ms. Lu has about 26 years of experience in finance industry. Prior to joining our Group, she worked as a department vice manager at Foshan International Trust Investment Co., Ltd. (佛山國際信託投資公司) from July 1988 to March 2001, a company principally engaged in trust products and investment, where she was primarily responsible for accounting and financial management of foreign exchange business, financing and fund management of foreign exchange fund, and accounting and financial management of the Hong Kong subsidiary of that company. From April 2001 to September 2001, Ms. Lu served as the chief financial officer at Guangdong Fotao Group Co., Ltd. (廣東佛陶集團), a company principally engaged in manufacturing and distribution of ceramic hardware accessories and functional ceramic materials, where she was primarily responsible for supervising the operations and finance of Guangdong Fotao Group Materials Industry & Trade Co., Ltd. (廣東佛陶集團物資工貿有限公司) and Guangdong Fotao Group Import and Export Branch Company (廣東佛陶集團進出口分公司), two subsidiaries of Guangdong Fotao Group Co., Ltd. From September 2001 to January 2002, Ms. Lu served as a director deputy general manager and the manager of the financial management department in Sanitaryware Co., Ltd. (潔具有限公司), a subsidiary of Guangdong Fotao Group Co., Ltd., where she was primarily responsible for financial management. From July 2002 to August 2003, she was the manager of auditing and financing department (計財部) at the central branch company in Foshan of Huatai Property & Casualty Insurance Co., Ltd. (華泰財產保險股份有限公司), a company principally engaged in property and casualty insurance as well related insurance service and investment, where she was primarily responsible for accounting, financial management, and ensuring the implementation of financial policy of the head office in branches.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Ms. Huang Biwen (黃碧汶), aged 41, is the chief risk officer and general manager of risk management department (風險管理部) of our Group. Ms. Huang joined our Group on June 5, 2003 and has 12 years’ working experience in our Group. She is responsible for risk management of our Group.

Ms. Huang has about 17 years of experience in finance industry. Prior to joining our Group, she worked as a clients manager at Foshan Branch of Industrial and Commercial Bank of China from August 2000 to June 2003, a commercial bank listed on Stock Exchange (stock code: 1398) and Shanghai Stock Exchange (stock code: 601398), where Ms. Huang was primarily responsible for credit customers management, including investigating customer credit status, credit rating, credit management, post-loan inspection, credit risk classification, loan recovery, managing non-performing customers, and collaborating with law firms to take actions against non-performing clients. The rich practical experience at Foshan Branch of Industrial and Commercial Bank of China enabled Ms. Huang to have a deep understanding of risk management mechanism in a financial institution and provided solid experience basis for her implementing of a comprehensive risk management.

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

Mr. Zheng Zhengqiang (鄭正強), aged 39, is the secretary to the Board, head of office of the Board and general manager of development planning department (規劃發展部) of our Company. Mr. Zheng joined our Group on April 13, 2005 with past positions of the assistant general manager of development and planning department, assistant general manager of guarantee department, deputy general manager of Guangzhou Branch, deputy general manager of development and planning department. He is responsible for management of the office of the board and development planning.

Ms. Zheng has about 17 years of experience in finance, guarantee and corporate management. Prior to joining our Group, he worked as an employee at Guangzhou Municipal Postal Office (廣州市郵政局) from July 1998 to June 2002, where he was primarily responsible for economy operation analysis and business management. From August 2002 to March 2005, Mr. Zheng served as the general manager at Guangzhou Baofu Auto Beauty Co., Ltd. (廣州市保夫汽車美容有限公司), a company primarily engaged in automobile beautifying and maintenance service, where he was primarily responsible for overall operational management.

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Save as disclosed above in this section, none of the Directors or Supervisors is involved in the events mentioned in 13.51(2) of the Listing Rules, and none of the Directors, Supervisors and senior management members acted as a director of any companies listed on the Stock Exchange or other stock exchanges for the last three years.

Joint Company Secretary

Mr. Wong Yat Tung (黃日東) was appointed as the joint company secretary of our Company on May 13, 2015.

Mr. Wong currently holds the position of manager in SW Corporate Services Group Limited. Mr. Wong has more than seven years of extensive experience in providing company secretarial services to private and listed companies. Mr. Wong currently serves as the company secretary in a company listed on the Stock Exchange.

Mr. Wong became an associate of The Hong Kong Institute of Chartered Secretaries in December 2009 and an associate of The Institute of Chartered Secretaries and Administrators in December 2009. He obtained a bachelor of arts degree from City University of Hong Kong majoring in quantitative analysis for business in December 1996 and a master's degree in corporate governance from the Hong Kong Polytechnic University in October 2009.

Mr. Zheng Zhengqiang (鄭正強), aged 39, was appointed as the joint company secretary of our Company on May 13, 2015. For further information regarding Mr. Zheng Zhengqiang, please refer to "Directors, Supervisors, Senior Management and Employees – Senior Management – Mr. Zheng Zhengqiang."

Board Committees

Audit Committee

We established an audit committee on May 27, 2009. The terms of reference are in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, being Wu Xiangneng (being the chairman of the audit committee who has a professional qualification in accountancy), Leung Hon Man and Huang Guoshen, two of whom are independent non-executive Director. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration and Appraisal Committee

We established a remuneration and appraisal committee on May 27, 2009. The terms of reference are in compliance with Rule 3.25 of the Listing Rules and paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration and appraisal committee consists of five members, being Leung Hon Man, Liu Heng, Wu Xiangneng, Zhang Minming and Xie Yongdong, three of whom are independent non-executive Directors. The remuneration and appraisal committee is chaired by Leung Hon Man. The primary duties of the remuneration and appraisal committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

recommendations to the Board on the remuneration packages of our Directors and senior management; and (iii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration and appraisal committee.

Nomination Committee

We established a nomination committee on May 27, 2009 with written terms of reference. The nomination committee consists of five members, being Wu Liejin, Leung Hon Man, Liu Heng, Wu Xiangneng and Wu Yanfen. Three of the members are our independent non-executive Directors. The nomination committee is chaired by Wu Liejin. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

Risk Management Committee

We established risk management committee on September 24, 2009 with written terms of reference. The risk management committee consists of five members, being Zhang Minming, Wu Liejin, Xie Yongdong, Huang Guoshen and Wu Xiangneng. The risk management committee is chaired by Zhang Minming. The primary duties of the risk management committee include (but without limitation) (i) identifying and managing all of the material risks, including credit risks, operational risks, liquidity risks, market risks, legal and compliance risk and reputation risks, that we may encounter in our business operations, (ii) determining our important management strategies and policies with respect to risk management, (iii) establishing and improving credit evaluation standards and risk management measures and procedures, and (iv) coordinating with the relevant commercial banks and financial institutes relating to risk sharing.

Strategy Committee

We established strategy committee on May 27, 2009 with written terms of reference. The strategy committee consists of five members, being Wu Liejin, Zhang Minming, Xie Yongdong, Gu Lidan and Liu Heng. The strategy committee is chaired by Wu Liejin. The primary duties of the strategy committee include (but without limitation) (i) studying and advising on long-term development strategy; (ii) studying and advising on material investment plans and capital operation plans subject to the approval of Board of Directors as required by our Articles of Association (iii) studying and advising on other material matters that may impact on company development; (iv) assessing and inspecting the implementation of the above issues; and (v) handling other matters as authorized by the Board of Directors.

Compensation of Employees

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we incurred employee costs (including Directors remuneration) of RMB36.6 million, RMB38.3 million, RMB40.9 million and RMB20.8 million, respectively, representing 15.5%, 14.6%, 13.3% and 14.4% of our revenue during those periods.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

As required by PRC regulations as well as compulsory rules of the PRC local governments, we participate in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions. We are required under PRC law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees in accordance with the respective regulatory requirement, up to a minimum amount specified by the relevant local governments from time to time. During the Track Record Period, the total amount of contributions we made for such social welfare schemes in accordance with the relevant PRC laws for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 was approximately RMB2.0 million, RMB2.4 million, RMB3.1 million and RMB3.1 million, respectively.

Compensation of Directors, Supervisors and Senior Management

Our executive Directors, Supervisors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and other short-term benefits.

Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) granted by us to our Directors and Supervisors were approximately RMB4,619,000, RMB4,730,000, RMB4,677,000 and RMB1,036,000, respectively.

The aggregate amount of remuneration including salaries and other short-term benefits in kind which was paid to our five highest paid individuals including Directors and Supervisors for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 was approximately RMB5.46 million, RMB5.72 million, RMB5.29 million and RMB0.93 million, respectively.

No remuneration was paid by our Group to the Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015. Ms. Gu Lidan, one of our non-executive Directors, waived the remuneration of RMB42,500 and Mr. Cai Guolin, a former director of our Company, waived the remuneration of RMB57,500 during the three years ended December 31, 2014 and the six months ended June 30, 2015. Other than Ms. Gu Lidan and Mr. Cai Guolin, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors and Supervisors for the year ending December 31, 2015 is estimated to be no more than 4.5 million.

We have an incentive plan for our management members and key personals. For details of the incentive plan, please refer to "History, Reorganization and Corporate Structure — Incentive Plan".

Compliance Advisor

We have appointed KGI Capital Asia Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) in relation to the publication of any regulatory announcement, circular or financial report;

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- (b) in relation to a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares or any other matters under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong. Currently, all of our executive Directors reside in the PRC.

Our core business and operations are substantially based and conducted in the PRC. It would be practically difficult and commercially unnecessary for us to relocate two of our executive Directors to Hong Kong. We have applied to the Stock Exchange for and the Stock Exchange had granted a waiver from compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. The following measures have been adopted by us:

- (1) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Wu Liejin, our executive Director and Mr. Wong Yat Tung, our company secretary. Mr. Wong Yat Tung is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorized representatives is authorized to communicate on our behalf with the Stock Exchange.
- (2) All our authorized representatives have means to contact all of our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (a) each Director will have to provide his/her mobile phone number, office phone number, fax number and email address to the authorized representatives; (b) in the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (c) all our Directors and authorized representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange.
- (3) We have appointed KGI Capital Asia Limited as our compliance advisor, pursuant to Rule 3A.19 and 19A.05 of the Listing Rules, which has access at all times to our authorized representatives, Directors, senior management and other officers of the Company, and will act as an additional channel of communication between the Stock Exchange and us.
- (4) Meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorized representatives and/or the compliance advisor.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Company Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Mr. Wong Yat Tung and Mr. Zheng Zhengqiang as our joint company secretaries. Since Mr. Zheng Zhengqiang does not possess a qualification stipulated in Rules 3.28 and 8.17 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Wong Yat Tung as our joint company secretary. In order to provide support to Mr. Zheng Zhengqiang, we have appointed Mr. Wong Yat Tung as a joint company secretary to provide assistance to Mr. Zheng Zhengqiang, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties.

Such waiver will be revoked immediately if and when Mr. Wong Yat Tung ceases to provide such assistance. At the end of the three years period, we will liaise with the Stock Exchange to enable it to assess whether Mr. Zheng Zhengqiang, having had the benefit of Mr. Wong Yat Tung's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

SUBMISSION SEEKING CONSENT FROM THE STOCK EXCHANGE REGARDING THE REQUIREMENTS UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 OF THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, no allocations will be permitted to directors or existing shareholders of the applicant or their associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled, unless with the prior consent of the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, its consent under Rule 10.04 and Paragraph 5(2) of Appendix 6 of the Listing Rules so that Guangdong Finance Investment International Co., Limited ("Yuecai Guangdong") (粵財控股香港國際有限公司), a fellow subsidiary and a close associate of Guangdong Yuecai Venture Investment Co., Ltd., an existing Shareholder holding approximately 2.65% equity interest in the Company immediately before Global

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES ORDINANCE

Offering, could acquire the [REDACTED] by way of participation into the placing tranche as a placee under the [REDACTED] on the grounds that:

- (a) none of the Directors and connected persons of the Company will participate, directly and indirectly, in the [REDACTED];
- (b) immediately before and after completion of the [REDACTED], Yuecai Guangdong shall remain to be an Independent Third Party;
- (c) Yuecai Guangdong (and its affiliate(s)) (i) does not have representation on the Board, and will not be given such right immediately before and after completion of the [REDACTED]; (ii) will not hold, in aggregate, 10% or more of the Shares in issue immediately after completion of the [REDACTED]; (iii) will not exert influence over the book building and share allocation process of the [REDACTED]; and (iv) will not become a core connected person (including substantial shareholder) of the Company or a close associate of such core connected person of the Company immediately before and after completion of the [REDACTED];
- (d) Yuecai Investment (i) is interested in less than 5% of the Company's voting rights before Listing on the Stock Exchange; (ii) is not a core connected person of the Company or its close associate; and (iii) does not have the power to appoint directors of the Company or any other special rights which are not extended to the other shareholders;
- (e) each of the Company, the Joint Bookrunners and the Sole Sponsor (based on their discussions with and confirmations from the Company and the Joint Bookrunners) confirm to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to Yuecai Investment or Yuecai Guangdong by virtue of its relationship with the Company in any allocation in the placing tranche;
- (f) Yuecai Guangdong will be subject to the same book building and allocation process as with other investors of the Company under the [REDACTED] and no preferential treatment has been, nor will be, given to Yuecai Guangdong in such allocation;
- (g) the Company and the Sole Global Coordinator will ensure that the [REDACTED] will be allocated in a fair and orderly manner;
- (h) the Company will comply with the minimum public float requirement of 25% of the Shares in issue upon completion of the [REDACTED] and the allocation to Yuecai Guangdong will not affect the Company's ability to satisfy the public float requirement under the Listing Rules;
- (i) any placing to Yuecai Guangdong of the [REDACTED] in the [REDACTED] shall be conducted in compliance with the Listing Rules, in particular, such placing (i) will be made at the [REDACTED]; and (ii) will not be in violation of the constitutional documents of the Company; and
- (j) information relating to the number of H Shares (if any) to be allocated to Yuecai Guangdong in the [REDACTED], the percentage of such number of H Shares to the number of [REDACTED] and the enlarged issued share capital of the Company will be fully disclosed in the announcement of allotment results to be published by the Company.

SHARE CAPITAL

As of the date of this document, the registered share capital of the Company is RMB800 million, divided into 800 million Domestic Shares with a nominal value of RMB1.00 each.

The share capital of the Company immediately after the [REDACTED] will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
[REDACTED]	Domestic Shares	[REDACTED]%
[REDACTED]	H Shares ⁽¹⁾	[REDACTED]%
<u>[REDACTED]</u>		<u>[REDACTED]%</u>

Note

(1) Such [REDACTED] H Shares are inclusive of (i) [REDACTED] new H Shares to be issued pursuant to the [REDACTED]; and (ii) [REDACTED] H Shares to be converted from Domestic Shares to be offered for sale by the Selling Shareholders.

OUR SHARES

Our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB.

Our promoters hold approximately 260.5 million existing Domestic Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from March 12, 2009, on which we were organized as a joint stock limited company. This lock-up period expired on March 12, 2010. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date. Upon the approval of the State Council or its authorized regulatory departments and with the consent of the Stock Exchange, the Domestic Shares may be converted into H Shares.

Except as described in this document and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix IV to this document, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the [REDACTED], we do not propose to carry out any public or private issue or to place securities simultaneously with the [REDACTED] or within the next six months from the Listing Date. We have not approved any share issue plan other than the [REDACTED].

SHARE CAPITAL

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted shares may be listed or traded on an overseas stock exchange; provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of our Domestic Shares are to be converted into and to be traded as H Shares on the Stock Exchange as described in this section, such conversion and trading will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. No class Shareholder voting is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer. As any listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share Register will be conditioned on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the transferred shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

To our Director's knowledge, as of the Latest Practicable Date, none of our Shareholders proposed to convert any of the Domestic Shares held by them into H Shares, except for the Domestic Shares to be converted and offered by the Selling Shareholders in connection with the [REDACTED] in accordance with relevant PRC regulations regarding the transfer of state-owned shares.

REDUCTION OF STATE-OWNED SHARES

In accordance with relevant PRC regulations regarding the reduction of state-owned shares, the Selling Shareholders are required to transfer to NSSF such number of Domestic Shares as in aggregate would be equivalent to 10% of the number of the [REDACTED] to be issued by our Company under the [REDACTED] (being [REDACTED] H Shares), or pay the equivalent cash at the [REDACTED] under the [REDACTED] to NSSF, or a combination of both. Pursuant to a letter issued by NSSF (Shebaojijinfafa [2015] No. 121) on July 21, 2015, NSSF instructed us all of the net proceeds (after deducting the SFC transaction levy and Stock Exchange trading fee) from the sale of H shares converted from Domestic Shares held by the Selling Shareholders in the [REDACTED] shall be remitted through us to an account designated by NSSF.

SHARE CAPITAL

The reduction of state-owned shares by the Selling Shareholders was approved by the State-owned Assets Supervision and Administration on Commission of the State Council (國務院國有資產監督管理委員會) on April 12, 2015. The conversion of those shares into H Shares and the offering for sale of the [REDACTED] were approved by the CSRC on July 13, 2015. We have been advised by our PRC legal advisers, King & Wood Mallesons, that the transfer and the conversion, and the offering for sale of the [REDACTED], have been approved by the relevant PRC authorities and are legal under the PRC laws and regulations.

INCREASE IN SHARE CAPITAL

As advised by King & Wood Mallesons, our PRC Legal Advisor, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon Listing of its H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class Shareholders’ meeting.

The PRC Securities Law requires a company who wishes to offer new shares to the public to meet the following requirements including (i) it is a complete and well-operated organization; (ii) it is capable of making profits continuously and having a healthy financial status; (iii) there is no false records in its financial statements and no material illegal acts over the last three years; and (iv) any other requirements as prescribed by the CSRC as approved by the State Council. The public offering requires the approval of the CSRC.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon after listing of its overseas-listed-foreign-invested shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders’ general meeting and class Shareholders’ meeting are required, please refer to “3 Special Voting Procedures of Classified Shareholders,” “4 Special Resolutions to Be Passed by a Two-Thirds Majority of Vote,” “5 Voting Rights (Generally on a Poll and Right to Demand a Poll)” and “6 General Meetings” under “Appendix IV — Summary of Articles of Association” to this document.

CORNERSTONE INVESTORS

[REDACTED]

CORNERSTONE INVESTORS

[REDACTED]

CORNERSTONE INVESTORS

[REDACTED]

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements together with the accompanying notes, set forth in the Accountants' Report included as Appendix I to this document. Our consolidated financial statements are prepared in conformity with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole of the Accountants' Report included as Appendix I to this document and not rely merely on the information contained in this section.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to certain differences include those discussed in "Risk Factors" and "Business" and elsewhere in this document.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading financing guarantee services provider in Guangdong province, focusing on providing credit-based financing solutions to SMEs to satisfy their financing and business needs. Since our establishment in Foshan, Guangdong province in 2003, our branch network has significantly expanded to cover all the major cities in Guangdong province and certain cities in Anhui province. Enjoying a first-mover advantage in both Guangdong province and our industry, we have established our reputation and brand-awareness. According to the Heading Century Report, as of December 31, 2014, there were approximately 360 financing guarantee institutions (including branches) in Guangdong province. As of December 31, 2014, we were ranked third among the non-state owned financing guarantee institutions and sixth among all the financing guarantee institutions (including state owned and non-state owned) in Guangdong province, as measured by registered capital, according to the Heading Century Report.

SMEs' have been growing rapidly, especially in Guangdong province which has been experiencing a rapid economic growth. However, SMEs have been facing difficulties in meeting their financing needs. Large-sized commercial banks in China typically focus on providing loans secured by collateral. Due to a lack of credit history and sufficient collateral, commercial banks are less willing to provide financings to SMEs. Based on our understanding of SMEs' businesses and our professional due diligence, we have developed our credit evaluation system and are able to provide financing solutions tailored for our SME customers to satisfy their financing needs. As the SMEs in Guangdong province are expanding, we plan to strengthen our relationships with our existing customers and provide products and services to them accordingly, including through growing our product mix to them. Meanwhile, we expect to leverage our reputation in the industry to attract newly established SMEs, and thus to expand and diversify our customer base.

Our business primarily comprises two segments, namely:

- *Guarantees:* we provide guarantees on behalf of SMEs and individual business proprietors to guarantee the repayment of their loans or performance of their certain contractual obligations. We mainly provide the following products and services:

Financing Guarantees

Indirect financing guarantees
Direct financing guarantees

Non-financing Guarantees

Attachment bonds
Construction contract bonds and other contract bonds

FINANCIAL INFORMATION

- *SME lendings*: We provide entrusted loans for 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. We also provide micro-loans for SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Micro Credit, which was consolidated into our Group in June 2014. Foshan Micro Credit is permitted to conduct its operations in Chancheng District, Foshan, Guangdong province.

Guarantees

In order to make financings more accessible to SMEs and individual business proprietors, we provide financing guarantees for lenders that we will settle the default amounts in the event of default by borrowers, in return for guarantee fees and other fees payable by the borrowers. We primarily provide two types of financing guarantees, namely (i) indirectly financing guarantees, where we primarily guarantee bank financings; and (ii) direct financing guarantees, where we primarily guarantee bond and medium term note offerings, trust financings, target asset management schemes and other direct financings.

In addition, we provide two types of non-financing guarantees, where we act as a guarantor and promise that if the party we provide guarantees for fails to perform certain obligations, we will pay a certain amount to its counter-party. We primarily provide attachment bonds, and construction contract bonds and other contract bonds.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balances of our outstanding guarantees were RMB4,366.4 million, RMB5,218.8 million, RMB4,688.2 million and RMB4,387.5 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our net guarantee fee income was RMB154.6 million, RMB161.4 million, RMB163.4 million and RMB67.9 million, respectively.

SME Lendings

We provide entrusted loans to satisfy our customers' needs for quick access to short-term financings. Our entrusted loan business allows us to provide loans of relatively large amount through banks, usually ranging from RMB3.0 million to RMB30.0 million, and is not subject to geographical restriction.

Starting from July 2011, we, through Foshan Micro Credit, have offered micro-lending to SMEs, individual business proprietors and individuals in Foshan to satisfy their needs for quick access to financings. Since June 2014, we have consolidated Foshan Micro Credit into our Group according to HKFRS. Due to limits imposed by certain laws and regulations, the amount of micro-lending that we may provide is up to RMB5.0 million. In general, the micro-lending that we provide have a term within one year. During the Track Record Period, we also provided pawn loans. We disposed of our pawn loan business in June 2014.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balances of our entrusted loans were RMB192.1 million, RMB86.2 million, RMB117.7 million and 319.0 million, respectively. As of December 31, 2014 and June 30, 2015, the balance of our micro-lending was RMB268.8 million and RMB287.9 million. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the net interest income from our SME lending business was RMB43.9 million, RMB63.9 million, RMB93.9 million and RMB55.2 million, respectively.

To complement our guarantee, entrusted loan and micro-lending businesses, we also provide consulting services for our customers to address their financial and investment needs.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

HKFRSs

Our financial information has been prepared in accordance with HKFRS and includes applicable disclosures required by the Listing Rules. Our financial information has been prepared on the historical cost basis except for available-for-sale financial assets and derivative financial assets which are stated at their fair value, as explained in our accounting policies set forth below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Up to the date of this document, the Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a few amendments and new standards which were not yet effective for Track Record Period and have not been adopted in our consolidated financial statements. These include the following which may be relevant to us.

	<u>Effective for accounting periods beginning on or after</u>
Annual improvements to HKFRSs 2012-2014 cycle.....	January 1, 2016
Amendments to HKAS 1, Disclosure Initiative	January 1, 2016
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortization.....	January 1, 2016
Amendments to HKAS 27, Equity Method in Separate Financial Statements	January 1, 2016
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
HKFRS 15, Revenue from contracts with customers	January 1, 2017
HKFRS 9, Financial instruments	January 1, 2018

We are in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far, we have concluded that the adoption of them is unlikely to have a significant impact on our consolidated financial statements except for HKFRS 9, Financial Instruments.

HKFRS 9 is a new standard on financial instruments accounting which includes a revised guidance on the classification and measurement of financial instruments, including impairment and supplements the hedge accounting principles.

Our business primarily comprises two segments: Guarantees and SME lendings, with terms varying from less than 12 months to more than one year. Furthermore, we have different types of financial instruments, presented in financial statements as trade and other receivables, loans and advances to customers, derivative financial assets, available-for-sale financial assets, receivable investments and liabilities from guarantees, which are currently subject to HKAS 39. Effective from January 1, 2018, HKFR9 will replace HKAS 39 and revise the guidance on recognising and measuring financial

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instruments. In light of the above, HKFRS 9 is expected to have the following impacts on our financial statements:

With Respect to Our Guarantee and SME Lendings Businesses

Our receivables arising from guarantee business are recognized as trade and other receivables and the loans and advances arising from SME lendings are recognized as loans and advances to customers in the consolidated statement of financial position. Both of the trade and other receivables and loans and advances to customers are financial instruments, which are subject to HKFRS 9 which is expected to have an impact on the classification categories and the measurement of financial assets, the measurement of liabilities for financial guarantees and the related disclosures.

Furthermore, provisions from guarantee business are recognized as liabilities from guarantees in the consolidated statement of financial position, and provisions for guarantee losses in the statement of profit or loss, while impairment of other financial instruments (including loans and advances) is recognized as impairment losses in the consolidated statement of profit or loss. Such provisions and impairment are also subject to HKFRS 9. For instance, we will be required to replace the incurred loss model in HKAS 39 with an expected credit loss model that will apply to various exposures to credit risk, including trade and other receivables, loan and advances to customers, receivable investments, and financial guarantees.

With Respect to Our Business Terms and Credit Risk

HKFRS 9 replaced the incurred loss model with an expected credit loss model. Under expected credit loss model, the amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses. Expected credit losses are measured as either 12-month expected credit losses or lifetime expected credit losses. Below are the main differences between two models:

Incurred Loss Model

- Provisions for Guarantee Losses

We assess our provisions for guarantee losses on a quarterly basis in order to make a reasonable estimate on the costs required to fulfill the relevant obligation of our guarantee contracts. Provisions for guarantee losses primarily reflect our estimate on the level of provisions that is adequate to our guarantee business. The determination of provisions for guarantee losses is based on prior experience and default history of the business, which is possibly not indicative of future loss on the guarantees issued.

- Impairment Losses

We assess our loans and receivables for impairment on a quarterly basis, determine a level of allowance for impairment losses by calculating the net decrease in the estimated discounted future cash flow of the assets, if individually assessed, or calculating the historical loss experience for assets with credit risk characteristics similar to the loans and advances to customers, if collectively assessed, and recognize any related impairment allowances using the concept of impairment under HKAS 39.

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Expected Credit Loss Model

The measurement of expected losses should reflect reasonable information including historical, current and forecast information. As a result, this model will require us to measure the provisions for guarantee losses and impairment losses of financial assets based on not only historical and current data, but also forecast credit risk. It widens the scope of judgments for measuring impairment loss, and relies on us being able to make robust estimates of our expected credit losses, and the point at which there is a significant increase in credit risk. For this purpose, we will need to identify and assess significant increase in credit risk of the underlying financial assets to determine whether the measurement of the loss allowance will be based on 12-month expected credit losses or lifetime expected credit losses. Identification and assessment of significant increase in credit risk involves identification and assessment of default of the underlying financial assets. In addition, the measurement of expected credit losses should reflect reasonable and supportable information that includes historical, current and forecast information.

Measuring the impairment of financial instruments requires an assessment of credit risk. Considering the factors including but not limited to business segments, terms, operating regions and customer concentration, we are exposed to various types and degrees of credit risk. In particular, our business terms vary from less than 12 months to more than one year. This variety increases the uncertainties of the estimation regarding to credit losses in the expected credit loss model. In light of the above, HKFRS 9 may have an impact on Group's impairment.

With Respect to Various Types of Financial Instruments

We have various types of financial instruments, including trade and other receivables, loans and advances to customers, receivable investments, financial guarantees, derivative financial assets and available-for-sale financial assets. HKFRS 9 will change the way we classify and measure financial assets, and will require us to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement.

It is expected that adopting HKFRS 9 will require adjustments to systems and processes to collect necessary data. As HKFRS 9 will be effective from January 1, 2018, we cannot provide a reasonable estimate that quantifies the impact on our financial statements nor can we yet conclude whether that impact will be significant or not, until a detailed review of the impact of adopting HKFRS 9 is performed. We expect to start the preparation of adopting HKFRS 9 in 2017. The preparation includes, but is not limited to the following:

1. design and implement new processes to allocate financial assets to the appropriate measurement category;
2. amend the account captions to fulfill the revised classification and disclosure requirement;
3. design and implement new processes and related internal controls for the expanded data and calculation requirements, which include:
 - estimates of 12-month and lifetime expected credit losses;
 - historical, current and forecast information and data to determine whether a significant increase in credit risk has occurred or reversed; and
 - data for the new disclosure requirements;

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- engage professional advisors to support the preparation of adoption of HKFRS 9 if appropriate or necessary.

Our financial information is presented in Renminbi and our financial year ends on December 31 of each year. The financial information incorporates our financial statements.

Corporate Structure

We were established as a guarantee company in Foshan city, Guangdong province, the PRC, in 2003. Since our establishment, we expanded beyond providing guarantee services. As of June 30, 2015, the top three Shareholders of the Company are Foshan Fuside Infrastructure Investment Co., Ltd., Mr. Huang Guoshen and Ms. Zhang Yubing, each holding 5.22% of our equity interest.

We are principally engaged in providing financing and non-financing guarantee, entrusted loans, micro-lending and financial consulting services for SMEs.

During the Track Record Period, our consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement included the consolidated results of operations of our Company and our subsidiaries. Our consolidated statements of financial position as of December 31, 2012, 2013 and 2014 and June 30, 2015 have been prepared to present the consolidated assets and liabilities of our Group and our Company, as of the respective dates.

As detailed in "History, Reorganization and Corporate Structure," we underwent a reorganization in order to focus on the core business of guarantee and loan, rationalizing our structure in preparation for the listing of our H shares on the Main Board of the Stock Exchange. On June 26, 2014, we disposed of three of our original subsidiaries, including Foshan Pawn, Join-Share Fund Management and Shenzhen Linghang to Join-Share Holding at a consideration of RMB10.8 million, RMB5.1 million and approximately RMB26.9 million, respectively. On June 27, 2014, we injected additional capital to acquire further equity interest in Foshan Micro Credit, subsequent to which our equity interest in Foshan Micro Credit increased from 20% to 30%. On June 30, 2014, we acquired the remaining non-controlling interest of Foshan Industrial Investment, and on July 8, 2014, we and other three third parties established Zhongshan Join-Share, which is focused on guarantee business.

On November 9, 2010, we entered into an equity transfer agreement with a third party to dispose of the 18% equity interest in Hangshi Pawn. Due to the counterparty's personal reason, Hangshi Pawn did not complete the registration of change of shareholders with SAIC. After we and the counterparty agreed to terminate the equity transfer agreement under the mediation by the court, we entered into an equity transfer agreement with another Independent Third Party on November 25, 2014, to dispose of all equity interest we held in Hangshi Pawn. On December 30, 2014, Hangshi Pawn completed the registration of change of shareholders in SAIC.

All material intra-group transactions and balances have been eliminated on consolidation.

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SUMMARY OPERATION AND FINANCIAL INFORMATION

The table below sets forth our consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, and selected financial information extracted from our consolidated cash flow statement for the periods or as of the dates indicated:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Guarantee fee income	156,921	165,776	170,434	90,102	72,047
Re-guarantee expenses	(2,305)	(4,386)	(7,060)	(4,742)	(4,155)
Net guarantee fee income	<u>154,616</u>	<u>161,390</u>	<u>163,374</u>	<u>85,360</u>	<u>67,892</u>
Interest income	62,209	76,992	107,413	45,572	64,594
Interest expenses	(5,468)	(2,590)	(5,258)	–	(5,162)
Net interest income	<u>56,741</u>	<u>74,402</u>	<u>102,155</u>	<u>45,572</u>	<u>59,432</u>
Service fee from consulting services	<u>25,118</u>	<u>26,053</u>	<u>41,814</u>	<u>22,008</u>	<u>17,583</u>
Revenue	<u>236,475</u>	<u>261,845</u>	<u>307,343</u>	<u>152,940</u>	<u>144,907</u>
Other revenue	24,590	21,458	20,992	7,436	8,180
Share of profits of associates	3,462	4,376	2,355	2,355	–
Net gain on disposal of an associate	–	1,270	–	–	–
Net gain on disposal of subsidiaries	–	–	473	473	–
Provisions for guarantee losses	(10,125)	(13,590)	(8,146)	(1,632)	10,883
Impairment losses	(36,562)	(20,424)	(29,361)	(14,051)	(23,317)
Operating expenses	<u>(63,315)</u>	<u>(80,177)</u>	<u>(82,035)</u>	<u>(40,451)</u>	<u>(43,044)</u>
Profit before taxation	<u>154,525</u>	<u>174,758</u>	<u>211,621</u>	<u>107,070</u>	<u>97,609</u>
Income tax	(38,734)	(43,789)	(54,867)	(27,916)	(25,225)
Profit for the year/period	<u><u>115,791</u></u>	<u><u>130,969</u></u>	<u><u>156,754</u></u>	<u><u>79,154</u></u>	<u><u>72,384</u></u>
Attributable to:					
Equity Shareholders of the Company	115,633	129,767	145,258	75,252	56,367
Non-controlling interests	158	1,202	11,496	3,902	16,017

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Consolidated Statement of Financial Position

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Assets				
Cash and cash equivalents	652,827	789,320	858,328	582,905
Pledged bank deposits	214,801	232,230	240,321	228,871
Trade and other receivables	116,234	152,854	219,338	307,915
Loans and advances to customers	179,847	84,104	357,367	569,640
Derivative financial assets	–	639	–	–
Available-for-sale financial assets	19,242	89,663	18,497	33,786
Receivable investment	54,549	31,500	120,500	65,000
Interest in associates	42,770	30,947	–	–
Fixed assets	4,041	4,020	4,860	4,355
Intangible assets	16	4	232	1,879
Goodwill	–	2,605	419	419
Deferred tax assets	10,044	13,408	32,466	17,966
Total assets	<u>1,294,371</u>	<u>1,431,294</u>	<u>1,852,328</u>	<u>1,812,736</u>
Liabilities				
Interest-bearing borrowings	52,900	–	75,000	75,000
Liabilities from guarantees	142,961	184,398	175,415	153,220
Customer pledged deposits	39,503	16,672	14,505	15,632
Accruals and other payables	46,540	49,865	135,094	68,598
Current tax liabilities	17,944	23,130	35,314	19,186
Other financial instrument-liability component	–	–	92,983	95,866
Total liabilities	<u>299,848</u>	<u>274,065</u>	<u>528,311</u>	<u>427,502</u>
NET ASSETS	<u>994,523</u>	<u>1,157,229</u>	<u>1,324,017</u>	<u>1,385,234</u>
CAPITAL AND RESERVES				
Share capital	645,000	800,000	800,000	800,000
Reserves	265,559	255,355	251,705	315,526
Total equity attributable to equity				
Shareholders of the Company	910,559	1,055,355	1,051,705	1,115,526
Non-controlling interest	83,964	101,874	272,312	269,708
TOTAL EQUITY	<u>994,523</u>	<u>1,157,229</u>	<u>1,324,017</u>	<u>1,385,234</u>

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Selected Consolidated Cash Flow Statement Data

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Net cash generates from/(used in)					
operating activities	3,102	135,381	(14,237)	(1,447)	(189,829)
Net cash generates from/(used in)					
investing activities	9,903	36,527	(35,870)	(51,618)	85,362
Net cash generates from/(used in)					
financing activities	<u>69,532</u>	<u>(46,956)</u>	<u>14,295</u>	<u>(74,178)</u>	<u>(91,392)</u>
Net increase/(decrease) in cash and					
cash equivalents	82,537	124,952	(35,812)	(127,243)	(195,859)
Cash and cash equivalents at					
the end of the year	<u>479,649</u>	<u>604,601</u>	<u>568,789</u>	<u>477,358</u>	<u>372,930</u>

KEY FACTORS AFFECTING OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our business, results of operations and financial condition are affected by a number of factors, including without limitation, the following:

China's Economic Environment

We focus on the SME sector in China and, therefore, our business, results of operations and financial condition are directly linked to this sector, which is largely affected by China's general economic environment and market conditions.

We believe general economic and market conditions that would be favorable to the SME industry include, but are not limited to:

- high GDP growth;
- reasonable levels of inflation;
- increasing domestic consumption;
- liquid and efficient financial markets;
- stable geopolitical conditions, including continued government support for SMEs; and
- rising personal wealth.

Unfavorable or uncertain economic and market conditions include, but not limited to:

- declines in economic growth, business activities or investor confidence;
- decreases in the availability of, or increases in the cost of, credit and capital;
- significant inflation and increases in interest rates;

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- reduced government support for SMEs;
- outbreaks of hostilities or other geopolitical instability; and
- natural disasters or pandemics.

In recent years, China has experienced a significant economic growth, and the PRC government has actively supported the development of SMEs resulting in increases in the number of SMEs and their financing needs. Sustained economic growth and favorable government policies towards the SME sector are likely to increase the demand for our products and services. Unfavorable economic and market conditions or adverse policy changes could negatively impact the demand for our products and services and result in a greater credit risk.

Ability to Maintain and Strengthen Cooperative Relationships with Commercial Banks, Non-bank Financial Institutions, Customers and Other Parties

Our business, results of operations and financial condition are affected by our ability to maintain or strengthen our cooperative relationships and build new cooperative relationships with commercial banks and other financial institutions, such as re-guarantee, guarantee and trust companies, and other parties, such as governmental authorities, for acceptance of our guarantees and for customer referrals. A number of customers of our guarantee business were referred by banks with which we have established cooperative relationships. When lending to a customer, our cooperative banks may refer the customer to our guarantee services as a means of enhancing the customer's credit.

In addition, when we provide guarantees for our customers, some lending banks may require us to maintain a minimum amount of security deposits for each loan we guarantee in designated bank accounts to secure our guarantee obligations. The amount of such security deposits largely depends on our cooperative relationship and track record with them. A lower proportion of security deposits relative to the guaranteed amount increases our capital efficiency and profitability.

Our cooperation with other financial institutions, such as re-guarantee, guarantee and trust companies, as well as governmental authorities, has also proven an effective means of reaching new customers through referrals or enhancing our credit profile, brand recognition and risk management capabilities. Expansion of our cooperative network may bring in new customers or help us expand our business operations. Conversely, if we are unable to expand our cooperative network or maintain our existing cooperative relationships, our business, results of operations and financial condition may be materially and adversely affected. See "Risks Factors — Risks Relating to Our Business — We rely on cooperation with commercial banks, and hence failure to maintain such relationships or to build new cooperative relationships with banks could materially and adversely affect our business, financial condition, results of operations and prospects" and "Risks Factors — Risks Relating to Our Business — We have entered into re-guarantee and joint-guarantee arrangements with other re-guarantee and guarantee companies and government authorities to enhance our credit profile, brand recognition or risk management capabilities, and failure to maintain such arrangements or to enter into new re-guarantee or joint-guarantee arrangements could materially and adversely affect our business, financial condition, results of operations and prospect."

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As we continue to diversify our product and service offering, we will need to establish, maintain and strengthen cooperative relationships with banks, re-guarantee, guarantee and trust companies and other financial institutions and other parties who may provide services in offering our new products or serve as additional sales channels. As of June 30, 2015, our most significant cooperative relationships or business transactions included those with 13 commercial banks, re-guarantee institutions, other guarantee companies and local governments. See "Business — Product and Services — Financing Guarantees — Indirect Financing Guarantees."

Our ability to maintain and establish strong cooperative relationships with current and new customers also affects our business, results of operations and financial condition. Strong customer relationships may also improve our business reputation and allow for customer referrals through word of mouth.

Government Regulations and Policies

We are subject to extensive and complex national, provincial and local laws, rules, regulations, policies and measures. Such regulations and policies include those governing the type and amount of collateral required in connection with bank lending and credit guarantees, registered capital or net assets requirements applicable to guarantee companies and micro-lending companies, pricing and provisions policies, as well as broader regulations governing the financial services industry which affect the businesses and activities in which we may engage, an overview of which is set forth in "Regulation." These laws, rules, regulations, policies and measures are issued by different central government ministries and departments as well as provincial and local governmental authorities, and may be enforced by different local authorities in each region in which we operate.

The PRC governmental authorities may issue new laws or regulations, which may affect our business operations. Also, the local authorities have broad discretion in implementing and enforcing the applicable rules and regulations. As a result, there are significant uncertainties in the interpretation and implementation of such laws, rules, regulations, policies and measures, which increase our compliance burden and may potentially restrain our flexibility in conducting our business, including product innovation. In addition, changes to such regulations and policies may broaden the scope of our activities or may force us to adjust our business practices or general business model, which would in turn affect our business, results of operations and financial condition. In addition, government regulations that have a significant impact on our customers, particularly SMEs, may as a result affect our business, results of operations and financial condition.

Our results of operations are also affected by the prevailing interest rates in China, as they influence the pricing of and income from our products and services and the level of customer demand for our products and services. The pricing of our products and services are directly or indirectly tied to prevailing PBOC benchmark interest rates, and we expect that prices and fees for products and services we offer in the future will be similarly tied to prevailing interest rates. As such, the income we receive from our products and services, and our lending in particular, is closely tied to the interest rate environment in China. Additionally, customer demand for our products and services may be affected by prevailing interest rates, with demand for loan guarantees typically increasing during periods of monetary expansion with increased availability of bank loans, and demand for our guarantee company financing services, entrusted loan and micro-lending services increasing during periods of monetary contraction with increased demand for alternatives to traditional bank financing.

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Risk Management Capabilities

Our business is inherently subject to various risks, in particular, credit risk. Based on our extensive experience in serving the SME sector, we have established risk management policies and procedures intended to mitigate our exposure to risks in our product portfolio. These risk management policies and procedures include customer due diligence, customer creditworthiness assessment and approval and ongoing post-transaction supervision processes. For a detailed description of our risk management system, see "Risk Management." Our ability to effectively manage risk can help reduce our risk exposure with respect to loans we guarantee and the entrusted and micro-lending we offer. Conversely, an ineffective or deficient risk management system, or an inability to effectively implement our risk management system could result in higher rates of default on loans we guaranteed or offered or an inability to realize the value of collateral we hold or to achieve the benefits of guarantees or counter-guarantees or other assurance measures provided to us in connection with our products as anticipated.

Product Mix

Our business primarily comprises two segments, namely, guarantees and SME lendings. Our guarantee business provides financing guarantees, which primarily comprise indirect and direct financing guarantees, and non-financing guarantees, which primarily comprise attachment bonds and construction contract bonds and other contract bonds. Our SME lending business provides entrusted loans and micro-lending. Based on the varying risks and resources involved, we charge different fee rates for different products or services we offer. As a result, our profit margins vary across business segments as well as products and services within each business segment. Our product mix and changes in such mix, which reflect our business strategy and risk management policies, regulatory requirements, prevailing market conditions and other factors, may affect our revenue and profitability from time to time.

We will continue to monitor, and may adjust from time to time, our capital allocation and product mix with an aim to achieve an optimal product mix to provide sustainable growth in size and profitability. The ability to effectively allocate resources among our different products and business segments is a key factor affecting our business, results of operations and financial condition.

PRC Tax Incentives and Government Grants

We were granted a three-year business tax exemption on revenue derived from guarantee fees in February 2010 and March 2014. Anhui Join-Share was granted a three-year business tax exemption on revenue derived from guarantee fees in October 2012.

We cannot assure you that we will continue to benefit from such preferential tax treatment or that such tax policies will be extended. In addition, if we apply for an extension of the tax exemption upon expiration, we cannot assure you that such application will be approved. Any loss, reduction or inability to obtain preferential tax treatments could have an adverse effect on our results of operations and financial position.

The government grants are subject to the sole discretion of the relevant governmental authorities and are granted in connection with the government's efforts to promote the development of SMEs and other economic policies, and, thus, are subject to change and termination. Any modification or termination of the foregoing incentives currently available to us will affect our business, results of operations and financial condition.

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Availability and Cost of Funds

We require a significant amount of capital to finance our operations as well as to satisfy a number of requirements under PRC law for minimum capital. According to PRC laws and regulations, the total balance of outstanding financing guarantees provided by a financing guarantee company for a single customer shall not exceed 10% of its net assets, and the total balance of the outstanding financing guarantees provided by such company shall not exceed 10 times of its net assets. Accordingly, the size of our guarantee business and our revenue derived from guarantees are directly affected by the amount of our capital. Our micro-lending business require a large amount of capital. Our micro-lending business is also restricted by regulations limiting the maximum bank loans obtained from two banking financial institutions as its source of funds up to an aggregate outstanding principal amount of 50% of the net capital and is prohibited from taking any deposits from the public for conducting banking activities. See "Regulations."

The table below sets forth the growth of our capital base and the resulting increase in our business scale as of the dates indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
	(RMB in millions)			
Net assets of guarantee business ⁽¹⁾	1,054.9	1,181.4	1,357.9	1,416.2
Net balance of outstanding financing guarantees	3,982.2	4,789.2	4,300.9	3,675.2
Net capital of micro-lending business ⁽²⁾	N/A	N/A	200.0	200.0
Balance of micro-lending ⁽²⁾	N/A	N/A	268.8	287.9

Notes:

- (1) *Net assets of our guarantee business represents the net assets of our Company, Anhui Join-Share and Zhongshan Join-Share.*
 (2) *Data of our micro-lending business in 2012 and 2013 are not applicable as we only consolidated the results of Foshan Micro Credit into our Group in June 2014. See "Business — Products and Services — Micro-lending."*

The expansion of our businesses and addition of new branch network have been and will continue to be affected by our ability to raise our capital base. The expansion of our micro-lending business also depends on our ability to borrow bank loans at a reasonable cost and raise alternative financings to further leverage our capital. We typically finance our operations using cash generated from operations, capital contributions from existing Shareholders and external financing, such as subsequent equity and debt financing. As a result, our results of operations are affected by the costs of obtaining financing, which may vary according to general economic conditions, interest rates and our own credit profile.

CRITICAL ACCOUNTING POLICIES

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, 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 recognized 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.

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Revenue recognition

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

Guarantee fee income

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

Interest income

Interest income is recognized as it accrues using the effective interest method.

Rendering of services

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

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

Dividends

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

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

Government grants

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

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Financial guarantees issued

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

Where we issue a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within liabilities from guarantees. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with our policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with Note 1(s)(i) if and when (i) it becomes probable that the holder of the guarantee will call upon us under the guarantee, and (ii) the amount of that claim on us is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee, i.e., the amount initially recognized, less accumulated amortization.

Provisions for guarantee losses

When determining the amounts to be recognized in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect profit or loss in future years.

Depreciation and amortization

Fixed assets and intangible assets are depreciated and amortized 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 amortization 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.

Other payables

Other payables are initially recognized at fair value. Except for financial guarantee liabilities, other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial instruments

Recognition and measurement of financial assets and liabilities

A financial asset or financial liability is recognized in the statements of financial position when we become a party to the contractual provisions of a financial instrument.

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

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Financial assets and financial liabilities are categorized as follows:

Loans and receivables

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

- (a) Those that we intend to sell immediately or in the near-term, which will be classified as held for trading;
- (b) Those that we, upon initial recognition, designate as at fair value through profit or loss or as available-for-sale; or
- (c) Those where we may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

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

Available-for-sale financial assets

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

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

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

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

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

Other financial liabilities

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

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

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Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by us at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

- Significant financial difficulty of the debtor;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Disappearance of an active market for financial assets because of financial difficulties;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- *Loans and receivables*

We use two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

- Individual assessment

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

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

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

- Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an

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individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

We periodically review and assess the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provisions for impairment losses.

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

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

- *Available-for-sale financial assets*

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

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

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

Fair value measurement

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

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

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

We obtain market data from the same market where the financial instrument was originated or purchased.

Impairment of non-financial assets

Impairment of other assets

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

- Fixed assets; and
- Intangible assets; and
- Goodwill.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

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Estimate of Impairment of non-financial assets

If circumstances indicate that the carrying amount of a non-financial asset may not be recoverable, the asset may be considered "impaired," and an impairment loss may be recognised in accordance with accounting policy for impairment of non-financial assets as described in Note 1(o). The carrying amounts of non-financial assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. We use 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.

Income tax

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

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

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

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

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

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

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

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

- In the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- In the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - The same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

DESCRIPTION OF SELECTED STATEMENTS OF PROFIT OR LOSS LINE ITEMS

Revenue

Our revenue is primarily derived from our guarantee fee income, interest income and service fee from consulting services. On June 20, 2014, we entered into an unconditional and irrevocable concert party agreement with certain shareholders of Foshan Micro Credit who hold an aggregate of 62.5% equity interest. On June 27, 2014, we injected additional capital to acquire further equity interest in Foshan Micro Credit, subsequent to which our equity interest in Foshan Micro Credit increased from 20% to 30%. As a result, we are able to consolidate our micro-lending business to our consolidated financial statements since June 27, 2014.

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Set forth below is a breakdown of our segment revenue and their respective percentages to the total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2012		2013		2014		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except for percentages)										
Guarantees										
— Net guarantee fee income ⁽¹⁾	154.6	65.4	161.4	61.7	163.4	53.2	85.4	55.9	67.9	46.9
SME Lendings										
— SME lending net interest income ⁽²⁾	43.9	18.6	63.9	24.3	93.9	30.5	39.9	26.1	55.2	38.1
Others										
— Service fee from consulting services ⁽³⁾ .	25.1	10.6	26.1	10.0	41.8	13.6	22.0	14.4	17.6	12.1
— Other net interest income ⁽⁴⁾	12.9	5.4	10.4	4.0	8.2	2.7	5.6	3.6	4.2	2.9
Total	236.5	100.0	261.8	100.0	307.3	100.0	152.9	100.0	144.9	100.0

Notes:

- ⁽¹⁾ Net guarantee fee income represents guarantee fee income with re-guarantee fees deducted.
- ⁽²⁾ SME lending net interest income represents the interest income from our loans and advances to customers with interest expenses from bank borrowings deducted.
- ⁽³⁾ Service fee from consulting services primarily relates to our provision of consulting services. See “Business — Products and Services — Consulting Services.”
- ⁽⁴⁾ Other net interest income represents the interest income from our cash at banks and pledged bank deposits with the interest expenses from other financial instrument — liability component deducted.

Net Guarantee Fee Income

We generate guarantee fee income in return for the guarantee services we provide, including financing guarantees, attachment bonds and contract bonds. During the Track Record Period, our guarantee fee income, which consisted of guarantee fees, investigation, review and approval fees and post-transaction supervision fees, represented a majority of our revenue.

The general increase in our guarantee fee income in 2012, 2013 and 2014 was primarily due to our financing guarantee business expansion and the continuing growth of SMEs’ financing needs as a result of the PRC government’s monetary tightening measures and regulatory limitations on lending for banks to SMEs. Demand for these modes of financing has also been spurred by the relative shortage of financing from traditional sources, such as bank loans, due to regulatory limitations and more rigid internal guidelines on lending for banks as well as the PRC government’s monetary tightening measures. Continued economic growth may increase the number of SMEs which use our services, as well as increase the amount of economic activity which requires our financing services. Our guarantee fee income decreased in the six months ended June 30, 2015 from the same period in 2014 was primarily due to the tightened credit policies of the commercial banks in China and our tightened customer assessment and acceptance policies in response to the general slowdown of the macro-economic conditions in China. For a discussion of our guarantee fee rates during the Track Record Period, see “Business — Products and Services — Guarantees.”

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We also pay re-guarantee expenses to third-party guarantee and re-guarantee companies who we have entered into re-guarantee or joint-guarantee arrangements. The significant increase in our re-guarantee expenses for the years ended December 31, 2013 and 2014 was primarily due to the commencement of our business cooperation with China United Guarantee since August 2013. The decrease in our re-guarantee expenses for the six months ended June 30, 2015 as compared to that for the same period in 2014 was primarily due to the decrease in our financing guarantee business.

The following table sets forth a breakdown of our net guarantee fee income by products for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Guarantee fee income					
Indirect financing guarantee fee income	145,651	151,632	152,343	81,187	62,077
Direct financing guarantee fee income	7,693	9,618	15,656	7,795	7,906
Total financing guarantee fee income	153,344	161,250	167,999	88,982	69,983
Performance guarantee fee income	2,871	3,962	2,106	1,091	2,028
Litigation guarantee fee income .	706	564	329	29	36
Less: Re-guarantee expenses	(2,305)	(4,386)	(7,060)	(4,742)	(4,155)
Net guarantee fee income	<u>154,616</u>	<u>161,390</u>	<u>163,374</u>	<u>85,360</u>	<u>67,892</u>

Our financing guarantee fee income generally increased from 2012 to 2014, primarily due to a continuous increase in the average balance of our outstanding financing guarantees to RMB5,140.0 million in 2014 from RMB4,220.5 million in 2012. Our financing guarantee fee income decreased from the six months ended June 30, 2014 to the six months ended June 30, 2015, primarily due to a decrease in the average balance of our outstanding financing guarantees to RMB4,098.6 million in the six months ended June 30, 2015 from RMB5,341.7 million in the six months ended June 30, 2014.

Net Interest Income

We generated interest income mainly from the entrusted loans and, since June 2014, micro-lending we provide to customers during the Track Record Period. See “Profit Attributable to Non-controlling Interests.” The general increase in our net interest income during the Track Record Period was primarily due to (i) the tightening of the banks’ credit scale and (ii) our entrusted loan and micro-lending business expansion, including Foshan Micro Credit incorporated in our financial statements since 2014. For a discussion of our interest rates during the Track Record Period, see “Business — Products and Services — Entrusted Loan” and “Business — Products and Services — Micro-lending.”

We also earn interest income from our cash at banks and pledged bank deposits.

Our net interest income is net of interest expenses from borrowings from banks and from other financial instrument — liability component. We incur interest expenses on bank borrowings to principally expand our micro-lending business. Our other financial instrument — liability component relates to

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capital injection to Zhongshan Join-Share received from Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., an Independent Third Party. See “Description of Selected Items of Consolidated Statement of Financial Position — Other Financial Instrument — Liability Component.”

The following table sets forth a breakdown of our net interest income by sources for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Interest income from:					
Loans and advances to customers ..	49,297	66,598	96,403	39,949	57,485
Cash at banks and pledged bank deposits	<u>12,912</u>	<u>10,394</u>	<u>11,010</u>	<u>5,623</u>	<u>7,109</u>
Total interest income	<u>62,209</u>	<u>76,992</u>	<u>107,413</u>	<u>45,572</u>	<u>64,594</u>
Interest expenses from:					
Borrowings from banks	(5,468)	(2,590)	(2,462)	—	(2,280)
Interest expenses from other financial instrument — liability component	<u>—</u>	<u>—</u>	<u>(2,796)</u>	<u>—</u>	<u>(2,882)</u>
Net interest income	<u>56,741</u>	<u>74,402</u>	<u>102,155</u>	<u>45,572</u>	<u>59,432</u>

Service Fee from Consulting Services

Our consulting services are primarily related to our provision of financing consulting services that we provide to our customers. See “Business — Products and Services — Consulting Services.” For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our service fee from consulting services amounted to RMB25.1 million, RMB26.1 million, RMB41.8 million and RMB17.6 million, respectively.

Other Revenue

Our other revenue primarily consists of government grants, investment income from available-for-sale financial assets, principally unlisted available-for-sale equity instruments and wealth management products, and receivable investments, principally trust products.

Government grants consist of discretionary policy-directed grants from different government bureaus. We normally receive grants and subsidies from national governmental authorities, such as the MIIT and the MOF, and local and district governmental authorities as incentives for our business of providing credit guarantees to SMEs.

Investment income from available-for-sale financial assets primarily represents income from our convertible bond business, equity investment in Zhongshan Yinda and wealth management products purchased from Bank of Communication and Agricultural Bank of China.

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Investment income of receivable investment primarily represents income from our investment in trust products purchased from several trust institutions including Guangdong Yuecai Trust since April 2011 with a term ranging from one year to three years.

The following table sets forth a breakdown of our other revenue for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Government grant	16,265	12,155	2,487	–	2,715
Investment income from available-for-sale financial assets	1,240	3,507	10,046	3,157	2,034
Investment income of receivable investment.....	6,895	4,858	7,037	3,179	3,431
Disposal gain of available-for-sale financial assets.....	–	–	1,080	1,080	–
Fair value changes gain	–	639	–	–	–
Others	190	299	342	20	–
Total	<u>24,590</u>	<u>21,458</u>	<u>20,992</u>	<u>7,436</u>	<u>8,180</u>

Share of Profits of Associates

Our share of profits of associates primarily relates to our share of profits in Foshan Micro Credit, in which we held a 20% equity interest since May 2011 until June 27, 2014 when we increased our equity interest in it from 20% to 30% and entered into an unconditional and irrevocable concert party agreement with certain shareholders of Foshan Micro Credit which holds an aggregate of 62.5% equity interest in June 2014 to make it become one of our subsidiaries.

Net Gain on Disposal of an Associate

Net gain on disposal of an associate relates to our disposal of our 31% equity interest in Foshan Zhongsheng Property Company Limited (佛山市中盛置業有限公司) in November 2013. As of the Latest Practicable Date, we had no associates.

Net Gain on Disposal of Subsidiaries

Net gain on disposal of subsidiaries relates to our disposal of three subsidiaries, namely, (i) Foshan Pawn, in which we held an 80% equity interest, (ii) Join-Share Fund Management, in which we held a 51% equity interest, and (iii) Shenzhen Linghang, in which we held a 60% equity interest, in June 2014.

Provisions for Guarantee Losses

We assess our provisions for guarantee losses on a quarterly basis in order to make a reasonable estimate on the costs required to fulfill the relevant obligation of our guarantee contracts. Provisions for guarantee losses primarily reflect our management’s estimate on the level of provisions that is adequate to our guarantee business. The determination of provisions for guarantee losses is based on prior experience and default history of the business, which is possibly not indicative of future loss on the guarantees issued. See “— Critical Accounting Policies — Provisions for Guarantee Losses” and note 1(s)(i) and 34(d) to our consolidated financial statements included in the Accountants’ Report in

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Appendix I to this document. Our provisions for guarantee losses for the years ended December 31, 2012, 2013 and 2014 were RMB10.1 million, RMB13.6 million and RMB8.1 million, respectively. We wrote back provisions for guarantee losses of RMB10.9 million for the six months ended June 30, 2015, primarily as a result of a decrease in the net balance of our outstanding financing guarantees from RMB4,300.9 million as of December 31, 2014 to RMB3,675.2 million as of June 30, 2015. The cumulative provisions for guarantee losses are recorded as liabilities from guarantees.

Impairment Losses

Impairment losses mainly include impairment allowances we make in relation to (i) receivables for default guarantee payments, which reflect the net default guarantee payments which we are unable to collect; (ii) loans and advances to customers primarily in our entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to customers which we are unable to collect; and (iii) receivable generated by treasury bonds we purchased through HanTang Securities in 2003.

We assess our loans and receivables for impairment on a quarterly basis, determine a level of allowance for impairment losses by calculating the net decrease in the estimated discounted future cash flow of the assets, if individually assessed, or calculating the historical loss experience for assets with credit risk characteristics similar to the loans and advances to customers, if collectively assessed, and recognize any related impairment allowances using the concept of impairment under HKAS 39. See "Critical Accounting Policies — Financial Instruments" and note 1(k)(ii) to our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

The general increase in our impairment allowances for receivables for default guarantee payments during the Track Record Period was primarily due to an increase in the amount we repaid the debt we guaranteed in the event of customer default as a result that many SMEs have encountered cash flow difficulties due to the slowdown in China's economic growth in recent years.

The fluctuation in our impairment allowances for loans and advances to customers during the Track Record Period was primarily due to the difference between the outstanding amounts of loans and advances at the end of each period.

Impairment allowances for receivable from HanTang Securities relate to our purchase of treasury bonds through HanTang Securities in 2003. HanTang Securities went bankrupt in 2005 and since then we have recognized a 100% impairment loss for the unrecoverable amount for our investment products. During the years ended December 31, 2013 and 2014, we received payments of RMB0.3 million and RMB4.1 million, respectively, through bankrupt assets allocation and wrote back such impairment losses in the corresponding periods. In December 2014, the relevant court issued a judgment to notify the completion of the bankruptcy liquidation procedures of HanTang Securities. As such, we wrote off the remaining balance of RMB2.7 million in the six months ended June 30, 2015 and recorded nil receivables from HanTang Securities as of June 30, 2015.

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The following table sets forth a breakdown of our impairment losses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Receivables for default guarantee payments	21,280	21,637	22,160	8,414	9,808
Receivables from guarantee customers	(977)	1,070	3,070	4,190	5,424
Loans and advances to customers	16,259	(1,981)	8,276	5,302	8,085
Receivable from HanTang Securities ..	—	(302)	(4,145)	(3,855)	—
Total	<u>36,562</u>	<u>20,424</u>	<u>29,361</u>	<u>14,051</u>	<u>23,317</u>

Operating expenses

Our operating expenses primarily include (i) staff costs, such as salaries, wages, bonuses and other benefits, and contributions to retirement schemes organized by the local governmental authorities of the PRC; (ii) business and other taxes and surcharges; (iii) travel expenses; and (iv) office expenses.

The following table sets forth a breakdown for our operating expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2105
	(RMB in thousands)				
Staff costs					
Salaries, wages, bonuses and other benefits	35,685	37,253	39,629	23,091	19,524
Contributions to retirement schemes	878	998	1,297	649	1,299
Subtotal	36,563	38,251	40,926	23,740	20,823
Other items					
Operating lease charges:					
minimum lease payments – hire of property	3,262	4,478	6,045	2,785	2,747
Depreciation and amortization	1,081	1,435	1,829	795	1,487
Auditors' remuneration	501	388	128	70	113
Subtotal	4,844	6,301	8,002	3,650	4,347
Office expenses.....	4,081	4,508	5,608	1,992	2,045
Consulting service fees	1,108	2,771	2,939	371	5,390
Travel expenses	7,881	8,974	9,149	3,138	4,506
Selling and marketing expenses	2,600	4,078	4,333	2,007	1,044
Business and other taxes and surcharges ⁽¹⁾	5,856	15,060	10,431	5,457	4,402
Others.....	382	234	647	96	487
Total	<u>63,315</u>	<u>80,177</u>	<u>82,035</u>	<u>40,451</u>	<u>43,044</u>

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Note:

(1) We were granted a three-year business tax exemption on revenue derived from guarantee fees in February 2010 and March 2014. Anhui Join-Share was granted a three-year business tax exemption on revenue derived from guarantee fees in October 2012.

Income Tax

Income tax primarily consists of the provision for PRC corporate income tax on our estimated taxable profit for the relevant period.

The following table sets forth our income tax for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Current Tax					
Provision for PRC income tax					
for the year	43,373	50,965	67,995	26,221	13,209
Deferred Tax					
Origination and reversal of					
temporary differences	(4,639)	(7,176)	(13,128)	1,695	12,016
Income tax expense	<u>38,734</u>	<u>43,789</u>	<u>54,867</u>	<u>27,916</u>	<u>25,225</u>

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which we are domiciled and operate. We are generally subject to a tax rate of 25% pursuant to the EIT Law effective January 1, 2008. We were granted a three-year business tax exemption on revenue derived from guarantee fees in February 2010 and March 2014. Anhui Join-Share was granted a three-year business tax exemption on revenue derived from guarantee fees in October 2012. See "Regulations — Financing Guarantee Industry — Guarantee in General — Notice on Issues Concerning Exemption from Business Tax for SME Credit Guarantee Institutions (關於中小企業信用擔保機構免徵營業稅有關問題的通知)." For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the exempted business tax amounted to RMB8.2 million, RMB1.3 million, RMB7.3 million and 3.1 million, respectively, and our effective tax rate, calculated as income tax divided by profit before taxation, remained relatively stable at 25.1%, 25.1%, 25.9% and 25.8%, respectively. We had paid all relevant taxes when due and there are no disputes or unsolved tax issues with the relevant tax authorities. Should the Company and Anhui Join-Share have not been granted the three-year business tax exemptions on revenue derived from guarantee fees, our operating expenses would have increased and our profit before taxation would have decreased for the years ended December 31, 2012, 2013 and 2014 and June 30, 2015, and our income tax expenses would have decreased to RMB36.7 million, RMB43.5 million, RMB53.0 million and RMB24.4 million for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively, our effective tax rate would have been 25.1%, 25.1%, 26.0% and 25.9%, respectively, and our profit after income tax would have been RMB109.6 million, RMB130.0 million, RMB151.2 million and RMB70.0 million, respectively.

Profit Attributable to Non-controlling Interests

Profit attributable to non-controlling interests primarily relates to the non-controlling interests in Join-Share Fund Management, Shenzhen Linghang and, since 2014, Foshan Micro Credit and Zhongshan Join-Share.

We held 51% equity interest in Join-Share Fund Management and 60% equity interest in Shenzhen Linghang prior to our Corporate Reorganization and on June 26, 2014, we disposed all our equity interest in Join-Share Fund Management and Shenzhen Linghang to Join-Share Holding.

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On June 20, 2014, we entered into a concert party agreement with certain shareholders of Foshan Micro Credit which holds an aggregate of 62.5% equity interest. On June 27, 2014, we injected additional capital to acquire further equity interest in Foshan Micro Credit, subsequent to which our equity interest in Foshan Micro Credit increased from 20% to 30%. As a result, we have consolidated the financial results of Foshan Micro Credit in 2014 according to HKFRS and our directors' judgment.

Zhongshan Join-Share was jointly established by us and Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., Zhongshan Transportation Development Group Co., Ltd. and Zhongshan Changqing New Industry Co., Ltd., all Independent Third Parties, which hold 35%, [REDACTED]%, [REDACTED]% and 5% of its equity interest, respectively. We have entered into an unconditional and irrevocable concert party agreement with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. and pursuant to which Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. agreed to follow our instructions to act in concert when casting their votes at shareholders' meetings of Zhongshan Join-Share. As a result, we have consolidated the financial results of Zhongshan Join-Share in 2014 according to HKFRS.

RESULTS OF OPERATIONS

The table below summarizes our consolidated statement of profit or loss for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Guarantee fee income	156,921	165,776	170,434	90,102	72,047
Re-guarantee expenses	(2,305)	(4,386)	(7,060)	(4,742)	(4,155)
Net guarantee fee income	154,616	161,390	163,374	85,360	67,892
Interest income	62,209	76,992	107,413	45,572	64,594
Interest expenses	(5,468)	(2,590)	(5,258)	–	(5,162)
Net interest income	56,741	74,402	102,155	45,572	59,432
Service fee from consulting services	25,118	26,053	41,814	22,008	17,583
Revenue	236,475	261,845	307,343	152,940	144,907
Other revenue	24,590	21,458	20,992	7,436	8,180
Share of profits of associates	3,462	4,376	2,355	2,355	–
Net gain on disposal of an associate	–	1,270	–	–	–
Net gain on disposal of subsidiaries	–	–	473	473	–
Provisions for guarantee losses	(10,125)	(13,590)	(8,146)	(1,632)	10,883
Impairment losses	(36,562)	(20,424)	(29,361)	(14,051)	(23,317)
Operating expenses	(63,315)	(80,177)	(82,035)	(40,451)	(43,044)
Profit before taxation	154,525	174,758	211,621	107,070	97,609
Income tax	(38,734)	(43,789)	(54,867)	(27,916)	(25,225)
Profit for the year/period	115,791	130,969	156,754	79,154	72,384
Attributable to:					
Equity Shareholders of the Company ...	115,633	129,767	145,258	75,252	56,367
Non-controlling interests	158	1,202	11,496	3,902	16,017

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The Six Months Ended June 30, 2015 Compared to the Six Months Ended June 30, 2014

Revenue

Our revenue decreased by RMB8.0 million, or 5.2%, to RMB144.9 million in the six months ended June 30, 2015 from RMB152.9 million in the six months ended June 30, 2014. This decrease was primarily due to a decrease in our guarantee fee income, which was in turn resulted from a decrease in the financing guarantees we provided. Such decrease was primarily due to the tightened credit policies of the commercial banks in China and our tightened customer assessment and acceptance policies in response to the general slowdown of the macro-economic conditions in China. The decrease of our guarantee fee income was offset by the increase of our interest income.

Net Guarantee Fee Income. Our net guarantee fee income decreased by RMB17.5 million, or 20.5%, to RMB67.9 million in the six months ended June 30, 2015 from RMB85.4 million in the six months ended June 30, 2014, primarily due to a decrease in our indirect financing guarantee fee income, which was primarily due to the decrease in the average balance of our outstanding indirect financing guarantees to RMB3,276.6 million in the six months ended June 30, 2015 from RMB4,293.7 million in the six months ended June 30, 2014.

The foregoing decrease was offset by a decrease in our re-guarantee expenses by RMB0.5 million, or 10.6%, to RMB4.2 million in the six months ended June 30, 2015 from RMB4.7 million in the six months ended June 30, 2014, primarily due to the decrease in our financing guarantee business.

Net Interest Income. Our net interest income increased by RMB13.8 million, or 30.3%, to RMB59.4 million in the six months ended June 30, 2015 from RMB45.6 million in the six months ended June 30, 2014, primarily due to an increase in the interest income from our micro-lending business, as a result of our consolidation of Foshan Micro Credit in our financial statement since June 2014. Such increase was partially offset by a decrease in the interest income from our entrusted loan business to RMB32.9 million in the six months ended June 30, 2015 from RMB37.8 million in the six months ended June 30, 2014.

Service Fee from Consulting Services. Our service fee from consulting services decreased by RMB4.4 million, or 20.0%, to RMB17.6 million in the six months ended June 30, 2015 from RMB22.0 million in the six months ended June 30, 2014, primarily due to the tightened credit policies of the commercial banks in China, which reduced the financings that our customers could obtain.

Other Revenue

Our other revenue increased by RMB0.8 million, or 10.8%, to RMB8.2 million in the six months ended June 30, 2015 from RMB7.4 million in June 30, 2014, primarily due to an increase in government grant to RMB2.7 million in the six months ended June 30, 2015 from nil in the six months ended June 30, 2014, partially offset by (i) a decrease in investment income from available-for-sale financial assets of RMB1.2 million, or 37.5%, to RMB2.0 million in the six months ended June 30, 2015 from RMB3.2 million in six months ended June 30, 2014, mainly relating to our ceasing to invest in convertible bonds, and (ii) the fact that we did not dispose of any available-for-sale financial assets in the six months ended June 30, 2015 while we recorded such disposal gain of RMB1.1 million in the same period of 2014.

Share of Profits of Associates

We recorded share of profits of associates of RMB2.4 million in the six months ended June 30, 2014 from Foshan Micro Credit, which was our then associate and became our subsidiary since June 2014. We don't have any associates since June 2014.

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Provisions for Guarantee Losses

We wrote back provisions for guarantee losses of RMB10.9 million in the six months ended June 30, 2015, primarily as a result of a decrease in the net balance of our outstanding financing guarantees from RMB4,300.9 million as of December 31, 2014 to RMB3,675.2 million as of June 30, 2015. We made provisions for guarantee losses of RMB1.6 million in the six months ended June 30, 2014.

Impairment Losses

Our impairment losses increased by RMB9.2 million, or 65.2%, to RMB23.3 million in the six months ended June 30, 2015 from RMB14.1 million in the six months ended June 30, 2014, primarily due to a decrease in our write-back of impairment losses of receivable from HanTang Security to nil in the six months ended June 30, 2015 from RMB3.9 million in the six months ended June 30, 2014, and the a lesser extent, an increase in impairment losses of loans and advances to customers to RMB8.1 million in the six months ended June 30, 2015 from RMB5.3 million in the six months ended June 30, 2014, which was in turn due to an increase in the balance of our entrusted loans and micro-lendings in the six months ended June 30, 2015.

Operating Expenses

Our operating expenses increased by RMB2.5 million, or 6.2%, to RMB43.0 million in the six months ended June 30, 2015 from RMB40.5 million in June 30, 2014, mainly attributable to an increase in our consulting service fees of RMB5.0 million, or 1,250.0%, to RMB5.4 million in the six months ended June 30, 2015 from RMB0.4 million in the six months ended June 30, 2014 in connection to the Listing. The foregoing increase was partially offset by a decrease in our staff costs of RMB2.9 million, or 12.2%, to RMB20.8 million in the six months ended June 30, 2015 from RMB23.7 million in the six months ended June 30, 2014, primarily due to a decrease in the discretionary performance-based bonuses granted to our employees which was in line with the decrease in our financing guarantee income in the six months ended June 30, 2015.

Profit before Taxation

As a result of the foregoing, our profit before taxation decreased by RMB9.5 million, or 8.9%, to RMB97.6 million in the six months ended June 30, 2015 from RMB107.1 million in the six months ended June 30, 2014. Our profit before taxation accounted for 70.0% and 67.4% of our revenue in the six months ended June 30, 2014 and 2015, respectively. For our guarantee business, the profit before taxation accounted for 72.4% and 74.3% of the revenue in the six months ended June 30, 2014 and 2015, respectively. For our SME lending business, the profit before taxation accounted for 63.3% and 57.8% of the revenue in the six months ended June 30, 2014 and 2015, respectively.

Income Tax

Our income tax decreased by RMB2.7 million, or 9.7%, to RMB25.2 million in the six months ended June 30, 2015 from RMB27.9 million in the six months ended June 30, 2014, primarily due to a decrease in our taxable profit.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by RMB6.8 million, or 8.6%, to RMB72.4 million in the six months ended June 30, 2015 from RMB79.2 million in the six months ended June 30, 2014, and our net profit margin decreased to 50.0% in the six months ended June 30, 2015 from 51.8% in the six months ended June 30, 2014.

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2014 Compared to 2013

Revenue

Our revenue increased by RMB45.5 million, or 17.4%, to RMB307.3 million in 2014 from RMB261.8 million in 2013. This increase was primarily attributable to increased revenue from our financing guarantee, micro-lending and entrusted loan, as a result of the continuing growth of SMEs' financing needs.

Net Guarantee Fee Income. Our net guarantee fee income increased by RMB2.0 million, or 1.2%, to RMB163.4 million in 2014 from RMB161.4 million in 2013, primarily due to an increase in our guarantee fee income derived from our financing guarantee services. In particular:

- (i) the average balance of our outstanding direct financing guarantees increased to RMB1,048.1 million in 2014 from RMB744.8 million in 2013; and
- (ii) the direct financing guarantee rate increased to 1.49% in 2014 from 1.29% in 2013.

The foregoing increase was partially offset by an increase in our re-guarantee expenses by RMB2.7 million, or 61.4% to RMB7.1 million in 2014 from RMB4.4 million in 2013, primarily due to a significant increase in re-guarantee expenses paid to Guangdong Re-Guarantee in relation to an increase in the re-guarantee fee rate of Guangdong Re-Guarantee.

Net Interest Income. Our net interest income increased by RMB27.8 million, or 37.4%, to RMB102.2 million in 2014 from RMB74.4 million in 2013, primarily due to an increase in the interest income from our micro-lending business to RMB25.2 million in 2014 from nil in 2013 as a result of our consolidation of Foshan Micro Credit in our financial statement since 2014, and to a lesser extent, an increase in the interest income from our entrusted loan business to RMB69.0 million in 2014 from RMB61.6 million in 2013.

Service Fee from Consulting Services. Our service fee from consulting services increased by RMB15.7 million, or 60.2%, to RMB41.8 million in 2014 from RMB26.1 million in 2013, primarily due to the expansion of our financing consulting services, because our ability and established reputation to assist customers to obtain financing attracted an increasing number of customers to our consulting services. From 2013 to 2014, the customers of our consulting services increased from 154 to 216.

Other Revenue

Our other revenue decreased by RMB0.5 million, or 2.3%, to RMB21.0 million in 2014 from RMB21.5 million in 2013, primarily due to a decrease in government grant of RMB9.7 million, or 79.5%, to RMB2.5 million in 2014 from RMB12.2 million in 2013, partially offset by (i) a significant increase in investment income from available-for-sale financial assets of RMB6.5 million, or 185.7%, to RMB10.0 million in 2014 from RMB3.5 million in 2013, mainly relating to (a) our convertible bond business and (b) wealth management products purchased from Bank of Communications and Agricultural Bank of China, and (ii) a significant increase in investment income of receivable investments of RMB2.1 million, or 42.9%, to RMB7.0 million in 2014 from RMB4.9 million in 2013, mainly relating to trust products purchased from several trust institutions including Guangdong Yuecai Trust since April 2011 with a term ranging from one year to three years.

Share of Profits of Associates

Our share of profits of associates decreased by RMB2.0 million, or 45.5%, to RMB2.4 million in 2014 from RMB4.4 million in 2013 as Foshan Micro Credit, which was then our only associate with profits, became our subsidiary since June 27, 2014.

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Net Gain on Disposal of Subsidiaries

We recorded a one-time net gain on disposal of subsidiaries of RMB0.5 million in 2014 in relation to our disposal of Foshan Pawn to two Independent Third Parties and Join-Share Fund Management and Shenzhen Linghang to Join-Share Holding in June 2014, in which we held a 80%, 51% and 60% equity interest, respectively, pursuant to our Corporate Reorganization.

Provisions for Guarantee Losses

We made provisions for guarantee losses of RMB8.1 million in 2014 compared to RMB13.6 million in 2013, primarily due to a decrease in the total net balance of our outstanding guarantees to RMB4,688.2 million, or as of December 31, 2014 from RMB5,218.8 million as of December 31, 2013.

Impairment Losses

Our impairment losses increased by RMB9.0 million, or 44.1%, to RMB29.4 million in 2014 from RMB20.4 million in 2013, primarily due to the consolidation of Foshan Micro Credit in our financial statements and an increase in impairment losses of our entrusted loans and micro-lendings in 2014 compared to 2013.

The foregoing increase was partially offset by an increase in our impairment losses written-back on receivable investments received through bankrupt assets allocation of HanTang Securities.

Operating Expenses

Our operating expenses increased by RMB1.8 million, or 2.2%, to RMB82.0 million in 2014 from RMB80.2 million in 2013, mainly attributable to (i) an increase in staff costs by RMB2.6 million, or 6.8%, to RMB40.9 million in 2014 from RMB38.3 million in 2013, (ii) an increase in our operating lease charges by RMB1.5 million, or 33.3%, to RMB6.0 million in 2014 from RMB4.5 million in 2013, (iii) an increase in our office expenses by RMB1.1 million, or 24.4%, to RMB5.6 million in 2014 from RMB4.5 million in 2013, and (iv) an increase in our depreciation and amortization expenses by RMB0.4 million, or 28.6%, to RMB1.8 million in 2014 from RMB1.4 million in 2013, due to the increase in employees, the expansion of business locations, the consolidation of Foshan Micro Credit in our financial statements and the establishment of Zhongshan Join-Share. The foregoing increase was partially offset by a decrease in our business and other taxes and surcharges of RMB4.7 million, or 31.1%, to RMB10.4 million in 2014 from RMB15.1 million in 2013.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by RMB36.8 million, or 21.1%, to RMB211.6 million in 2014 from RMB174.8 million in 2013. Our profit before taxation accounted for 66.7% and 68.9% of our revenue in 2013 and 2014, respectively. For our guarantee business, the profit before taxation accounted for 63.9% and 69.0% of the revenue in 2013 and 2014, respectively. Such increase was primarily due to the decrease of our provisions for guarantee losses from RMB13.6 million in 2013 to RMB8.1 million in 2014. For our SME lending business, the profit before taxation accounted for 75.2% and 68.4% of the revenue in 2013 and 2014, respectively. Such decrease was primarily due to the impairment losses for our SME lending business of RMB6.5 million in 2014, compared to a write-back of impairment losses for our SME lending business of RMB0.7 million in 2013.

Income Tax

Our income tax increased by RMB11.1 million, or 25.3%, to RMB54.9 million in 2014 from RMB43.8 million in 2013, primarily due to an increase in taxable profit.

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Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB25.8 million, or 19.7%, to RMB156.8 million in 2014 from RMB131.0 million in 2013, and our net profit margin increased to 51.0% in 2014 from 50.0% in 2013.

2013 Compared to 2012

Revenue

Our revenue increased by RMB25.3 million, or 10.7%, to RMB261.8 million in 2013 from RMB236.5 million in 2012. This increase was primarily attributable to increased revenue from our financing guarantee and entrusted loan businesses, as a result of the continuing growth of SMEs' financing needs.

Net Guarantee Fee Income. Our net guarantee fee income increased by RMB6.8 million, or 4.4%, to RMB161.4 million in 2013 from RMB154.6 million in 2012, primarily due to an increase in our guarantee fee income derived from our financing guarantee services. Our financing guarantee fee income increased primarily due to an increase in the average balance of our outstanding financing guarantees to RMB4,838.6 million in 2013 from RMB4,220.5 million in 2012. This increase was partially offset by a decrease in financing guarantee fee rate to 3.3% in 2013 from 3.6% in 2012.

The foregoing increase was partially offset by an increase in our re-guarantee expenses by RMB2.1 million, or 91.3%, to RMB4.4 million in 2013 from RMB2.3 million in 2012, primarily due to the commencement of our joint-guarantee arrangements with China United Guarantee in the second half of 2013.

Net Interest Income. Our net interest income increased by RMB17.7 million, or 31.2%, to RMB74.4 million in 2013 from RMB56.7 million in 2012, primarily due to an increase in income from our entrusted loan business.

Our entrusted loan business increased primarily due to an increase in average month-end balance of entrusted loans to RMB339.0 million in 2013 from RMB229.7 million in 2012. This increase was offset by a decrease in average interest fee rate of entrusted loans to 18.2% in 2013 from 18.5% in 2012.

The foregoing increases were partially offset by a decrease on our interest income from cash at banks and restricted bank deposits by RMB2.5 million, or 19.4% to RMB10.4 million in 2013 from RMB12.9 million in 2012, primarily due to a decrease in bank deposit in 2013 as a result of (i) an increase in our capital investments in Shenzhen Linghang, (ii) our capital utilized in line with our business expansion, in particular, our entrusted loan business, and (iii) our capital injection for the establishment of Guangdong Fund Management.

Service Fee from Consulting Services. Our service fee from consulting services increased by RMB1.0 million, or 4.0%, to RMB26.1 million in 2013 from RMB25.1 million in 2012, primarily due to the expansion of our financing consulting services.

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Other Revenue

Our other revenue decreased by RMB3.1 million, or 12.6%, to RMB21.5 million in 2013 from RMB24.6 million in 2012. The decrease was primarily due to (i) a decrease in government grant by RMB4.1 million, or 25.2%, to RMB12.2 million in 2013 from RMB16.3 million in 2012 and (ii) a decrease in investment income of receivable investments by RMB2.0 million, or 29.0%, to RMB4.9 million in 2013 from RMB6.9 million in 2012 primarily due to the maturity of certain trust products including a trust product we purchased in 2012 from Guangdong Yuecai Trust for a term of one year. The decrease was partially offset by an increase in investment income from available-for-sale financial assets by RMB2.3 million, or 191.7%, to RMB3.5 million in 2013 from RMB1.2 million in 2012.

Share of Profits of Associates

Our share of profits of associates increased by RMB0.9 million, or 25.7%, to RMB4.4 million in 2013 from RMB3.5 million in 2012 primarily due to an increase in profits of Foshan Micro Credit, in which we held a 20% equity interest in 2012 and 2013.

Net Gain on Disposal of an Associate

We recorded a one-time net gain on disposal of an associate was RMB1.3 million in 2013 in relation to our disposal of Foshan Zhongsheng Property Company Limited (佛山市中盛置業有限公司), in which we held a 31% equity interest.

Provisions for Guarantee Losses

We made provisions for guarantee losses of RMB13.6 million in 2013 compared to RMB10.1 million in 2012, primarily due to an increase in total maximum guarantees to RMB5,218.8 million as of December 31, 2013 from RMB4,366.4 million as of December 31, 2012.

Impairment Losses

Our impairment losses decreased by RMB16.2 million, or 44.3%, to RMB20.4 million in 2013 from RMB36.6 million in 2012. In 2012, we charged impairment losses on loans and advances to customers of RMB16.3 million. We wrote back impairment losses on loans and advances of RMB2.0 million in 2013 primarily due to a decrease in the balance of our entrusted loans from December 31, 2012 to December 31, 2013.

Operating Expenses

Our operating expenses increased by RMB16.9 million, or 26.7%, to RMB80.2 million in 2013 from RMB63.3 million in 2012, mainly attributable to (i) a significant increase in our business and other taxes and surcharges by RMB9.2 million, or 155.9%, to RMB15.1 million in 2013 from RMB5.9 million in 2012, (ii) an increase in staff cost by RMB1.7 million, or 4.6%, to RMB38.3 million in 2013 from RMB36.6 million in 2012, and (iii) an increase in our selling and marketing expenses by RMB1.5 million, or 57.7%, to RMB4.1 million in 2013 from RMB2.6 million in 2012.

Profit before Taxation

As a result of the foregoing, our profit before taxation increased by RMB20.3 million, or 13.1%, to RMB174.8 million in 2013 from RMB154.5 million in 2012. Our profit before taxation accounted for 65.3% and 66.7% of our revenue in 2012 and 2013, respectively. For our guarantee business, the profit

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before taxation accounted for 63.0% and 63.9% of the revenue in 2012 and 2013, respectively. For our SME lending business, the profit before taxation accounted for 75.3% and 75.2% of the revenue in 2012 and 2013, respectively.

Income Tax

Our income tax increased by RMB5.1 million, or 13.2%, to RMB43.8 million in 2013 from RMB38.7 million in 2012, primarily due to an increase in taxable profit.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB15.2 million, or 13.1%, to RMB131.0 million in 2013 from RMB115.8 million in 2012. Our net profit margin increased to 50.0% in 2013 from 49.0% in 2012.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table sets forth a summary of our assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Assets				
Cash and cash equivalents	652,827	789,320	858,328	582,905
Pledged bank deposits	214,801	232,230	240,321	228,871
Trade and other receivables	116,234	152,854	219,338	307,915
Loans and advances to customers	179,847	84,104	357,367	569,640
Derivative financial assets.....	–	639	–	–
Available-for-sale financial assets	19,242	89,663	18,497	33,786
Receivable investment	54,549	31,500	120,500	65,000
Interest in associates	42,770	30,947	–	–
Fixed assets	4,041	4,020	4,860	4,355
Intangible assets	16	4	232	1,879
Goodwill	–	2,605	419	419
Deferred tax assets	10,044	13,408	32,466	17,966
Total assets	<u>1,294,371</u>	<u>1,431,294</u>	<u>1,852,328</u>	<u>1,812,736</u>
Liabilities				
Interest-bearing borrowings	52,900	–	75,000	75,000
Liabilities from guarantees.....	142,961	184,398	175,415	153,220
Customer pledged deposits	39,503	16,672	14,505	15,632
Accruals and other payables	46,540	49,865	135,094	68,598
Current tax liabilities	17,944	23,130	35,314	19,186
Other financial instrument				
— liability component	–	–	92,983	95,866
Total liabilities	<u>299,848</u>	<u>274,065</u>	<u>528,311</u>	<u>427,502</u>
NET ASSETS	<u>994,523</u>	<u>1,157,229</u>	<u>1,324,017</u>	<u>1,385,234</u>

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Cash and Cash Equivalents

Cash and cash equivalents primarily consist of our cash in hand, cash at banks, term deposits with banks, and restricted bank deposits. The following table sets forth our cash and cash equivalents as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Cash in hand	21	35	23	14
Cash at banks	479,628	604,566	568,766	372,916
Cash and cash equivalents in the consolidated cash flow statement ...	479,649	604,601	568,789	372,930
Term deposits with banks	165,765	179,355	285,581	202,262
Restricted bank deposits	7,413	5,364	3,958	7,713
	652,827	789,320	858,328	582,905

As of October 31, 2015, we had cash and cash equivalents of RMB286.4 million.

Our cash and cash equivalents decreased by RMB275.4 million, or 32.1%, to RMB582.9 million as of June 30, 2015 from RMB858.3 million as of December 31, 2014, primarily due to a decrease in our cash at banks by RMB195.9 million, or 34.4%, to RMB372.9 million as of June 30, 2015 from RMB568.8 million as of December 31, 2014, which was primarily used to extend entrusted loans to our customers.

Our cash and cash equivalents increased by RMB69.0 million, or 8.7%, to RMB858.3 million as of December 31, 2014 from RMB789.3 million as of December 31, 2013, primarily due to the consolidation of Foshan Micro Credit and Zhongshan Join-Share into our Group in 2014.

Our cash and cash equivalents increased by RMB136.5 million, or 20.9%, to RMB789.3 million as of December 31, 2013 from RMB652.8 million as of December 31, 2012, primarily due to an increase in our cash at banks by RMB125.0 million, or 26.1%, to RMB604.6 million as of December 31, 2013 from RMB479.6 million as of December 31, 2012, which we deployed for increasing our registered capital as a result of our business expansion.

Pledged Bank Deposits

Pledged bank deposits represent the security deposits we place with banks in connection with our provision of indirect financing guarantees. The security deposits were generally 10% of the principal amount we guarantee. During the Track Record Period, certain banks did not require security deposits from us, especially those with re-guarantee arrangements. See "Business — Products and Services — Guarantee — Financing Guarantees — Indirect Financing Guarantees."

As of October 31, 2015, we had pledged bank deposits of RMB268.1 million.

Our pledged bank deposits decreased by RMB11.4 million, or 4.7%, to RMB228.9 million as of June 30, 2015 from RMB240.3 million as of December 31, 2014, primarily due to the return of the pledged bank deposits from certain banks to us after the maturity of the financings which we guaranteed.

Our pledged bank deposits increased by RMB8.1 million, or 3.5%, to RMB240.3 million as of December 31, 2014 from RMB232.2 million as of December 31, 2013, primarily due to additional security deposits required by several cooperative banks in 2014 due to an increase in the total credit lines granted to us.

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Our pledged bank deposits increased by RMB17.4 million, or 8.1%, to RMB232.2 million as of December 31, 2013 from RMB214.8 million as of December 31, 2012, primarily due to (i) a growth of the guarantee portfolio of our Company and (ii) an increase in security deposits required by banks.

Trade and Other Receivables

Our trade and other receivables primarily consist of receivables for default guarantee payments, receivables from guarantee customers, guarantee income receivables, interest receivables, amounts due from related parties, receivables from disposal of default guarantee payments and other receivables.

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Receivables for default guarantee payments	75,128	125,670	171,095	184,853
Less: allowance for doubtful debts	(24,096)	(44,563)	(56,753)	(55,430)
	51,032	81,107	114,342	129,423
Receivables from guarantee customers	1,196	10,108	40,084	103,535
Less: allowance for doubtful debts	(142)	(1,212)	(4,282)	(9,706)
	1,054	8,896	35,802	93,829
Receivable from HanTang Securities ..	7,131	6,829	2,684	-
Less: allowance for doubtful debts	(7,131)	(6,829)	(2,684)	-
	-	-	-	-
Guarantee income receivables	1,116	4,406	-	-
Interest receivables	4,883	4,796	9,403	11,907
Amount due from related parties	37,851	171	173	210
Receivables from disposal of default guarantee payments	-	21,914	18,414	18,414
Other receivables	14,698	20,984	13,828	20,225
	58,548	52,271	41,818	50,756
Deposits and prepayments	4,810	9,790	13,447	10,731
Reposessed assets	790	790	7,601	7,602
[REDACTED] services fees	-	-	[REDACTED]	[REDACTED]
	5,600	10,580	[REDACTED]	[REDACTED]
	<u>116,234</u>	<u>152,854</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

As of October 31, 2015, we had trade and other receivables of RMB322.8 million.

Receivables for Default Guarantee Payments

During the Track Record Period, both our receivables for default guarantee payments and allowance for doubtful debts increased, primarily due to the rapid growth of our financing guarantee business and the unfavorable market and industry conditions in recent years, which resulted in an increase in our default guarantee payments.

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The following table sets forth the aging analysis of receivables for default guarantee payments, based on the transaction date and net of allowance for doubtful debts, as of the dates indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
	(RMB in thousands)			
Within one year	64,467	61,517	72,338	70,642
Over one year but less than two years .	6,753	54,974	59,139	44,930
Over two years but less than three years	1,916	6,753	32,969	55,250
Over three years	1,992	2,426	6,649	14,031
Less: allowance for doubtful debts	<u>(24,096)</u>	<u>(44,563)</u>	<u>(56,753)</u>	<u>(55,430)</u>
	<u>51,032</u>	<u>81,107</u>	<u>114,342</u>	<u>129,423</u>

The table below illustrates the movement in the allowance for receivables for default guarantee payments as of the dates indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
	(RMB in thousands)			
At the beginning of the year.....	9,832	24,096	44,563	56,753
Impairment losses recognized in the consolidated statement of profit or loss	21,280	21,637	22,160	9,808
Amounts written off	<u>(7,016)</u>	<u>(1,170)</u>	<u>(9,970)</u>	<u>(11,131)</u>
At the end of the year.....	<u>24,096</u>	<u>44,563</u>	<u>56,753</u>	<u>55,430</u>

Receivables from Guarantee Customers

Receivables from guarantee customers represents the capital we provided to our customers under the financing solutions and arrangements we provided to them. To complement our businesses, during the Track Record Period, upon our customers' request, we provided consulting services to our customers to address their financing needs. Different from our SME lending business, under such financing solutions and arrangements, we provided capital to our existing guarantee customers only. We formulated and arranged for such customers appropriate financing solutions and assisted them to improve their capital liquidity, including helping them reorganize their financing structures, source and obtain new bank loans. If needed, we provided such customers with further financing solutions and arrangements upon their requests to enable them to address their cash flow requirement to repay their financings from commercial banks and trust loans. Under such financing solutions and arrangements, we introduce to and, where appropriate, arrange for our customers entrusted loans or capital, to facilitate their performance of their obligations under the relevant financing contracts, which are guaranteed by us, with their lenders. See "Business — Products and Services — Consulting Services." During the Track Record Period, our receivables from guarantee customers substantially increased, primarily due to the increase in the size of the financing solutions and arrangements we provided to our customers. During the year ended December 31, 2014 and the six months ended June 30, 2015, due to the tightened credit policies and slowdown of the Chinese economy, the liquidity needs of SMEs has been increasing. As a result, such financing solutions and arrangements we provided significantly increased, and the receivables from such guarantee

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customers significantly increased correspondingly from RMB10.1 million as of December 31, 2013 to RMB40.1 million as of December 31, 2014, and further increased to RMB103.5 million as of June 30, 2015. We have implemented measures to manage the recoverability of receivables from guarantee customers under such financing solutions and arrangements: (i) we only provide financing solutions and arrangements to our existing financing guarantee customers, as we are equipped with sufficient understanding of their business and financial conditions as well as credit profiles. In addition, we do not provide our customers with such financing solutions and arrangements unless they apply for such financing solutions and arrangements in writing. We have designated a team responsible to conduct customer acceptance and due diligence procedures before we approve such financing solutions and arrangements. The team conducts due diligence procedures, including site visits, to review the business operation status of the applicants. It also reviews the status of the collateral and counter-guarantee that applicants provided for the original guarantees, and re-assessed the value of the collateral, where appropriate. The applications are then submitted to the relevant approval officers for review and approval; (ii) our risk management department continues to monitor the status of the financing solutions and arrangements we provided while they are outstanding, including visiting the customers' business sites, as well as the status of the guarantees and/or collateral for such financing solutions and arrangements. We designate a team to collect the receivables from guarantee customers. As of October 31, 2015, we had collected RMB1.2 million, RMB10.1 million, RMB40.1 million and RMB59.3 million, respectively, among the balance of the capital we provided to our customers under the financing solutions and arrangements as of December 31, 2012, 2013 and 2014 and June 30, 2015, representing 100.0%, 100.0%, 100.0% and 57.3% of such net balance, respectively.

The following tables sets forth the ageing analysis of receivables from guarantee customers, based on the transaction date and net of allowance for doubtful debts, as of the days indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
	(RMB in thousands)			
Within one year	1,196	9,952	40,084	80,155
Over one year but less than two years .	–	156	–	23,380
Less: allowance for doubtful debts.....	<u>(142)</u>	<u>(1,212)</u>	<u>(4,282)</u>	<u>(9,706)</u>
	<u>1,054</u>	<u>8,896</u>	<u>35,802</u>	<u>93,829</u>

The table below illustrates the movement in the allowance for receivables from guarantee customers as of the dates indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
	(RMB in thousands)			
At the beginning of the year.....	1,119	142	1,212	4,282
Impairment losses recognized/ (write back) in the consolidated statement of profit or loss.....	<u>(977)</u>	<u>1,070</u>	<u>3,070</u>	<u>5,424</u>
At the end of the year.....	<u>142</u>	<u>1,212</u>	<u>4,282</u>	<u>9,706</u>

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Receivables from HanTang Securities

We purchased treasury bonds through HanTang Securities in 2003. HanTang Securities Company Limited went bankrupt in 2005 and since then we have recognized a 100% impairment loss for the unrecoverable amount for our investment products. For the years ended December 31, 2012, 2013 and 2014, we received payments of nil, RMB0.3 million and RMB4.1 million, respectively, through bankrupt assets allocation and wrote back such impairment losses in the corresponding periods. In December 2014, the relevant court issued a judgment to notify the completion of the bankruptcy liquidation procedures of HanTang Securities. As such, we wrote off the remaining balance of RMB2.7 million in the six months ended June 30, 2015 and recorded nil receivables from HanTang Securities as of June 30, 2015.

Guarantee Income Receivables

Our guarantee income receivables represent guarantee fees which we should have received from our customers but have yet to receive. Generally, customers pay us guarantee fees in one lump sum upon signing the relevant agreement.

Our guarantee income receivables of RMB1.1 million as of December 31, 2012. Such guarantee income receivables were fully settled.

Our guarantee income receivables of RMB4.4 million as of December 31, 2013 mainly relates to the guarantee income receivable from our provision of joint-guarantees with Guangdong Re-Guarantee. Guangdong Re-Guarantee collected guarantee fees from the customers first, and paid the guarantee fees receivable by us according to the percentage of guarantees we shared with Guangdong Re-Guarantee, which caused the delay in our receiving the guarantee fees. Such guarantee income receivables were fully settled.

We did not record any guarantee income receivables as of June 30, 2015.

Amount Due from Related Parties

Our amount due from related parties of RMB37.9 million as of December 31, 2012 was primarily in relation to an amount receivable from Foshan Zhongsheng Property Company Limited (佛山市中盛置業有限公司), in which we held a 31% equity interest and disposed of in December 2013.

Our amount due from Related Parties as of June 30, 2015 was RMB210,000. We will settle all such amount due from Related Parties before the Listing.

Receivables from Disposal of Default Guarantee Payments

Receivables from disposal of default guarantee payments represent receivables from a third party for the transfer of our rights to claim the customers for the amount we paid to fulfil our guarantee obligations. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our receivables from disposal of default guarantee payments were nil, RMB21.9 million, RMB18.4 million and RMB18.4 million, respectively. The decrease in receivables from disposal of default guarantee payments as of December 31, 2014 and June 30, 2015 from December 31, 2013 was in connection with the payment of RMB3.5 million from the third party in 2014.

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Other Receivables

Other receivables primarily include dividend receivables, receivables from Guangdong Re-Guarantee and other receivables. Our other receivables increased by RMB6.3 million, or 42.9%, to RMB21.0 million as of December 31, 2013 from RMB14.7 million as of December 31, 2012, primarily due to (i) dividend receivables of RMB3.7 million from Foshan Micro Credit, (ii) an increase in receivables from customers by RMB0.9 million, or 450.0%, to RMB1.1 million as of December 31, 2013 from RMB0.2 million as of December 31, 2012, and (iii) an increase in receivables from Guangdong Re-Guarantee by RMB0.8 million, or 16.7%, to RMB5.6 million as of December 31, 2013 from RMB4.8 million as of December 31, 2012.

Our other receivables increased by RMB6.4 million, or 46.4%, to RMB20.2 million as of June 30, 2015 from RMB13.8 million as of December 31, 2014, primarily due to our payment of RMB10.0 million to Guangdong Re-Guarantee as our contribution to Guangdong Credit Guarantee Fund (廣東省信用擔保基金). Guangdong Credit Guarantee Fund is being established by a number of leading guarantee companies in Guangdong province. Guangdong Re-Guarantee is leading in its establishment.

Deposits and Prepayments

Deposits and prepayments primarily consist of joint-guarantee fee prepayments to guarantee companies including China United Guarantee and estimated return of joint-guarantee fees as incentive funds from China United Guarantee. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our deposits and prepayments were RMB4.8 million, RMB9.8 million, RMB13.4 million and RMB10.7 million, respectively. The significant increases of our deposits and prepayments as of December 31, 2013 and 2014 and June 30, 2015 were primarily due to the increase in both guarantee fee prepayments and estimated return of guarantee fees as incentive funds as a result of our increased cooperation with other guarantee companies including China United Guarantee.

Repossessed assets

Repossessed assets represents property interests of RMB0.8 million collected from Foshan Jinhao Copper Industry Company Limited (佛山市進濠銅業公司), an Independent Third Party, in 2012 and property mortgage assets of Guangzhou Baiyang Commercial Trading Company Limited (廣州市百陽商貿有限公司), Guangzhou Honghao Construction Materials Company Limited (廣州宏灝建材有限公司) and Foshan Nanhai Taiyu Furniture Company Limited (南海泰宇家具有限公司), all Independent Third Parties, obtained in 2014 amounting to RMB6.8 million.

Loans and Advances to Customers

Our loans and advances to customers reflect the total balance of our loan portfolio, including (i) pawn loans, which has been discontinued since June 26, 2014 upon our disposal of Foshan Pawn, (ii) entrusted loans and (iii) micro-lending, as the results of Foshan Micro Credit has been consolidated to our financial statement since June 2014. See "Results of Operations — Profit Attributable to Non-controlling Interests."

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The following table sets forth our loans and advances to customers by nature as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Micro-lending	–	–	268,849	287,843
Entrusted loans	192,050	86,220	117,664	319,028
Pawn	11,859	17,200	–	–
Gross loans and advances to customers	203,909	103,420	386,513	606,871
Less: Allowances for impairment losses				
— Individually assessed	(20,184)	(17,349)	(15,980)	(19,539)
— Collectively assessed	(3,878)	(1,967)	(13,166)	(17,692)
Total allowances for impairment losses	(24,062)	(19,316)	(29,146)	(37,231)
Net loans and advances to customers ..	<u>179,847</u>	<u>84,104</u>	<u>357,367</u>	<u>569,640</u>

Our net loans and advances to customers amounted to RMB719.1 million as of October 31, 2015.

Our net loans and advances to customers increased by RMB212.2 million, or 59.4%, to RMB569.6 million as of June 30, 2015 from RMB357.4 million as of December 31, 2014, primarily due to an increase in the entrusted loans balance by RMB201.3 million, or 171.0%, to RMB319.0 million as of June 30, 2015 from RMB117.7 million as of December 31, 2014, and, to a lesser extent, an increase in the micro-lending balance by RMB19.1 million, or 7.1%, to RMB287.9 million as of June 30, 2015 from RMB268.8 million as of December 31, 2014, partially offset by an increase in total allowances for impairment losses.

Our net loans and advances to customers significantly increased by RMB273.3 million, or 325.0%, to RMB357.4 million as of December 31, 2014 from RMB84.1 million as of December 31, 2013, primarily due to our consolidation of the results from Foshan Micro Credit in 2014 and an increase in the entrusted loans balance by RMB31.5 million, or 36.5%, to RMB117.7 million as of December 31, 2014 from RMB86.2 million as of December 31, 2013, partially offset by an increase in total allowances for impairment losses which were collectively assessed, as a result of an increase in the overall loan scale and our consolidation of the results from Foshan Micro Credit in 2014.

Our net loans and advances to customers significantly decreased by RMB95.7 million to RMB84.1 million as of December 31, 2013 from RMB179.8 million as of December 31, 2012, primarily due to a significant decrease in the balance of our entrusted loans, as a result of an increase in the amount of entrusted loans which mature before the year end being repaid upon maturity.

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The following table sets forth the maturity portfolio of our loans and advances to customers as of the dates indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
	(RMB in thousands)			
Repayable on demand	29,458	22,728	11,041	77,964
Due within three months	57,905	39,534	190,912	274,816
Due between three months and one year	88,588	20,386	155,066	215,248
Due between one year and five years .	3,896	1,456	348	1,612
Total	<u>179,847</u>	<u>84,104</u>	<u>357,367</u>	<u>569,640</u>

To minimize our risk exposure, most of our loan customers provide mortgage or pledge of collaterals or third-party guarantees.

The table below sets forth the type of collateral for each of our loan portfolios as of the dates indicated:

	As of December 31,						As of June 30, 2015	
	2012		2013		2014		Amount	%
	Amount	%	Amount	%	Amount	%		
	(RMB in thousands, except for percentages)							
Unsecured loans	40,200	19.7%	25,574	24.7%	496	0.1%	64,828	10.7%
Secured Loans.....	101,107	49.6%	41,200	39.8%	158,500	41.0%	238,202	39.3%
Others.....	62,602	30.7%	36,646	35.5%	227,517	58.9%	303,841	50.1%
Gross loans and advances to customer	<u>203,909</u>	<u>100.0%</u>	<u>103,420</u>	<u>100.0%</u>	<u>386,513</u>	<u>100.0%</u>	<u>606,871</u>	<u>100.0%</u>
Less: allowances for impairment losses								
— individually assessed	(20,184)		(17,349)		(15,980)		(19,539)	
— collectively assessed	<u>(3,878)</u>		<u>(1,967)</u>		<u>(13,166)</u>		<u>(17,692)</u>	
Total allowances for impairment losses	<u>(24,062)</u>		<u>(19,316)</u>		<u>(29,146)</u>		<u>(37,231)</u>	
Net loans and advances to customers	<u>179,847</u>		<u>84,104</u>		<u>357,367</u>		<u>569,640</u>	

For detailed descriptions of our entrusted loan portfolio and micro-lending portfolio, see “Business — Products and Services — Entrusted Loans — Entrusted Loan Portfolio” and “Business — Products and Services — Micro-lending — Micro-lending Portfolio.”

Available-for-sale Financial Assets

Our available-for-sale financial assets primarily consist of (i) unlisted equity instruments, (ii) listed securities, (iii) wealth management products and (iv) unlisted bonds.

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Unlisted equity instruments primarily relate to the equity investments we made in unlisted companies in China, including Shenzhen Jianyi Decorations Group Co., Ltd. (深圳市建藝裝飾集團股份有限公司) and Zhongshan Yinda.

Listed securities primarily relate to the shares of Goody Science & Technology Co., Ltd. (顧地科技股份有限公司) we hold, which are subject to a lock-up period until August 17, 2015.

Wealth management products relate to investment we made to structured deposit products purchased primarily from Bank of Communications in 2013.

Unlisted bonds primarily relate to the private placement bonds we purchased through Qianhai Equity Exchange Center (Shenzhen) Company Limited in the six months ended June 30, 2015.

The following table sets forth a breakdown of our available-for-sale financial assets as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Unlisted equity instruments	6,200	49,267	—	—
Listed securities	13,042	10,396	13,497	23,436
Wealth management products	—	30,000	5,000	5,450
Unlisted bonds	—	—	—	4,900
Total	19,242	89,663	18,497	33,786

The total balance of our available-for-sale financial assets was RMB130.6 million as of October 31, 2015. The increase of our total balance of our available-for-sale financial assets as of October 31, 2015 as compared to that as of June 30, 2015 was primarily because of the increase of our wealth management products as of October 31, 2015 as compared to that as of June 30, 2015.

The balance of our unlisted equity instruments increased significantly to RMB49.3 million as of December 31, 2013 from RMB6.2 million as of December 31, 2012, mainly due to our acquisition of Shenzhen Linghang in January 2013, which invested in several companies including Shenzhen Jianyi Decorations Group Co., Ltd. (深圳市建藝裝飾集團股份有限公司). We recorded no unlisted equity instruments as of December 31, 2014 or June 30, 2015 as a result of our disposal of Shenzhen Linghang in 2014 pursuant to our Corporate Reorganization.

The balance of our listed securities increased from RMB10.4 million as of December 31, 2013 to RMB13.5 million as of December 31, 2014 and RMB23.4 million as of June 30, 2015, primarily due to the price rise of Goody Science and Technology Co., Ltd. stocks held by us.

The balance of our wealth management products decreased to RMB5.0 million as of December 31, 2014 from RMB30.0 million as of December 31, 2013, primarily due to the maturity of certain wealth management products purchased from Bank of Communications. The increase of our wealth management products as of October 31, 2015 as compared to that as of June 30, 2015 was primarily because of our purchase of wealth management products from Bank of Communication and China Construction Bank in October 2015. Such wealth management products guarantee preservations of principals. They have no fixed terms, and we can redeem them at our discretion.

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Receivable Investments

Our receivable investments primarily consists of (i) financial institutions bonds, (ii) trust rights, and (iii) wealth management products. We purchase investment products only when we have idle cash, and we do not conduct investments as part of our business. We diversify our investments to avoid concentration risks. We control and reduce our investment risk by purchasing investment products that guarantee preservations of principals or are guaranteed by guarantee companies. We intend to purchase investment products of terms shorter than three years only.

The following table sets forth a breakdown of our receivable investments as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Financial institution bonds	—	—	40,000	40,000
Trust rights	34,500	31,500	80,500	25,000
Wealth management products	20,049	—	—	—
Total	54,549	31,500	120,500	65,000

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our financial institution bonds was nil, nil, RMB40.0 million and RMB40.0 million, respectively. Our financial institution bonds represent the unlisted corporate bonds issued at the exchange center of Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心). The bonds were guaranteed by Guangdong Re-Guarantee and of a term of one year. The risk of investing in such bonds is lower than providing SME lendings directly to the issuers of such bonds, as such bonds were guaranteed by Guangdong Re-Guarantee.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our trust rights was RMB34.5 million, RMB31.5 million, RMB80.5 million and RMB25.0 million, respectively. We preferred trust products guaranteed by third parties to reduce our investment risks. The terms of the trust products we purchased typically ranged from one year to three years. During the Track Record Period, a majority of the trust products we purchased were offered by Guangdong Yuecai Trust, a trust company wholly owned by Guangdong provincial government and subject to the supervision of the CBRC and its Guangdong office. The offerings of such trust products were initiated by Guangdong Re-Guarantee in response to its social responsibilities to help SMEs finance their business operations. We and other investors invested into such trust products, and Guangdong Yuecai Trust further provides trust loans to various SME borrowers with the capital from us and other investors. The trust loans extended to SME borrowers are typically guaranteed by guarantee companies, which are obliged to settle the default amounts with Guangdong Yuecai Trust in the event that the borrowers of the trust loans fail to perform their repayment obligations. Among the trust products we purchased from Guangdong Yuecai Trust which were outstanding as of December 31, 2012, 2013 and 2014 and June 30, 2015, three trust products were purchased by us and Guangdong Re-Guarantee. We purchased those trust products through our arrangements with Guangdong Re-Guarantee. Under such arrangements, we authorized Guangdong Re-Guarantee to invest into the trust schemes with the capital we provided to Guangdong Re-Guarantee. After the trust schemes expired and we performed all our obligations under such arrangements, Guangdong Re-Guarantee should return to us the capital we provided and the proceeds generated from the capital we provided. We guaranteed the trust loans. The term of each of the trust products was 12 months. These three trust products have expired and no default occurred in respect of them. One trust product was purchased directly in our name. Guangdong Re-Guarantee guaranteed the trust loan. The term of the trust product was three years. The trust product is outstanding. We consider our investments

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into such trust products as good use of our idle cash, as compared to our SME lendings which are typically of a shorter term, the trust products offered by Guangdong Yuecai Trust allow us a return on a longer term. In addition, our co-investments with Guangdong Re-Guarantee into such trust products strengthen our cooperation with Guangdong Re-Guarantee and these trust products could offer the underlying SME borrowers more sizable funding, as compared to our SME lendings. As required by the Guidance on the Risk Supervision on Trust Companies (《關於信託公司風險監管的指導意見》) issued by the CBRC, Guangdong Yuecai Trust shall file new trust products with Guangdong office of the CBRC 10 days in advance when it offers such new trust products within its business scope to investors. All the trust products we purchased from Guangdong Yuecai Trust have been filed with Guangdong office of the CBRC.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the balance of our wealth management products was RMB20.0 million, nil, nil and nil, respectively. During the Track Record Period, the wealth management products we purchased were all offered by major commercial banks, for example, Bank of Communication and Agricultural Bank of China. Such wealth management products guaranteed preservations of principals. The terms of such wealth management products were typically shorter than 90 days.

The balance of our receivable investments was RMB68.6 million as of October 31, 2015.

The balance of our receivable investments decreased by RMB55.5 million, or 46.1%, to RMB65.0 million as of June 30, 2015 from RMB120.5 million as of December 31, 2014, primarily due to the expiry of certain trust products we purchased from Guangdong Yuecai Trust.

The balance of our receivable investments decreased by RMB23.0 million, or 42.2%, to RMB31.5 million as of December 31, 2013 from RMB54.5 million as of December 31, 2012, primarily due to a decrease in the balance of our wealth management products to nil as of December 31, 2013 as a result of the expiry of the wealth management products.

The balance of our receivable investments significantly increased by RMB89.0 million, or 282.5%, to RMB120.5 million as of December 31, 2014 from RMB31.5 million as of December 31, 2013, primarily due to our purchase of additional trust products from Guangdong Yuecai Trust, as well as our purchase of the financial institutions bonds issued at the exchange center of Guangdong Equity Exchange Co., Ltd.

During the Track Record Period, we did not experience any material investment losses.

Interest in Associates

As of December 31, 2012 and 2013, our interest in associates of RMB42.8 million, RMB30.9 million, respectively, primarily relates to Foshan Micro Credit, in which we held a 20% equity interest since May 2011 until June 27, 2014 when we increased our equity interest to 30% and made it become one of our subsidiaries by obtaining a controlling interest through an unconditional and irrevocable concert party agreement with certain shareholders of Foshan Micro Credit which holds an aggregate of 62.5% equity interest. See "History, Reorganization and Corporate Structure."

As of December 31, 2012, our interest in associates of RMB9.3 million relates to Foshan Zhongsheng Property Company Limited (佛山市中盛置業有限公司), which was established by us in June 2012. We held a 26% equity interest upon incorporation, acquired an additional 5% equity interest in December 2012 and disposed all our equity interest in it to Join-Share Holding in December 2013.

Since June 30, 2015, we had no interest in any associate.

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Liabilities from Guarantees

Liabilities from guarantees consists of deferred income and provisions for guarantee losses. As of December 31, 2012, 2013 and 2014 and October 31, 2015, our liabilities from guarantees amounted to RMB143.0 million, RMB184.4 million, RMB175.4 million, RMB147.4 million, respectively.

Deferred Income

Deferred income consists of the guarantee fee we received but the relevant guarantee was still outstanding at the end of a period and therefore has yet to be recognized.

Our deferred income increased to RMB116.1 million as of December 31, 2013 from RMB88.2 million as of December 31, 2012, primarily due to (i) an increase in guarantee income and (ii) a decrease in the proportion of guarantees with a term within one year.

Our deferred income decreased to RMB99.0 million as of December 31, 2014 from RMB116.1 million as of December 31, 2013, primarily due to an increase in the proportion of guarantees with a term within one year.

Our deferred income decreased to RMB87.7 million as of June 30, 2015 from RMB99.0 million as of December 31, 2014, primarily due to our recognition of the deferred income we recorded earlier as our revenues in the six months ended June 30, 2015.

Provisions for Guarantee Losses

Our provisions for guarantee losses reflect the cumulative balance of the provisions we have made on our guarantee portfolio according to our provisioning policy. See “Description of Selected Statement of Profit or Loss Line Items — Provisions for Guarantee Losses.” In general, our provisions for guarantee losses increased during the Track Record Period which was in line with the growth of our guarantee portfolio.

Customer Pledged Deposits

Our customer pledged deposits refer to deposits we received from customers as collateral security of the financing guarantees we provide. These deposits are interest-free and we return these deposits to our customers upon receipt of the notice of release of our guarantee obligations from the banks.

Our customer pledged deposits decreased generally as of December 31, 2012, 2013 and 2014 as we (i) have been reducing our requirement for security deposits in accordance with the suggestions in the Notice relating to the Regulating the Management of Customer Pledged Deposits of Financing Guarantee Institutions (關於規範融資性擔保機構客戶擔保保證金管理的通知) issued by the CBRC in 2012, and (ii) have been returning security deposits to customers upon release of our guarantee obligations. As of October 31, 2015, our customer pledged deposits amounted to RMB8.6 million.

Accruals and Other Payables

Our accruals and other payables primarily include items such as accrued staff cost, receipt in advance, interest payables in relation to loans obtained by Foshan Industrial Investment and Foshan Micro Credit from China Development Bank, dividends payables, withholding income tax and other payables.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had accruals and other payables of RMB46.5 million, RMB49.9 million, RMB135.1 million and RMB68.6 million, respectively.

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During the Track Record Period, the general increase in our accrued staff cost was primarily due to (i) the increase in total number of employees from year to year and (ii) promotions and salary increases of our employees. As of December 31, 2014, we recorded dividends payable of RMB80.0 million as a result of our resolution of the dividend distribution plan in December 2014, which were distributed in six months ended June 30, 2015.

The following table sets forth our accruals and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in thousands)			
Accrued staff cost	32,970	37,527	41,590	32,601
Receipt in advance	5,701	5,818	4,598	6,111
Interest payables	110	–	144	119
Dividends payables	716	–	80,000	13,967
Withholding income tax	375	377	98	138
Other payables	6,668	6,143	8,664	15,662
Total	46,540	49,865	135,094	68,598

As of October 31, 2015, our accruals and other payables amounted to RMB56.8 million.

Other Financial Instrument — Liability Component

Other financial instrument — liability component relates to capital injection to Zhongshan Join-Share received from Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., an Independent Third Party. Pursuant to a shareholders’ cooperative agreement entered into with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., Zhongshan Transportation Development Group Co., Ltd. and Zhongshan Changqing New Industry Co., Ltd., all Independent Third Parties, on September 9, 2014, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. enjoys a fixed return on equity of 6% each fiscal year from January 1, 2015 and has unconditionally and irrevocably agreed to act in concert with us in shareholders’ meetings and board meetings of Zhongshan Join-Share and not to participate in the management of Zhongshan Join-Share by following our instructions to vote on the matters to be discussed at shareholders’ meetings of Zhongshan Join-Share. See “Business — Business Strategies — Strategically expand our branch network and extend our reach in the industrial chain”. We recognize other financial instrument — liability component and other financial instrument — equity component in connection with such obligation to transfer a financial asset to another party. As of December 31, 2014 and October 31, 2015, our other financial instrument — liability component amounted to RMB93.0 million and RMB97.8 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital requirements primarily relate to capital investments in the registered capital of our operating subsidiaries, extending micro-lending and entrusted loans, making default payments, maintaining security deposits at banks and other working capital requirements. We have in the past funded our working capital and other capital requirements primarily by equity contributions from Shareholders, cash flows from operations and bank borrowings. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion. As of the Latest Practicable Date, we had no plan to raise material external debt financing.

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Cash Flows

The following table presents selected data from our consolidated cash flow statement for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	(RMB in thousands)				
Net cash generated from/(used in) operating activities	3,102	135,381	(14,237)	(1,447)	(189,829)
Net cash generated from/(used in) investing activities	9,903	36,527	(35,870)	(51,618)	85,362
Net cash generated from/(used in) financing activities	69,532	(46,956)	14,295	(74,178)	(91,392)
Net increase/(decrease) in cash and cash equivalents ..	82,537	124,952	(35,812)	(127,243)	(195,859)
Cash and cash equivalents at the end of the year.....	<u>479,649</u>	<u>604,601</u>	<u>568,789</u>	<u>477,358</u>	<u>372,930</u>

Net Cash Generated from/(Used in) Operating Activities

Our cash generated from operating activities primarily comprises guarantee fee income, interest income, customer pledged deposits and service fee from our consulting services.

Our cash used in operating activities primarily comprises pledged bank deposits and loans and advances to customers. Net cash generated from or used in operating activities reflect (i) our profit before tax adjusted for non-cash and non-operating items, such as impairment losses, provisions for guarantee losses, investment income, as well as depreciation and amortization, (ii) the effects of change in working capitals, such as changes in term deposits with banks and restricted bank deposits, loans and advances to customers, trade and other receivables and customer pledged deposits, and (iii) PRC income tax paid.

In the six months ended June 30, 2015, our net cash used in operating activities was RMB189.8 million, primarily reflecting our profit before tax of RMB97.6 million as adjusted by (i) an increase in loans and advances to customers of RMB220.4 million mainly in relation to our entrusted loan and micro-lending businesses, (ii) an increase in trade and other receivables of RMB109.6 million mainly in relation to our receivables for default guarantee payments and receivables from guarantee customers, (iii) PRC income tax paid of RMB29.3 million, partially offset by decrease from term deposits with banks and restricted bank deposits of RMB61.0 million.

In 2014, our net cash used in operating activities was RMB14.2 million, primarily reflecting our profit before tax of RMB211.6 million as adjusted by (i) an increase in trade and other receivables of RMB113.1 million mainly in relation to our receivables for default guarantee payments and receivables from guarantee customers, (ii) an increase in loans and advances to customers of RMB60.1 million mainly in relation to our entrusted loan and micro-lending businesses, (iii) PRC income tax paid of RMB57.4 million and (iv) investment income of RMB18.2 million mainly in relation to our available-for-sale financial assets and receivable investments and (v) an increase in term deposits with banks and restricted bank deposits of RMB16.9 million, partially offset by impairment losses of RMB29.4 million mainly in relation to our receivables for default guarantee payments and receivables from guarantee customers.

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In 2013, our net cash generated from operating activities was RMB135.4 million, primarily reflecting our profit before taxation of RMB174.8 million, as adjusted primarily by (i) a decrease in loans and advances to customers of RMB97.7 million mainly in connection with the collection of our outstanding entrusted loans; (ii) impairment losses of RMB20.4 million mainly in connection with our trade receivables for default guarantee payments; (iii) provisions for guarantee losses of RMB13.6 million, and (iv) an increase in accruals and other payables of RMB4.2 million mainly in relation to our accrued staff costs mainly as a result of our business expansion, all of which were partially offset by (a) an increase in term deposits with banks and restricted bank deposits of RMB49.8 million mainly in connection with banks' requirement for security deposits for our guarantee business and amount credit to be granted; (b) an increase in trade and other receivables of RMB46.2 million mainly in relation to the increase in receivables for default guarantee payments; (c) payment for China income tax of RMB45.8 million; (d) a decrease in customer pledged deposits of RMB22.8 million mainly in relation to the relevant governmental authorities' regulation on security deposits and the cooperation with joint guarantee companies which require less security deposits; and (e) investment income of RMB8.4 million mainly in connection with our convertible bonds investment, wealth management products, receivable investments and dividends received from Goody Technology Co., Ltd. and Zhongshan Yinda.

In 2012, our net cash generated from operating activities was RMB3.1 million, primarily reflecting our profit before taxation of RMB154.5 million, as adjusted primarily by (i) impairment losses of RMB36.6 million mainly in connection with the impairment losses on receivables for default guarantee payment and loans; (ii) provisions for guarantee losses of RMB10.1 million; (iii) an increase in accruals and other payables of RMB8.5 million mainly in relation to the increase in dividends payable, accrued staff cost and payables to Foshan Zhongsheng Property Co., Ltd.; and (iv) interest expenses of RMB5.5 million mainly in relation to bank loans, all of which were partially offset by (a) an increase in term deposits with banks and restricted bank deposits of RMB49.6 million mainly in connection with banks' requirement for security deposits for our guarantee business and amount of credit to be granted, (b) a decrease in customer pledged deposits of losses of RMB46.1 million; and (c) an increase in trade and other receivables of RMB40.8 million in connection with the increase in receivables for default guarantee payments.

Net Cash Generated from/(Used in) Investing Activities

Our cash used in investing activities primarily comprises payments on acquisition of investments, including trust products, wealth management products, debt and equity investments and term deposits. Our cash generated from investing activities primarily comprises proceeds from disposal of financial assets and investment income.

In the six months ended June 30, 2015, our net cash generated from investing activities were RMB85.4 million, which was primarily attributable to our proceeds from disposal of financial assets of RMB85.5 million in connection with our investment in trust products and wealth management products, partially offset by our payments on acquisition of investments of RMB5.4 million in relation to available-for-sale financial assets, including wealth management products.

In 2014, our net cash used in investing activities were RMB35.9 million, which was primarily attributable to our payments on acquisition of investments of RMB157.2 million in connection with term deposits and receivables, partially offset by (i) our proceeds from disposal of financial assets of RMB67.5 million in connection with our investment in trust products and wealth management products; (ii) our proceeds from disposal of Foshan Pawn, Join-Share Fund Management and Shenzhen Linghang of RMB35.9 million; and (iii) the investment income of RMB18.2 million we received from the dividends of associated companies and other equity investments, returns from trust products and wealth managements products.

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In 2013, our net cash generated from investing activities was RMB36.5 million, which was primarily attributable to our proceeds from disposal of financial assets of RMB116.5 million mainly in connection with receivable investments in relation with trust products, partially offset by (i) our payments on acquisition of investments of RMB74.8 million in relation to available-for-sale financial assets, including wealth management products and equity investments; and (ii) our payments of RMB14.9 million for investing in Join-Share Fund Management and Shenzhen Linghang.

In 2012, our net cash generated from investing activities was RMB9.9 million, which was primarily attributable to (i) our proceeds from disposal of financial assets of RMB29.3 million in connection with the increase in receivable investments, including trust products and wealth management products; and (ii) the investment income of RMB8.1 million we received from trust products, all of which were partially offset by (i) our payments on acquisition of investments of RMB27.7 million in relation to term deposits and equity investment in Foshan Zhongsheng Property Co., Ltd.; and (ii) our payments for the purchase of fixed assets of RMB1.1 million mainly in relation to vehicles, computers and other electronic appliances.

Net Cash Flows Generated from/(Used in) Financing Activities

Our cash generated from financing activities primarily comprises proceeds from capital injection of our Shareholders and proceeds from bank borrowings.

Our cash used in financing activities primarily comprises repayment of borrowings, interest paid and dividends paid.

In the six months ended June 30, 2015, our net cash used in financing activities was RMB91.4 million, which was primarily attributable to our dividends paid of RMB84.7 million.

In 2014, our net cash generated from financing activities was RMB14.3 million, which was primarily attributable to our proceeds from new borrowings of RMB100.0 million, all of which were partially offset by (i) our dividends paid of RMB76.3 million; and (ii) our cash paid for [REDACTED] of RMB[REDACTED] in connection with the service fees paid for the Sole Sponsor, auditors and lawyers.

In 2013, our net cash used in financing activities was RMB47.0 million, which was primarily attributable to (i) our dividends paid of RMB116.2 million and (ii) our repayment of bank borrowings of RMB52.9 million, all of which were partially offset by our proceeds from capital injection of our Shareholders of RMB124.9 million.

In 2012, our net cash generated from financing activities was RMB69.5 million, which was primarily attributable to (i) our proceeds from capital injection of our Shareholders of RMB184.5 million and (ii) our proceeds from bank borrowings from China Development Bank and Guangdong Development Bank of RMB40.4 million, all of which were partially offset by (i) our dividends paid of RMB91.8 million; and (ii) our repayment of bank borrowings of RMB58.0 million.

We confirm that, other than as disclosed in this document, there had been no material change in our liquidity position from June 30, 2015 and up to the Latest Practicable Date.

Working Capital

Taking into account the financial resources available to us, including our existing cash and cash equivalents, cash generated from our business operations and the estimated net proceeds from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

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INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The following table sets forth our outstanding bank borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2012	2013	2014	June 30, 2015	October 31, 2015
	(RMB in thousands)				(unaudited)
Bank loans					
— guaranteed by third parties	52,900	—	75,000	75,000	10,000
	<u>52,900</u>	<u>—</u>	<u>75,000</u>	<u>75,000</u>	<u>10,000</u>

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our total outstanding borrowings amounted to RMB52.9 million, nil and RMB75.0 million and RMB75.0 million, respectively, which were all guaranteed by Guangdong Re-Guarantee. During the Track Record Period, we borrowed bank loans mainly from China Development Bank primarily for developing our entrusted loan business of Foshan Industrial Investment. We repaid in full the bank loans in full in November 2013. In June 2014, Foshan Micro Credit became one of our subsidiaries and had borrowed bank loans from China Development Bank primarily for expanding our micro-lending business. As of June 30, 2015, our outstanding borrowings bore a floating interest rate of 5% above PBOC benchmark interest rate.

The following table sets forth the maturity profile of our outstanding bank borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2012	2013	2014	June 30, 2015	October 31, 2015
	(RMB in thousands)				(unaudited)
Due within three months	5,000	—	—	—	—
Due between three months and one year	47,900	—	75,000	75,000	10,000
Total	<u>52,900</u>	<u>—</u>	<u>75,000</u>	<u>75,000</u>	<u>10,000</u>

As of October 31, 2015, being the latest practicable date for the purpose of determining our indebtedness, we had outstanding interest-bearing bank borrowings of RMB10.0 million, guaranteed by Guangdong Re-Guarantee. These bank borrowings bore a floating interest rate of 5% above PBOC benchmark interest rate PBOC, and was repayable within one year. We did not have any unutilized credit facilities as of October 31, 2015. In addition, we had other financial instrument — liability component of RMB97.8 million as of October 31, 2015. See “Description of Selected Items of Consolidated Statement of Financial Position — Other Financial Instrument — Liability Component.”

In September 2015 and October 2015, Foshan Micro Credit issued two series of private placement bonds, each of which is of an amount of RMB25.0 million. The proceeds from such issuance of private placement bonds were used for the development of our micro-lending business. Such private placement bonds are guaranteed by Guangdong Re-Guarantee, and Foshan Micro Credit provided counter-guarantees to Guangdong Re-Guarantee. The term of such private placement bonds is one year. The interest rate for such private placement bonds is 8.7%. We consider issuance of private placement bonds as an alternative source of financing that we may use to develop our business in the future.

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During the Track Record Period, we did not experience any difficulties in obtaining bank loans. We had no material covenants relating to any of our outstanding debts, and during the Track Record Period, we had no material breach of covenants relating to any of our outstanding debts.

Save as disclosed in “— Indebtedness and Contingent Liabilities — Indebtedness”, as of October 31, 2015, we did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits or debentures. Our Directors confirm that there has been no material change in our indebtedness since October 31, 2015.

Contingent Liabilities

As of October 31, 2015, we did not have any pending litigation, dispute or other material contingent liabilities.

KEY FINANCIAL RATIOS

The followings table sets out a summary of certain financial ratios for the periods or as of the dates indicated:

	As of December 31,			As of June 30, 2015
	2012	2013	2014	
Return on net assets ⁽¹⁾	13.0%	12.2%	12.6%	10.7%
Return on assets ⁽²⁾	9.5%	9.6%	9.5%	7.9%
Net profit margin ⁽³⁾	49.0%	50.0%	51.0%	50.0%

Notes:

(1) Return on net assets as of December 31, 2012, 2013 and 2014 is calculated as net profit divided by the average total net assets at the beginning and the end of the year.

Return on net assets as of June 30, 2015 is calculated as the annualized net profit divided by the average total net assets at the beginning and the end of the period of the six months ended June 30, 2015. The annualized net profit is calculated as the net profit for the six months ended June 30, 2015, multiplied by two.

(2) Return on assets as of December 31, 2012, 2013 and 2014 is calculated as net profit divided by the average total assets at the beginning and the end of the year.

Return on assets as of June 30, 2015 is calculated as the annualized net profit divided by the average total assets at the beginning and the end of the period of the six months ended June 30, 2015.

(3) Net profit margin is calculated as net profit divided by revenue.

CAPITAL EXPENDITURES

Our capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipments and office decoration. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our capital expenditures amounted to RMB1.8 million, RMB1.5 million, RMB2.8 million and RMB0.6 million, respectively.

Our capital expenditure generally increased during the Track Record Period in line with our business expansion.

CAPITAL COMMITMENTS

Our capital commitments are mainly related to the total maximum guarantee issued to our customers in relation to our guarantee business, the leases of our office premises and our commitment under the agreement to purchase the equity interests of Zhongshan Health Science and Technology Industrial Base

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Development Co., Ltd. in Zhongshan Join-Share according to a purchase scheme from 2015 to 2022. The total maximum guarantees issued represents the maximum potential loss that would be recognized if counterparties failed completely to perform as contracted. See “Description of Selected Items of Consolidated Statement of Financial Position — Other Financial Instrument — Liability Component.”

Guarantee Commitments

The following table sets forth our net balance of guarantee issued to our customers by type of product as of the dates indicated:

	As of December 31,			As of	As of
	2012	2013	2014	June 30, 2015	October 31, 2015
	(RMB in thousands)				(unaudited)
Financing guarantee	3,982,166	4,789,210	4,300,912	3,675,249	3,478,183
Performance guarantee	191,528	186,884	165,761	484,588	753,337
Litigation guarantee	192,680	242,754	221,529	227,682	259,444
Subtotal	4,366,374	5,218,848	4,688,202	4,387,519	4,490,964
Less: Customer pledged deposits	(39,503)	(16,672)	(14,505)	(15,632)	(8,586)
Total	4,326,871	5,202,176	4,673,697	4,371,887	4,482,378

We expect these commitments to be funded primarily from cash generated from our operating activities and capital injection from Shareholders.

Operating Lease Commitments

We lease certain of our office properties from third parties under irrevocable operating leases. These leases typically have a term between one to five years.

The following table sets forth our total future minimum lease payments payable under irrevocable operating leases as of the dates indicated:

	As of December 31,			As of	As of
	2012	2013	2014	June 30, 2015	October 31, 2015
	(RMB in millions)				(unaudited)
Within one year (inclusive)	2,269	3,550	4,113	4,798	4,582
After one year but within three years (inclusive)	2,943	7,056	4,852	4,936	4,400
Over three years	—	953	—	1,612	1,105
Total	5,212	11,559	8,965	11,346	10,087

Our operating lease commitments generally increased during the Track Record Period which was in line with our business expansion.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except as disclosed in this document, we did not have any other off-balance sheet commitments as of the Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

We are exposed to various types of market risks in the normal course of our business, including credit risk, interest rate risk and liquidity risk.

Credit Risk

We are exposed to credit risk, which is the risk of loss arising from a customer’s inability or unwillingness to meet its financial obligations to make timely payments under loans we guaranteed or provided. Our credit risk is mainly attributable to unexpired guarantee issued by us, loans and advances to customers and trade and other receivables. Our management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit risk in our guarantee business

See “Business — Products and Services — Guarantee — Guarantee Portfolio” for detailed analysis of our guarantee portfolio and see “Risk Management — Credit Risk Management” for a discussion of how we manage our credit risk in our guarantee business.

Credit risk in our entrusted loan and micro-lending businesses

See “Business — Products and Services — Micro-lending — Micro-lending Portfolio” and “Business — Products and Services — Entrusted Loan — Entrusted Loan Portfolio” for detailed analysis of our entrusted loan and micro-lending portfolios, respectively and see “Risk Management — Credit Risk Management” for a discussion of how we manage our credit risk in our micro-lending business.

Other credit risks

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Interest Rate Risk

We are principally engaged in the provision of guarantees, lendings and related consulting services to SMEs in the PRC. Our interest rate risk arises primarily from deposits with banks, loans and advances to customers and interest-bearing borrowing.

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The following table sets forth the interest rate profile of our assets and liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
(RMB in thousands, except for percentages)				
Fixed interest rate				
Financial assets				
— Cash and cash equivalents	165,765	179,355	285,581	202,262
— Pledged bank deposits	27,300	28,550	65,871	76,350
— Loans and advances to customers ..	179,847	84,104	357,367	569,640
— Receivable investment.....	54,549	31,500	120,500	65,000
— Trade and other receivables	1,054	8,896	35,802	93,829
	428,515	332,405	865,121	1,007,081
Financial liabilities				
— Other financial instrument — liability component	—	—	(92,983)	(95,866)
Net	428,515	332,405	772,138	911,215
Variable interest rate				
Financial assets				
— Cash and cash equivalents	487,062	609,965	572,747	380,643
— Pledged bank deposits	187,501	203,680	174,450	152,521
— Available-for-sale financial assets ..	—	30,000	5,000	5,450
	674,563	843,645	752,197	538,614
Financial liabilities				
— Interest-bearing borrowings.....	(52,900)	—	(75,000)	(75,000)
Net.....	621,663	843,645	677,197	463,614
Total net financial assets	1,050,178	1,176,050	1,449,335	1,374,829
Net fixed rate financial assets as a percentage of total net financial assets.....	41%	28%	53%	66%

Sensitivity analysis

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we estimated that a general increase/decreased of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased our profit after tax for the next 12 months by approximately RMB2.3 million, RMB3.1 million, RMB2.5 million and 1.7 million, respectively, and retained profits by approximately RMB2.3 million, RMB3.2 million, RMB2.5 million and 1.7 million, respectively.

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

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Liquidity Risk

Our management regularly monitors our liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and long term.

The following tables set forth an analysis of our financial assets and liabilities in the relevant maturity groups based on the remaining periods to repayment as of the dates indicated:

As of December 31, 2012						
Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	Total	
(RMB in thousands)						
Liabilities						
Customer pledged deposits	–	8,524	5,225	20,394	5,360	39,503
Interest-bearing borrowings	–	–	5,000	47,900	–	52,900
Liabilities from guarantees	2,414	31	5,989	59,111	75,416	142,961
Other liabilities	–	9,146	35,314	2,161	17,863	64,484
Total	<u>2,414</u>	<u>17,701</u>	<u>51,528</u>	<u>129,566</u>	<u>98,639</u>	<u>299,848</u>

As of December 31, 2013						
Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	Total	
(RMB in thousands)						
Liabilities						
Customer pledged deposits	–	2,332	2,410	8,350	3,580	16,672
Liabilities from guarantees	3,177	13	9,883	70,477	100,848	184,398
Other liabilities	–	7,122	43,994	3,580	18,299	72,995
Total	<u>3,177</u>	<u>9,467</u>	<u>56,287</u>	<u>82,407</u>	<u>122,727</u>	<u>274,065</u>

As of December 31, 2014							
Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years	Total	
(RMB in thousands)							
Liabilities							
Customer pledged deposits	–	2,430	5,855	3,810	2,410	–	14,505
Interest-bearing borrowings	–	–	–	75,000	–	–	75,000
Liabilities from guarantees	3,612	392	12,666	75,696	83,049	–	175,415
Other financial instrument — liability component .	–	–	–	11,805	43,902	37,276	92,983
Other liabilities	–	88,284	56,595	3,159	22,370	–	170,408
Total	<u>3,612</u>	<u>91,106</u>	<u>75,116</u>	<u>169,470</u>	<u>151,731</u>	<u>37,276</u>	<u>528,311</u>

FINANCIAL INFORMATION

As of June 30, 2015

	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
(RMB in thousands)							
Liabilities							
Customer pledged deposits	–	2,289	1,500	4,750	7,093	–	15,632
Interest-bearing borrowings	–	–	–	75,000	–	–	75,000
Liabilities from guarantees	3,402	568	12,429	66,275	70,546	–	153,220
Other financial instrument — liability component .	–	–	–	11,644	49,476	34,746	95,866
Other liabilities	–	24,410	43,960	4,988	14,426	–	87,784
Total	<u>3,402</u>	<u>27,267</u>	<u>57,889</u>	<u>162,657</u>	<u>141,541</u>	<u>34,746</u>	<u>427,502</u>

Note:

* The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

DIVIDENDS AND DISTRIBUTABLE RESERVES

As of June 30, 2015, the aggregate amount of the distributable reserves of the companies now comprising our Group amounted to RMB128.5 million.

We can distribute dividends in cash or in other way deemed suitable by us after the [REDACTED]. Our Board is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' General Meeting for approval. The determination of whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board deems relevant.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year:

- recovery of accumulated losses, if any; and
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required.

FINANCIAL INFORMATION

During the Track Record Period, the total provisions made by the guarantee companies of our Group, which were assessed based on applicable accounting policies, are in accordance with than the amount of provisions for outstanding guarantees and for guarantee loss required to be made under the Interim Measures. On the basis that future total provisions made by the guarantee companies of our Group shall not be less than those that need to be made under the Interim Measures, we can apply the applicable accounting policies which we adopt regarding the recognition of guarantee income and provisioning for guarantee losses for the preparation of our financial statement and declare dividends (if any) from such distributable profit in accordance with the PRC Company Law and our Articles of Association.

Dividends may be paid only out of distributable profits as determined under PRC GAAP or HKFRS. We paid cash dividends of RMB83.5 million, RMB109.7 million, RMB72.0 million and RMB80.0 million, respectively, to all of our Shareholders in 2012, 2013 and 2014 and the six months ended June 30, 2015. Our dividend distributions during the Track Record Period have complied with the applicable reserve requirements in the PRC.

Our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders no less than 30% of any distributable profit (excluding the impact of related deferred tax) for the year ending December 31, 2015 and for each financial year after our [REDACTED]. However, we will reevaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

LISTING EXPENSES

We expect the total listing expenses will be approximately RMB[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of our indicative [REDACTED] range. By June 30, 2015, we incurred listing expenses of approximately RMB[REDACTED], of which approximately RMB[REDACTED] was charged to our operating expenses accumulatively, and approximately RMB[REDACTED] is to be charged to equity upon Listing. We expect to incur additional listing expenses of RMB[REDACTED] in connection with the [REDACTED] subsequent to the Track Record Period, of which RMB[REDACTED] is expected to be charged to our operating expenses and RMB[REDACTED] to be charged to equity. We do not expect such listing expenses to have a material impact on our results of operations for the year ending December 31, 2015.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on our consolidated net tangible assets as of June 30, 2015 as if it had been taken place on June 30, 2015.

The unaudited pro forma statement of consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of June 30, 2015 or any future date following the [REDACTED]. It is prepared based on our consolidated net assets as of June 30, 2015 as set out in the Accountants' Report in Appendix I to this document and adjusted as described below. The unaudited pro forma statement of consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I in this document.

FINANCIAL INFORMATION

	Consolidated net tangible assets of our Group attributable to the equity shareholders of our Company as of June 30, 2015	Estimated net proceeds from the [REDACTED]	Pro forma adjusted consolidated net tangible assets of our Group	Pro forma adjusted consolidated net tangible assets per Share	
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB)	(HK\$)
Based on an [REDACTED] of HK\$[REDACTED] per Share ...	1,113,444	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share ...	1,113,444	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: See “Appendix II — Unaudited Pro Forma Financial Information” for further details regarding the assumptions used and the calculation method.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in “Summary — Recent Development” and “Financial Information”, we confirm that there has not been any material adverse change in our financial or trading position or prospect of our Company since June 30, 2015, being the date of our latest audited consolidated financial statement as set out in the Accountants’ Report included as Appendix I to this document up to the date of this document.

RELATED-PARTY TRANSACTIONS

As of June 30, 2015, we had amount due from Related Parties of RMB210,000 and other payable to Related Parties of RMB18,000. Please refer to Note 32 Material Related Party Transactions in the Accountants’ Report in Appendix I for further details. Our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole. We will settle all such amount due from Related Parties and other payable to Related Parties before the Listing.

For the six months ended June 30, 2015, we recognized a guarantee fee income of RMB367,000 from providing guarantee for Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd., a related party of us. Such transaction is of a trading nature. As of June 30, 2015, the balance of the outstanding guarantee that we provided to Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd. was RMB30.0 million. Such outstanding guarantee will be due in June 2016. In addition, Mr. Wu Liejin and Mr. Xie Yongdong entered into certain personal guarantee agreements with China Construction Bank Corporation to facilitate our customers to obtain various bank financings, and Mr. Wu Liejin entered into a maximum guarantee contract with China Development Bank to facilitate our customers to obtain bank financings. See “Connected Transactions — Continuing Connected Transactions — Continuing connected transactions which are fully exempt from the reporting, annual review, announcement and independent Shareholders’ approval requirements — Guarantee agreements in respect of the provision of the guarantee by the Connected Guarantors” for further details.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules had we been required to comply with such rules as of such date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See "Business — Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the [REDACTED] we expect to receive (after deduction of underwriting fees and estimated expenses in connection with the [REDACTED]) are estimated to be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share, or HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share.

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the stated [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] would be approximately HK\$[REDACTED] which we presently plan to use as follows:

- approximately 54%, or HK\$[REDACTED], is expected to be used to develop financing guarantee business, establish new subsidiaries and branches (including those in Dongguan, Yunfu and Zhuhai, Guangdong province) and increase our capital base for financing guarantee and expand our business in order to enhance our competitive advantage in the financing guarantee market;
- approximately 22%, or HK\$[REDACTED], is expected to be used to develop SMEs lending business. We plan to establish new subsidiaries and increase capital base in order to expand our SME lending business and improve our status in the market;
- approximately 17%, or HK\$[REDACTED], is expected to be used to develop finance lease business, establish new finance lease subsidiaries and explore and optimise related industries. We plan to establish a finance lease company in 2016; and
- approximately 7%, or HK\$[REDACTED], is expected to be used to supplement operating capital and other business expenses.

If the [REDACTED] is fixed at HK\$[REDACTED], being the high end of the stated [REDACTED] range, our net proceeds will increase by approximately HK\$[REDACTED], as compared to the net proceeds that we would receive with the [REDACTED] fixed at the mid-point of the indicative range. In this case, we intend to increase our use of proceeds proportionately as earmarked.

If the [REDACTED] is fixed at HK\$[REDACTED], being the low end of the stated [REDACTED] range, our net proceeds will instead decrease by approximately HK\$[REDACTED], as compared to the net proceeds that we would receive with the [REDACTED] fixed at the mid-point of the indicative range. In this case, we intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the [REDACTED] are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

Joint Lead Managers

[REDACTED]

Co-Lead Manager

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the [REDACTED] for subscription by the public in Hong Kong on and subject to the terms and conditions of this document and the [REDACTED]. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this document by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company for ourselves and on behalf of the Selling Shareholders agreeing to the final [REDACTED]), the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the [REDACTED] now being offered which are not taken up under the [REDACTED] on the terms and conditions of this document, the [REDACTED] and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the [REDACTED] Agreement having been signed and becoming unconditional.

Grounds for termination

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the [REDACTED], no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

Commission and expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriter(s) will receive an underwriting commission of [REDACTED]% (subject to adjustment) of the aggregate [REDACTED] in respect of the [REDACTED] initially offered under the [REDACTED], out of which they will pay any sub-underwriting commissions. For unsubscribed [REDACTED] reallocated to the [REDACTED], we will pay an underwriting commission at the rate applicable to the [REDACTED] and such commission will be paid to the International Underwriter(s) (but not the Hong Kong Underwriter(s)).

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the [REDACTED] are payable by our Company.

[REDACTED]

Sole Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

STRUCTURE OF THE GLOBAL OFFERING

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

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HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

HOW TO APPLY FOR HONG KONG OFFER SHARES

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



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

[REDACTED]

The Directors

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

China Securities (International) Corporate Finance Company Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of financial position of the Group and financial position of the Company as at December 31, 2012, 2013 and 2014 and June 30, 2015, the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 (the “Relevant Periods”), together with the explanatory notes thereto (the “Financial Information”), for inclusion in the document of the Company dated [REDACTED] (the “Document”).

The Company was incorporated in Foshan, Guangdong Province, PRC, in 2003 as an exempted company with limited liability under Companies Law of the People’s Republic of China. Pursuant to a group reorganisation (the “Reorganisation”) as detailed in “History, Reorganization and Corporate Structure,” the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below.

All companies comprising the Group have adopted December 31, as their financial year end date. Details of the companies comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out in Note 1(b) of Section B. The statutory financial statements of these companies were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China (“PRC”) or the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and established.

APPENDIX I

ACCOUNTANTS’ REPORT

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合伙)) in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Document in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to June 30, 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2012, 2013 and 2014 and June 30, 2015 and the Group’s consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2014, together with the notes thereon (the “Corresponding Financial Information”), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

APPENDIX I

ACCOUNTANTS' REPORT

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION

Consolidated statements of profit or loss

(Expressed in RMB'000)

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Guarantee fee income		156,921	165,776	170,434	90,102	72,047
Re-guarantee expenses		(2,305)	(4,386)	(7,060)	(4,742)	(4,155)
Net guarantee fee income .		<u>154,616</u>	<u>161,390</u>	<u>163,374</u>	<u>85,360</u>	<u>67,892</u>
Interest income		62,209	76,992	107,413	45,572	64,594
Interest expenses		(5,468)	(2,590)	(5,258)	–	(5,162)
Net interest income		<u>56,741</u>	<u>74,402</u>	<u>102,155</u>	<u>45,572</u>	<u>59,432</u>
Service fee from consulting services		<u>25,118</u>	<u>26,053</u>	<u>41,814</u>	<u>22,008</u>	<u>17,583</u>
Revenue	3	236,475	261,845	307,343	152,940	144,907
Other revenue	4	24,590	21,458	20,992	7,436	8,180
Share of profits of associates	20(a)	3,462	4,376	2,355	2,355	–
Net gain on disposal of an associate	20(b)	–	1,270	–	–	–
Net gain on disposal of subsidiaries	2	–	–	473	473	–
Provisions for guarantee losses	25(a)	(10,125)	(13,590)	(8,146)	(1,632)	10,883
Impairment losses	5(a)	(36,562)	(20,424)	(29,361)	(14,051)	(23,317)
Operating expenses	5(b)/(c)	(63,315)	(80,177)	(82,035)	(40,451)	(43,044)
Profit before taxation		<u>154,525</u>	<u>174,758</u>	<u>211,621</u>	<u>107,070</u>	<u>97,609</u>
Income tax	6	(38,734)	(43,789)	(54,867)	(27,916)	(25,225)
Profit for the year/period		<u>115,791</u>	<u>130,969</u>	<u>156,754</u>	<u>79,154</u>	<u>72,384</u>
Attributable to:						
Equity shareholders of the Company		115,633	129,767	145,258	75,252	56,367
Non-controlling interests		158	1,202	11,496	3,902	16,017
Profit for the year/period...		<u>115,791</u>	<u>130,969</u>	<u>156,754</u>	<u>79,154</u>	<u>72,384</u>
Earnings per share						
Basic and diluted (RMB)	11(a)	<u>0.20</u>	<u>0.20</u>	<u>0.18</u>	<u>0.09</u>	<u>0.07</u>

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated statements of profit or loss and other comprehensive income

(Expressed in RMB'000)

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period		115,791	130,969	156,754	79,154	72,384
Other comprehensive income to be classified to profit or loss in subsequent year/period:						
Net (loss)/gain on available-for-sale financial assets		(1,887)	1,295	3,101	1,517	9,939
Income tax arises from available-for-sale financial assets		472	(324)	(775)	(380)	(2,485)
Subtotal of other comprehensive income for the year/period	10	(1,415)	971	2,326	1,137	7,454
Total comprehensive income for the year/period		114,376	131,940	159,080	80,291	79,838
Attributable to:						
Equity shareholders of the Company		114,218	129,556	147,584	76,389	63,821
Non-controlling interests		158	2,384	11,496	3,902	16,017
Total comprehensive income for the year/period		114,376	131,940	159,080	80,291	79,838

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated statements of financial position

(Expressed in RMB'000)

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cash and cash equivalents .	12	652,827	789,320	858,328	582,905
Pledged bank deposits	13	214,801	232,230	240,321	228,871
Trade and other receivables	14	116,234	152,854	219,338	307,915
Loans and advances to					
customers	15	179,847	84,104	357,367	569,640
Derivative financial assets..	16	–	639	–	–
Available-for-sale financial					
assets	17	19,242	89,663	18,497	33,786
Receivable investments	18	54,549	31,500	120,500	65,000
Interest in associates	20	42,770	30,947	–	–
Fixed assets	21	4,041	4,020	4,860	4,355
Intangible assets	22	16	4	232	1,879
Goodwill	23	–	2,605	419	419
Deferred tax assets	28(b)	10,044	13,408	32,466	17,966
Total assets		<u>1,294,371</u>	<u>1,431,294</u>	<u>1,852,328</u>	<u>1,812,736</u>
Liabilities					
Interest-bearing borrowings	24	52,900	–	75,000	75,000
Liabilities from guarantees	25	142,961	184,398	175,415	153,220
Customer pledged deposits	26(a)	39,503	16,672	14,505	15,632
Accruals and other					
payables	26(b)	46,540	49,865	135,094	68,598
Current tax liabilities	28(a)	17,944	23,130	35,314	19,186
Other financial					
instrument-liability					
component	27	–	–	92,983	95,866
Total liabilities		<u>299,848</u>	<u>274,065</u>	<u>528,311</u>	<u>427,502</u>
NET ASSETS		<u>994,523</u>	<u>1,157,229</u>	<u>1,324,017</u>	<u>1,385,234</u>
CAPITAL AND RESERVES					
Share capital	29	645,000	800,000	800,000	800,000
Reserves		265,559	255,355	251,705	315,526
Total equity attributable to equity shareholders of the Company		910,559	1,055,355	1,051,705	1,115,526
Non-controlling interests		83,964	101,874	272,312	269,708
TOTAL EQUITY		<u>994,523</u>	<u>1,157,229</u>	<u>1,324,017</u>	<u>1,385,234</u>

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Statements of financial position

(Expressed in RMB'000)

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Cash and cash equivalents	12	558,944	732,902	583,778	342,378
Pledged bank deposits	13	152,710	173,385	183,942	168,384
Trade and other receivables	14	82,983	108,674	156,381	242,073
Loans and advances to customers	15	112,132	25,498	84,326	254,827
Available-for-sale financial assets	17	6,200	36,200	—	—
Receivable investments	18	52,549	29,500	95,500	40,000
Investments in subsidiaries	19	91,835	123,849	220,486	220,486
Interest in associates	20	42,770	30,947	—	—
Fixed assets	21	2,727	2,689	2,670	2,512
Intangible assets	22	15	—	120	1,196
Deferred tax assets	28(b)	5,165	9,366	18,891	7,998
Total assets		<u>1,108,030</u>	<u>1,273,010</u>	<u>1,346,094</u>	<u>1,279,854</u>
Liabilities					
Liabilities from guarantees	25	132,784	170,995	162,652	136,687
Customer pledged deposits	26(a)	33,703	12,672	14,505	15,632
Accruals and other payables	26(b)	35,698	39,671	114,841	33,008
Current tax liabilities	28(a)	15,153	20,016	27,830	11,957
Total liabilities		<u>217,338</u>	<u>243,354</u>	<u>319,828</u>	<u>197,284</u>
NET ASSETS		<u>890,692</u>	<u>1,029,656</u>	<u>1,026,266</u>	<u>1,082,570</u>
CAPITAL AND RESERVES					
Share capital	29	645,000	800,000	800,000	800,000
Reserves		245,692	229,656	226,266	282,570
TOTAL EQUITY		<u>890,692</u>	<u>1,029,656</u>	<u>1,026,266</u>	<u>1,082,570</u>

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated statements of changes in equity

(Expressed in RMB'000)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument-equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29(c)	Note 29(d)(i)	Note 29(d)(ii)	Note 29(d)(iii)	Note 29(d)(iv)	Note 29(d)(v)	Note 29(d)(vi)				
Balance at January 1, 2012	522,000	11,717	30	7,142	17,017	18,610	-	118,845	695,361	92,828	788,189
Changes in equity for 2012:											
Profit for the year	-	-	-	-	-	-	-	115,633	115,633	158	115,791
Other comprehensive income	-	-	-	(1,415)	-	-	-	-	(1,415)	-	(1,415)
Total comprehensive income	-	-	-	(1,415)	-	-	-	115,633	114,218	158	114,376
Capital injection	123,000	61,500	-	-	-	-	-	-	184,500	-	184,500
Appropriation to surplus reserve	-	-	-	-	13,355	-	-	(13,355)	-	-	-
Appropriation to general reserve	-	-	-	-	-	13,559	-	(13,559)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(83,520)	(83,520)	(9,022)	(92,542)
Balance at December 31, 2012 and January 1, 2013	645,000	73,217	30	5,727	30,372	32,169	-	124,044	910,559	83,964	994,523
Balance at January 1, 2013	645,000	73,217	30	5,727	30,372	32,169	-	124,044	910,559	83,964	994,523
Changes in equity for 2013:											
Profit for the year	-	-	-	-	-	-	-	129,767	129,767	1,202	130,969
Other comprehensive income	-	-	-	(211)	-	-	-	-	(211)	1,182	971
Total comprehensive income	-	-	-	(211)	-	-	-	129,767	129,556	2,384	131,940
Capital injection	90,500	34,390	-	-	-	-	-	-	124,890	-	124,890
Acquisition of subsidiary with non-controlling interest (NCI)	-	-	-	-	-	-	-	-	-	21,406	21,406
Share capital increased by share premium transfer	64,500	(64,500)	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	-	12,372	-	-	(12,372)	-	-	-
Appropriation to general reserve	-	-	-	-	-	12,374	-	(12,374)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(109,650)	(109,650)	(5,880)	(115,530)
Balance at December 31, 2013 and January 1, 2014	800,000	43,107	30	5,516	42,744	44,543	-	119,415	1,055,355	101,874	1,157,229

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Attributable to equity shareholders of the Company

	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument-equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29(c)	Note 29(d)(i)	Note 29(d)(ii)	Note 29(d)(iii)	Note 29(d)(iv)	Note 29(d)(v)	Note 29(d)(vi)				
Balance at January 1, 2014	800,000	43,107	30	5,516	42,744	44,543	-	119,415	1,055,355	101,874	1,157,229
Changes in equity for 2014:											
Profit for the year	-	-	-	-	-	-	-	145,258	145,258	11,496	156,754
Other comprehensive income	-	-	-	2,326	-	-	-	-	2,326	-	2,326
Total comprehensive income	-	-	-	2,326	-	-	-	145,258	147,584	11,496	159,080
Issue financial instrument	-	-	-	-	-	-	2,370	-	2,370	-	2,370
Acquisition of NCI without a change in control	-	-	169	-	-	-	-	-	169	(1,118)	(949)
Acquisition of subsidiary with non-controlling interest (NCI)	-	-	-	-	-	-	-	-	-	188,999	188,999
Disposal of subsidiaries	-	-	(1,773)	-	-	-	-	-	(1,773)	(24,634)	(26,407)
Appropriation to surplus reserve	-	-	-	-	14,861	-	-	(14,861)	-	-	-
Appropriation to general reserve	-	-	-	-	-	16,693	-	(16,693)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(152,000)	(152,000)	(4,305)	(156,305)
Balance at December 31, 2014 and January 1, 2015	<u>800,000</u>	<u>43,107</u>	<u>(1,574)</u>	<u>7,842</u>	<u>57,605</u>	<u>61,236</u>	<u>2,370</u>	<u>81,119</u>	<u>1,051,705</u>	<u>272,312</u>	<u>1,324,017</u>

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Attributable to equity shareholders of the Company

	Share capital	Share premium	Capital reserve	Fair value reserve	Surplus reserve	General reserve	Other financial instrument-equity component	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29(c)	Note 29(d)(i)	Note 29(d)(ii)	Note 29(d)(iii)	Note 29(d)(iv)	Note 29(d)(v)	Note 29(d)(vi)				
Balance at January 1, 2015	800,000	43,107	(1,574)	7,842	57,605	61,236	2,370	81,119	1,051,705	272,312	1,324,017
Changes in equity for 2015:											
Profit for the period	-	-	-	-	-	-	-	56,367	56,367	16,017	72,384
Other comprehensive income	-	-	-	7,454	-	-	-	-	7,454	-	7,454
Total comprehensive income	-	-	-	7,454	-	-	-	56,367	63,821	16,017	79,838
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	-	-	(18,621)	(18,621)
Balance at June 30, 2015	<u>800,000</u>	<u>43,107</u>	<u>(1,574)</u>	<u>15,296</u>	<u>57,605</u>	<u>61,236</u>	<u>2,370</u>	<u>137,486</u>	<u>1,115,526</u>	<u>269,708</u>	<u>1,385,234</u>
Unaudited:											
Balance at January 1, 2014	800,000	43,107	30	5,516	42,744	44,543	-	119,415	1,055,355	101,874	1,157,229
Changes in equity for 2014:											
Profit for the period	-	-	-	-	-	-	-	75,251	75,251	3,920	79,171
Other comprehensive income	-	-	-	1,137	-	-	-	-	1,137	-	1,137
Total comprehensive income	-	-	-	1,137	-	-	-	75,251	76,388	3,920	80,308
Acquisition of NCI without a change in control	-	-	169	-	-	-	-	-	169	(1,118)	(949)
Acquisition of subsidiary with non-controlling interest (NCI)	-	-	-	-	-	-	-	-	-	151,557	151,557
Disposal of subsidiaries	-	-	(1,773)	-	-	-	-	-	(1,773)	(24,634)	(26,407)
Appropriation to general reserve	-	-	-	-	-	1,037	-	(1,037)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(72,000)	(72,000)	(777)	(72,777)
Balance at June 30, 2014	<u>800,000</u>	<u>43,107</u>	<u>(1,574)</u>	<u>6,653</u>	<u>42,744</u>	<u>45,580</u>	<u>-</u>	<u>121,629</u>	<u>1,058,139</u>	<u>230,822</u>	<u>1,288,961</u>

The notes on pages I-12 to I-122 form part of the Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

Consolidated cash flow statements

(Expressed in RMB'000)

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities						
Cash generated from/						
(used in) operations	12(b)	41,183	181,160	43,185	25,196	(160,492)
PRC income tax paid	28(a)	(38,081)	(45,779)	(57,422)	(26,643)	(29,337)
Net cash generates from/(used in) operating activities		<u>3,102</u>	<u>135,381</u>	<u>(14,237)</u>	<u>(1,447)</u>	<u>(189,829)</u>
Investing activities						
Proceeds from dispose of financial assets		29,323	116,524	67,454	35,792	85,497
Investment income		8,135	9,635	19,568	10,987	5,314
Proceeds from sale of fixed assets and other non-current assets		1,237	578	32	—	78
Net proceeds from disposal of subsidiaries	2(b)	—	—	35,923	35,923	—
Payments for the purchase of fixed assets		(1,077)	(535)	(1,629)	(911)	(177)
Payments on acquisition of investments and subsidiaries.....		(27,715)	(89,675)	(157,218)	(133,409)	(5,350)
Net cash generates from/(used in) investing activities		<u>9,903</u>	<u>36,527</u>	<u>(35,870)</u>	<u>(51,618)</u>	<u>85,362</u>
Financing activities						
Proceeds from capital injection		184,500	124,890	—	—	—
Proceeds from new borrowings		40,400	—	100,000	—	—
Repayment of borrowings ..		(58,000)	(52,900)	—	—	—
Interest paid		(5,542)	(2,700)	(2,453)	—	(2,305)
Dividends paid		(91,826)	(116,246)	(76,305)	(71,313)	(84,654)
Cash paid for [REDACTED]		—	—	(6,947)	(2,865)	(4,433)
Net cash generates from/(used in) financing activities		<u>69,532</u>	<u>(46,956)</u>	<u>14,295</u>	<u>(74,178)</u>	<u>(91,392)</u>
Net increase/(decrease) in cash and cash equivalents		<u>82,537</u>	<u>124,952</u>	<u>(35,812)</u>	<u>(127,243)</u>	<u>(195,859)</u>
Cash and cash equivalents at January 1		<u>397,112</u>	<u>479,649</u>	<u>604,601</u>	<u>604,601</u>	<u>568,789</u>
Cash and cash equivalents at December 31/June 30 ..	12(a)	<u>479,649</u>	<u>604,601</u>	<u>568,789</u>	<u>477,358</u>	<u>372,930</u>

The notes on pages I-12 to I-122 form part of the Financial Information.

B. NOTES TO THE FINANCIAL INFORMATION

(Expressed in RMB’000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has 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”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued certain new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations issued that are not yet effective for the accounting Period beginning January 1, 2015 which are set out in Note 35.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of presentation

The Financial Information comprises the Company and its subsidiaries (together referred to as the “Group”).

The Company was established as a guarantee company in Foshan, Guangdong Province, PRC, in 2003. Since its establishment, the Group expanded beyond providing guarantee. As at June 30, 2015, the top three shareholders of the Company are Foshan Fuside Infrastructure Investment Co., Ltd., Mr. Huang Guoshen (“Mr. Huang”), Ms. Zhang Yubin (“Ms. Zhang”) with shareholding of 5.22% respectively and the individual shareholding percentage of the other shareholders are all below 5%.

The Group is principally engaged in provision of financial and non-financial guarantee, entrusted loans, lending to small and medium enterprises (“SME”) and financial consulting services. As at June 30, 2015, there are 6 subsidiaries under the Company.

The consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group include the consolidated results of operations of the Company and its subsidiaries, for the Relevant Periods. The consolidated statements of financial position of the Group as at December 31, 2012, 2013 and 2014 and June 30, 2015 have been prepared to present the consolidated assets and liabilities of the Company and its subsidiaries, as of the respective dates. All material intra-group transactions and balances have been eliminated in consolidation.

APPENDIX I

ACCOUNTANTS’ REPORT

As detailed in “History, Reorganization and Corporate Structure,” the Group undertook a reorganisation (the “Reorganisation”) in order to focus on the core business of guarantee and loan, rationalizing its structure in preparation for the listing of the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). On June 26, 2014, the Company disposed Foshan Join-Share Pawn Co., Ltd., to other independent third parties and disposed of 2 of its original subsidiaries, including Guangdong Join-Share Fund Management Co., Ltd. and Shenzhen Linghang Growth Venture Capital Co., Ltd., to Guangdong Join-Share Holding Co., Ltd. at considerations of RMB10,800,000, RMB5,100,000 and RMB26,914,524 respectively. On June 27, 2014, the Company have injected additional capital to acquire further equity interest of Foshan Chancheng Join-Share Micro Credit Co., Ltd., subsequent to which the Company’s interest in Foshan Chancheng Join-Share Micro Credit Co., Ltd. increased from 20% to 30%. On June 30, 2014, the Company acquired the rest of the non-controlling interest of Foshan Join-Share Industrial Investment Co., Ltd. and on July 8, 2014, the Company and three third parties established Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd., which is focused on guarantee business.

On November 9, 2010, the Group entered into an equity transfer agreement with a third party, to dispose of the 18% equity interest in Anhui Hangshi Pawn Shop Co., Ltd. (“Hangshi Pawn”). Due to the counterparty’s personal reason, Anhui Hangshi Pawn did not complete the registrations of change of shareholder in State Administration for Industry and Commerce of the People’s Republic of China. According to the letter of civil mediation issued by the court on December 9, 2014, Anhui Join-Share and the counterparty agreed to rescind the aforesaid equity transfer agreement under the mediation by the Court.

On November 25, 2014, the Group entered into an equity transfer agreement with another independent third party to dispose all equity interests it held in Hangshi Pawn, at a consideration of RMB2.3 million which has been fully settled. The disposal was completed on December 30, 2014.

APPENDIX I

ACCOUNTANTS' REPORT

(i) As at June 30, 2015, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Date and place of incorporation/ establishment	Date of consolidation	Paid-in/ registered capital	Proportion of ownership interest												Principal activity	Financial period/ statutory auditors
				As at December 31, 2012			As at December 31, 2013			As at December 31, 2014			As at June 30, 2015				
				Group's effective interest	Held by the company	Held by a subsidiary	Group's effective interest	Held by the company	Held by a subsidiary	Group's effective interest	Held by the company	Held by a subsidiary	Group's effective interest	Held by the company	Held by a subsidiary		
Foshan Joint Share Investment and Financing Consultancy Co., Ltd. ("Foshan Consultancy") (佛山中盈盛投資諮詢服務有限公司)	November 11, 2005 the PRC	November 11, 2005	RMB3,000,000	100%	100%	-	100%	100%	-	100%	100%	-	100%	100%	-	Investment and Consulting Year ended December 31, 2012, 2013 and 2014 Foshan HongZheng Certified Public Accountants (Ordinary Partnership) (佛山中盈正會計師事務所 (普通合夥))	
Foshan Joint Share Industrial Investment Co., Ltd. ("Foshan Industrial Investment") (佛山中盈工業投資有限公司)	September 29, 2007 the PRC	September 29, 2007	RMB5,100,000	85%	85%	-	100%	100%	-	100%	100%	-	100%	100%	-	Investment and Consulting Year ended December 31, 2012 Foshan Daehang Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司) Year ended December 31, 2013 and 2014 Foshan HongZheng Certified Public Accountants (Ordinary Partnership) (佛山中盈正會計師事務所 (普通合夥))	
Ahui Joint Share Financing Guarantee Co., Ltd. ("Ahui Joint Share") (安徽中盈建發融資擔保有限公司)	August 31, 2009 the PRC	August 31, 2009	RMB150,000,000	51%	51%	-	51%	51%	-	51%	51%	-	51%	51%	-	Guarantee Year ended December 31, 2012, 2013 and 2014 Xin An (An Hai) Certified Public Accountants (安徽新安會計師事務所)	
Hefei Joint Share Consultancy Service Co., Ltd. ("Hefei Consultancy") (合肥中盈建發諮詢服務有限公司)	May 8, 2010 the PRC	May 8, 2010	RMB1,000,000	51%	51%	100%	51%	51%	100%	51%	51%	100%	51%	51%	100%	Consulting Year ended December 31, 2012, 2013 and 2014 Xin An (An Hai) Certified Public Accountants (安徽新安會計師事務所)	
Foshan Changcheng Joint Share Micro Credit Co., Ltd. ("Foshan Micro Credit") (佛山傳城中盈盛連外匯貸款有限公司)*	May 30, 2011 the PRC	June 27, 2014	RMB200,000,000	20%	20%	-	20%	20%	-	30%	30%	-	30%	30%	-	Microcredit Year ended December 31, 2012, 2013 and 2014 Foshan Daehang Certified Public Accountants Co., Ltd. (佛山大誠會計師事務所有限公司)	
Zhongshan Joint Share Technology Financing Guarantee Investment Company Limited ("Zhongshan Joint Share") (中山中盈建發科技擔保投資有限公司)*	July 4, 2014 the PRC	July 8, 2014	RMB200,000,000	-	-	-	-	-	-	79%	79%	-	79%	35%	-	Guarantee From July 8, 2014 to December 31, 2014 Weibe Certified Public Accountants Zhongshan (Ordinary Partnership) (中山中盈建發會計師事務所 (普通合夥))	

The English translations of the names of these companies and auditors are for reference only. The official names of these companies and auditors are in Chinese.

No statutory audit reports were issued regarding to the financial information as at June 30, 2014 and 2015 by the statutory auditors.

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ACCOUNTANTS' REPORT

- * Foshan Micro Credit was an associate of the Company and the Group as of the years ended December 31, 2012, December 31, 2013 and period ended June 26, 2014, in which the Company held 20% equity interest with an original consideration of RMB30,000,000.

On June 27, 2014, Foshan Micro Credit had a capital injection of RMB50,000,000, among which the Company contributed an amount of RMB6,000,000. Meanwhile, the Company acquired the equity interest in Foshan Micro Credit held by another shareholders of Foshan Micro Credit at total considerations of RMB26,400,000. Subsequent to the above capital injection and acquisition, the Company held 30% equity interests in Foshan Micro Credit.

Besides the 30% equity interest held by the Company, the Company entered into a concert party agreement with Foshan Micro Credit's other shareholders, whose collective equity interests are 62.5%, and such equity owners have agreed to follow the instruction of the Company to act in concert when casting their votes at shareholders meetings of Foshan Micro Credit. Subsequent to the above agreement, the Company holds 92.5% voting rights in Foshan Micro Credit. Therefore, the Group has the power over Foshan Micro Credit such as appointment of directors and senior management, making decisions about material matters in daily operation, distribution of dividends, business operation and assets disposal.

Considering above mentioned factors, the directors are of the opinion that the Company controlled Foshan Micro Credit.

- ** On July 8, 2014, Zhongshan Join-Share was set up by the Company, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., Zhongshan Transportation Development Group Co., Ltd. and Zhongshan Changqing New Industry Co., Ltd. jointly, which hold 35%, [REDACTED]%, [REDACTED]% and 5% equity interest in Zhongshan Join-Share respectively.

Besides the 35% equity interest held by the Company, the Company has also entered into a concert party agreement with Zhongshan Health Science and Technology Industrial Base Development Co., Ltd., a shareholder of Zhongshan Join-Share, which holds [REDACTED]% equity interest in Zhongshan Join-Share. Pursuant to the concert party agreement, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. agrees to follow the instruction of the Company to act in concert when casting their votes at shareholders meetings of Zhongshan Join-Share. Subsequent to the above agreement, the Company holds [REDACTED]% voting rights in Zhongshan Join-Share. Therefore, the Group has the power over Zhongshan Join-Share such as appointment of directors and senior management, making decisions about material matters in daily operation, distribution of dividends, business operation and assets disposal.

According to agreements signed between the Company and other shareholders of Zhongshan Join-Share, the capital injected by Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. is regarded as other financial instrument by the Group, and the Group's effective interest in Zhongshan Join-Share is regarded as 79%, details are set out in Note 27.

Considering above mentioned factors, the directors are of the opinion that the Company controlled Zhongshan Join-Share.

APPENDIX I

ACCOUNTANTS' REPORT

(ii) Subsidiaries disposed of during the Relevant Periods, all of which are private limited liability companies and the particulars of these subsidiaries are set out below:

Name of company	Date and place of incorporation/ establishment	Date of consolidation/ disposal	Paid-in/ registered capital	Proportion of ownership interest								Principal activity	Financial period/ statutory auditors	
				As at December 31, 2012		As at December 31, 2013		As at December 31, 2014		As at June 30, 2015				
				Group's effective interest	Held by the company	Group's effective interest	Held by the company	Group's effective interest	Held by the company	Group's effective interest	Held by the company			
Foshan JoinShare Pawn Co., Ltd. ("Foshan Pawn") (佛山中盈盛建典有限公司)	November 13, 2007 the PRC	November 13, 2007/ June 26, 2014	RMB 10,000,000	80%	80%	80%	-	-	-	-	-	-	Pawn loan	Years ended December 31, 2012 and 2013 Foshan KangCheng Certified Public Accountants Co., Ltd. (佛山市康誠會計師事務所有限公司)
Guangdong JoinShare Fund Management Co., Ltd. ("JoinShare Fund Management") (廣東中盈盛建基金管理有限公司)	April 24, 2013 the PRC	April 24, 2013/ June 26, 2014	RMB 10,000,000	-	51%	51%	-	-	-	-	-	-	Investment	Period from April 24, 2013 to December 31, 2013 ShenZhen ChengWei Certified Public Accountants (Ordinary Partnership) (深圳市誠為會計師事務所 (普通合夥))
Shenzhen Linghang Growth Venture Capital Co., Ltd. ("Shenzhen Linghang") (深圳市領航成長創業投資有限公司)	January 30, 2011 the PRC	February 18, 2013/ June 26, 2014	RMB 30,000,000	-	60%	60%	-	-	-	-	-	-	Investment	Years ended December 31, 2013 ShenZhen ChengWei Certified Public Accountants (Ordinary Partnership) (深圳市誠為會計師事務所 (普通合夥))
Shenzhen Hechuang Growth Software Technique Co., Ltd. ("Hechuang Software") (深圳市合創成長軟件技術有限公司)	August 21, 2013 the PRC	August 21, 2013/ June 26, 2014	RMB 3,700,000/ RMB 15,000,000	-	42%	42%	-	-	-	-	70%	-	Investment & IT system development	Years ended December 31, 2013 Foshan HongZheng Certified Public Accountants (Ordinary Partnership) (佛山市弘正會計師事務所 (普通合夥))

The English translations of the names of these companies and auditors are for reference only. The official names of these companies and auditors are in Chinese.

No statutory audit reports were issued regarding to the financial information as at June 30, 2014 and 2015 by the statutory auditors.

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(iii) The Company was established in 2003 as limited corporation in Foshan PRC under the Company law. The Company is principally engaged in the provision of guarantees and consulting services in the PRC. For financial year ended December 31, 2012, the statutory auditor is Crowe Horwath China Certified Public Accountants (Special General Partnership) (國富浩華會計師事務所(特殊普通合夥)). For financial years ended December 31, 2013 and 2014, the statutory auditor is Foshan HongZheng Certified Public Accountants (Ordinary Partnership) (佛山市鴻正會計師事務所(普通合夥)).

(c) Basis of measurement

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand. It is prepared on the historical cost basis except for available-for-sale financial assets (see Note 1(k)) that are stated at their fair value and liabilities from guarantees (see Note 1(s)) which are stated at the lower of carrying amount and fair value less cost to sell.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgments, 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 judgments 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.

Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 34.

(e) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group

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can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity/shareholders holders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(k) depending on the nature of the liability.

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

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

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

(f) Associates

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

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

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

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

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

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

(g) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

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

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

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

(h) Fixed assets

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

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

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

	<u>Estimated useful lives</u>
Motor vehicles	5 years
Office and other equipments	5 years
Leasehold improvements	1–5 years

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

(i) Intangible assets

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

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

	<u>Estimated useful lives</u>
Software	2–10 years

Both the period and method of amortization are reviewed annually.

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

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(k) Financial instruments

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

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

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

Financial assets and financial liabilities are categorized as follows:

- Trade and other receivables

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

- Loans and receivables

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

- (a) those that the Group intends to sell immediately or in the near-term, which will be classified as held for trading;
- (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or
- (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale.

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

- Available-for-sale financial assets

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

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

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

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

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

- Other financial liabilities

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

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

(ii) *Impairment of financial assets*

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Group at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment in the financial asset represents events that occur after the initial recognition of the financial asset and have impact on the estimated future cash flows of the asset, which can be estimated reliably.

Objective evidence includes the following loss event:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- disappearance of an active market for financial assets because of financial difficulties;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- Loans and receivables

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

— *Individual assessment*

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

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

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

— *Collective assessment*

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

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

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

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

- Available-for-sale financial assets

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

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

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

(iii) Fair value measurement

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

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

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

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

(iv) Derecognition of financial assets and financial liabilities

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

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

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

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

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(v) Offsetting

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

(vi) Derivative financial instruments

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

(vii) Convertible financial instrument

Convertible financial instrument that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instrument which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible financial instrument is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

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

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fees payable, using the effective interest method.

(m) Other payables

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

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(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within six months of maturity at acquisition.

(o) Impairment of non-financial assets

(i) *Impairment of investments in subsidiaries and associates*

Investments in subsidiaries and associates are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the loss events in Note 1(k)(ii). When any such evidence exists, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(e) and Note 1(f). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with Note 1(o)(ii).

(ii) *Impairment of other assets*

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

- Fixed assets; and
- Intangible assets; and
- Goodwill.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

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— Reversals of impairment losses

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

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

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

(p) Employee benefits

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

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

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

(q) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing

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taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

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

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Financial guarantees issued

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

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Where the Group issues a financial guarantee, the fair value of the financial guarantee contract issued (being the premium received, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within liabilities from guarantees. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 1(s)(i) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in liabilities from guarantees in respect of that guarantee i.e. the amount initially recognised, less accumulated amortization.

(s) Provisions and contingent liabilities

(i) Provisions for guarantee losses

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect profit or loss in future years.

(ii) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

(i) Guarantee fee income

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

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(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Rendering of services

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

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

(iv) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Government grants

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

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(v) Repossessed assets

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

(w) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (1) Has control or joint control over the Group;

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- (2) Has significant influence over the Group; or
 - (3) Is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (3) Both entities are joint ventures of the same third party;
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (6) The entity is controlled or jointly controlled by a person identified in (i);
 - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(x) Segment reporting

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

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

2 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) *Foshan Micro Credit*

On June 27, 2014, Foshan Micro Credit had a capital injection of RMB50,000,000, among which the Company contributed an amount of RMB6,000,000 leading its proportion of equity interest in Foshan Micro Credit decreased to 18%. Meanwhile, the Company acquired 6% equity interest in Foshan Micro

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Credit from an related party (Note 32) and 6% equity from unrelated party at a consideration of RMB13,200,000 and RMB13,200,000 respectively.

Besides the 30% equity interest held by the Company, the Company entered into a concert party agreement with Foshan Micro Credit's other shareholders, whose collective equity interests are 62.5%, and such equity owners have agreed to follow the instruction of the Company to act in concert when casting their votes at shareholders meetings of Foshan Micro Credit. The Company enjoys variability of expected returns, and there's a linkage between power and returns. Subsequent to the above capital increase and acquisition and concert party agreement, the directors are of the opinion that the Company controlled Foshan Micro Credit since June 27, 2014 (Note 1(b)(i)).

In the six months to December 31, 2014, Foshan Micro Credit contributed revenue of RMB25,906,000 and profit of RMB8,620,000 to the Group's results. If the acquisition had occurred on January 1, 2014, management estimates that consolidated revenue would have been RMB330,071,000, and consolidated profit would have been RMB168,531,000 for the year ended December 31, 2014. In determining these amounts, management has assumed that the fair value adjustment, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014.

(1) Consideration transferred

The following summarises the acquisition date fair value of the consideration transferred:

	RMB'000
Cash.....	<u>26,400</u>

(2) Acquisition related cost

No acquisition-related cost happened when Foshan Micro Credit became the Group's Subsidiary.

(3) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	June 27, 2014
	RMB'000
Cash and cash equivalents.....	52,117
Trade and other receivables	3,791
Loans and advances	242,617
Fixed assets.....	363
Intangible assets	50
Deferred tax assets	2,697
Interest-bearing borrowing	(75,000)
Other payables.....	<u>(10,125)</u>
Total identifiable net assets acquired.....	<u>216,510</u>

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(4) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Loan and advances and receivables	Discounted cash flow analysis

At the date of acquisition, there was no differences between the carrying amounts and fair value of Foshan Micro Credit's identifiable net assets acquired.

(5) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	<u>June 27, 2014</u>
	<u>RMB'000</u>
Consideration transferred after capital increase in Foshan Micro Credit	26,400
NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities of Foshan Micro Credit	151,557
Fair value of pre-existing interest in Foshan Micro Credit (after capital increase in Foshan Micro Credit)	38,972
Fair value of identifiable net assets	(216,510)
Goodwill	<u>419</u>

The remeasurement to fair value of the Group's pre-existing interest in Foshan Micro Credit resulted in a loss of RMB330,000. This amount has been included in 'other revenue'.

The goodwill is attributable mainly to the Foshan Micro Credit's experience work force and the synergies expected to be achieved from integrating Foshan Micro Credit into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

(ii) *Shenzhen Linghang*

On February 18, 2013, the Group acquired a 60% equity interest in Shenzhen Linghang.

In the ten months to December 31, 2013, Shenzhen Linghang contributed revenue of RMB1,338,000 and profit of RMB888,000 to the Group's results. As Shenzhen Linghang had no substantial operation in the first two months ended February 18, 2013, if the acquisition had occurred on January 1, 2013, management estimates that consolidated revenue would have been RMB261,845,000, and consolidated profit for the year would have been RMB130,969,000. In determining these amounts, management has assumed that the fair value adjustment, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2013.

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(1) Consideration transferred

The following summarises the acquisition date fair value of the consideration transferred:

	RMB'000
Cash.....	<u>26,915</u>

(2) Acquisition related cost

The Group incurred acquisition-related cost of RMB142,200 on evaluation fee. The cost have been included in operating expense.

(3) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	February 18, 2013
	RMB'000
Cash and cash equivalents.....	12,033
Available-for-sale assets	31,970
Deferred tax liabilities	<u>(3,487)</u>
Total identifiable net assets acquired.....	<u>40,516</u>

(4) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Available-for-sale assets	Guideline Public Company Method

(5) Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	February 18, 2013
	RMB'000
Consideration transferred	26,915
NCI, based on their proportionate interest in the recognized amounts of the assets and liabilities of Shenzhen Linghang	16,206
Fair value of identifiable net assets.....	<u>(40,516)</u>
Goodwill.....	<u>2,605</u>

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The goodwill is attributable mainly to the Shenzhen Linghang’s experience work force and the synergies expected to be achieved from integrating Shenzhen Linghang into the Group’s existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

On June 26, 2014, the Group disposed of its entire equity interests in Shenzhen Linghang to Guangdong Join-Share Holding Co., Ltd. at consideration of RMB26,914,524.

(b) Disposal of subsidiaries

Disposals for the year ended December 31, 2014

On June 26, 2014, the Group disposed of 48% and 32% of the equity interests in Foshan Pawn to two independent third parties respectively at the total consideration of RMB10,800,000, and the Group also disposed of its entire equity interests in Join-Share Fund Management, Shenzhen Linghang to Guangdong Join-Share Holding Co., Ltd. at considerations of RMB5,100,000 and RMB26,914,524 respectively. The net gain of the disposal is RMB473,000, which is accounted for in the consolidated statement of profit or loss under the account of ‘Net gain on disposal of subsidiaries’.

Effect of disposal on the financial position of the Group

	Aggregated carrying value as of the disposal dates
	RMB’000
Loan and advances	21,205
Trade and other receivables	1,881
Derivative financial assets	639
Available-for-sale financial assets	26,117
Investment in subsidiaries	5,400
Property, plant and equipment	500
Cash and cash equivalents	6,892
Deferred tax Liabilities	(521)
Trade and other payables	(2,696)
Net assets and liabilities	59,417
Consideration received, satisfied in cash	42,815
Cash and cash equivalents disposed of	(6,892)
Net cash inflow on disposal on June 26, 2014	35,923

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3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Guarantee fee income					
Financing guarantee fee income	153,344	161,250	167,999	88,982	69,983
Performance guarantee fee income ..	2,871	3,962	2,106	1,091	2,028
Litigation guarantee fee income	706	564	329	29	36
Subtotal.....	156,921	165,776	170,434	90,102	72,047
Less: Re-guarantee expenses	(2,305)	(4,386)	(7,060)	(4,742)	(4,155)
Net guarantee fee income	<u>154,616</u>	<u>161,390</u>	<u>163,374</u>	<u>85,360</u>	<u>67,892</u>
Interest income					
— Loans and advances to customers	49,297	66,598	96,403	39,949	57,485
— Cash at banks and pledged bank deposits	12,912	10,394	11,010	5,623	7,109
Subtotal.....	62,209	76,992	107,413	45,572	64,594
Interest expenses					
— Borrowings from banks	(5,468)	(2,590)	(2,462)	—	(2,280)
— Interest expenses from other financial instruments liability component.....	—	—	(2,796)	—	(2,882)
Subtotal	(5,468)	(2,590)	(5,258)	—	(5,162)
Net interest income	<u>56,741</u>	<u>74,402</u>	<u>102,155</u>	<u>45,572</u>	<u>59,432</u>
Service fee from consulting services	<u>25,118</u>	<u>26,053</u>	<u>41,814</u>	<u>22,008</u>	<u>17,583</u>
Revenue	<u>236,475</u>	<u>261,845</u>	<u>307,343</u>	<u>152,940</u>	<u>144,907</u>

The Group's customer base is diversified and has no customer with whose transactions have exceeded 10% of the Group's net fee and interest income and service fee from consulting services during the Relevant Periods. Details of concentrations of credit risk are set out in Note 30(a).

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(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.

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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 Relevant Periods is set out below:

	Year ended December 31, 2012		
	Guarantee business	SME lending	Total
	RMB'000	RMB'000	RMB'000
Guarantee fee income	156,921	–	156,921
Re-guarantee expenses	(2,305)	–	(2,305)
Interest income	12,794	49,415	62,209
Interest expenses	–	(5,468)	(5,468)
Service fee from consulting services	24,197	921	25,118
Reportable segment revenue	191,607	44,868	236,475
Other revenue	24,586	4	24,590
Share of profits of associates	3,462	–	3,462
Provisions for guarantee losses	(10,125)	–	(10,125)
Impairment losses	(37,342)	780	(36,562)
Operating expenses	(51,446)	(11,869)	(63,315)
Reportable segment profit before taxation	120,742	33,783	154,525
Segment assets	1,088,331	195,996	1,284,327
Segment liabilities	244,038	55,810	299,848

	Year ended December 31, 2013			
	Guarantee business	SME lending	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee fee income	165,776	–	–	165,776
Re-guarantee expenses	(4,386)	–	–	(4,386)
Interest income	9,898	66,691	403	76,992
Interest expenses	–	(2,590)	–	(2,590)
Service fee from consulting services ..	24,711	562	780	26,053
Reportable segment revenue	195,999	64,663	1,183	261,845
Other revenue	21,436	22	–	21,458
Share of profits of associates	4,376	–	–	4,376
Net gain on disposal of an associate ..	1,270	–	–	1,270
Provisions for guarantee losses	(13,590)	–	–	(13,590)
Impairment losses	(21,097)	703	(30)	(20,424)
Operating expenses	(63,119)	(16,752)	(306)	(80,177)
Reportable segment profit before taxation	125,275	48,636	847	174,758
Segment assets	1,288,106	91,024	38,756	1,417,886
Segment liabilities	269,948	3,291	826	274,065

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	Year ended December 31, 2014			
	Guarantee business	SME lending	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee fee income	170,434	–	–	170,434
Re-guarantee expenses	(7,060)	–	–	(7,060)
Interest income	10,225	97,167	21	107,413
Interest expenses	(2,796)	(2,462)	–	(5,258)
Service fee from consulting services ..	38,795	1,964	1,055	41,814
Reportable segment revenue	209,598	96,669	1,076	307,343
Other revenue	20,588	404	–	20,992
Share of profits of associates	2,355	–	–	2,355
Net gain on disposal of subsidiaries ...	473	–	–	473
Provisions for guarantee losses	(8,146)	–	–	(8,146)
Impairment losses	(22,823)	(6,538)	–	(29,361)
Operating expenses	(57,371)	(24,415)	(249)	(82,035)
Reportable segment profit before taxation	<u>144,674</u>	<u>66,120</u>	<u>827</u>	<u>211,621</u>
Segment assets	<u>1,403,251</u>	<u>416,611</u>	<u>–</u>	<u>1,819,862</u>
Segment liabilities	<u>440,932</u>	<u>87,379</u>	<u>–</u>	<u>528,311</u>
	Six months ended June 30, 2015			
	Guarantee business	SME lending	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee fee income	72,047	–	–	72,047
Re-guarantee expenses	(4,155)	–	–	(4,155)
Interest income	6,388	58,206	–	64,594
Interest expenses	(2,883)	(2,279)	–	(5,162)
Service fee from consulting services ..	12,523	5,060	–	17,583
Reportable segment revenue	83,920	60,987	–	144,907
Other revenue	8,180	–	–	8,180
Provisions for guarantee losses	10,883	–	–	10,883
Impairment losses	(15,231)	(8,086)	–	(23,317)
Operating expenses	(25,389)	(17,655)	–	(43,044)
Reportable segment profit before taxation	<u>62,363</u>	<u>35,246</u>	<u>–</u>	<u>97,609</u>
Segment assets	<u>1,174,423</u>	<u>620,347</u>	<u>–</u>	<u>1,794,770</u>
Segment liabilities	<u>327,327</u>	<u>100,175</u>	<u>–</u>	<u>427,502</u>

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	Six months ended June 30, 2014			
	Guarantee business	SME lending	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited:				
Guarantee fee income	90,102	–	–	90,102
Re-guarantee expenses	(4,742)	–	–	(4,742)
Interest income	5,581	39,970	21	45,572
Interest expenses	–	–	–	–
Service fee from consulting services ..	20,727	226	1,055	22,008
Reportable segment revenue	111,668	40,196	1,076	152,940
Other revenue	7,434	2	–	7,436
Share of profits of associates	2,355	–	–	2,355
Net gain on disposal of subsidiaries ...	473	–	–	473
Provisions for guarantee losses	(1,632)	–	–	(1,632)
Impairment losses	(8,748)	(5,303)	–	(14,051)
Operating expenses	(30,763)	(9,439)	(249)	(40,451)
Reportable segment profit before taxation	80,787	25,456	827	107,070
Segment assets	1,357,102	305,806	–	1,662,908
Segment liabilities	306,965	85,021	–	391,986

(ii) Reconciliation of reportable segment assets

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Reportable segment assets		1,284,327	1,417,886	1,819,862	1,794,770
Deferred tax assets	28(b)	10,044	13,408	32,466	17,966
Consolidated total assets		1,294,371	1,431,294	1,852,328	1,812,736

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4 OTHER REVENUE

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Government grant	16,265	12,155	2,487	–	2,715
Investment income from available-for-sale financial assets	1,240	3,507	10,046	3,157	2,034
Investment income of receivable investments	6,895	4,858	7,037	3,179	3,431
Disposal gain of available-for-sale financial assets	–	–	1,080	1,080	–
Fair value changes gain	–	639	–	–	–
Others	190	299	342	20	–
	<u>24,590</u>	<u>21,458</u>	<u>20,992</u>	<u>7,436</u>	<u>8,180</u>

5 PROFIT BEFORE TAXATION

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

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

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Receivables for default guarantee payments	14(b)(i)	21,280	21,637	22,160	8,414	9,808
Receivables from guarantee customers	14(b)(ii)	(977)	1,070	3,070	4,190	5,424
Loans and advances to customers	15(f)	16,259	(1,981)	8,276	5,302	8,085
Receivable from HanTang Securities.....	(i)/14(d)	–	(302)	(4,145)	(3,855)	–
		<u>36,562</u>	<u>20,424</u>	<u>29,361</u>	<u>14,051</u>	<u>23,317</u>

(i) Receivable from HanTang Securities represents the purchase of national debt, which was deposited in a custodian account at HanTang Securities Co. Ltd. 漢唐證券有限責任公司 (“HanTang Securities”). The official name of HanTang Securities is in Chinese, and the English translation is for reference only.

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(b) Staff costs

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Salaries, wages, bonuses and other benefits	35,685	37,253	39,629	23,091	19,524
Contributions to retirement schemes	878	998	1,297	649	1,299
	<u>36,563</u>	<u>38,251</u>	<u>40,926</u>	<u>23,740</u>	<u>20,823</u>

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

(c) Other items

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Depreciation and amortization	21&22 &12(b)	1,081	1,435	1,829	795	1,487
Operating lease charges: minimum lease payments hire of property		3,262	4,478	6,045	2,785	2,747
Auditors’ remuneration		501	388	128	70	113
		<u>501</u>	<u>388</u>	<u>128</u>	<u>70</u>	<u>113</u>

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6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax	28(a)					
Provision for PRC income tax for the year/period ..		43,373	50,965	67,995	26,221	13,209
Deferred tax	28(b)					
Origination and reversal of temporary differences ...		(4,639)	(7,176)	(13,128)	1,695	12,016
Income tax expense		<u>38,734</u>	<u>43,789</u>	<u>54,867</u>	<u>27,916</u>	<u>25,225</u>

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

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation	<u>154,525</u>	<u>174,758</u>	<u>211,621</u>	<u>107,070</u>	<u>97,609</u>
Notional tax on profit before taxation, calculated at 25%	38,631	43,690	52,905	26,719	24,402
Effect of non-deductible expenses ...	6,726	1,886	6,523	4,265	3,636
Effect of non-taxable income	(6,623)	(1,787)	(4,561)	(3,068)	(2,813)
Actual income tax expense	<u>38,734</u>	<u>43,789</u>	<u>54,867</u>	<u>27,916</u>	<u>25,225</u>

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7 DIRECTOR'S REMUNERATION

Directors' remuneration is as follows:

Year ended December 31, 2012					
	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme Contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Jiang Xurong (resigned on February 28, 2012)	37	–	–	–	37
Wu Liejin (appointed on February 28, 2012)	23	370	1,500	12	1,905
Executive directors					
Wu Liejin (promoted on February 28, 2012) .	5	40	300	3	348
Liang Daming	33	360	373	–	766
Xie Yongdong (appointed on February 28, 2012)	25	198	657	12	892
Non-executive directors					
Zhao Xinwen (resigned on February 28, 2012)	3	–	–	–	3
Huang Guoshen	28	–	–	–	28
Wu Yanfen	28	–	–	–	28
Yang Wenhui	28	–	–	–	28
Independent non-executive directors					
Liu Fangquan	75	–	–	–	75
Wu Qing	75	–	–	–	75
Supervisor					
Wang Wei	14	110	272	9	405
Sun Weiqun	14	–	–	–	14
Li Qi (appointed on February 28, 2012).	13	–	–	–	13
Yu Xiaoyu (resigned on February 28, 2012)	2	–	–	–	2
	<u>403</u>	<u>1,078</u>	<u>3,102</u>	<u>36</u>	<u>4,619</u>

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Year ended December 31, 2013

	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme Contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Wu Liejin.....	30	447	1,609	17	2,103
Executive directors					
Liang Daming	30	433	197	–	660
Xie Yongdong	30	243	963	17	1,253
Non-executive directors					
Huang Guoshen	30	–	–	–	30
Wu Yanfen	30	–	–	–	30
Yang Wenhui	30	–	–	–	30
Independent non-executive directors					
Liu Fangquan (resigned on March 28, 2013)	47	–	–	–	47
Wu Qing.....	80	–	–	–	80
Wu Xiangneng (appointed on March 28, 2013)	33	–	–	–	33
Supervisor					
Wang Wei	15	115	295	9	434
Sun Weiqun	15	–	–	–	15
Li Qi	15	–	–	–	15
	<u>385</u>	<u>1,238</u>	<u>3,064</u>	<u>43</u>	<u>4,730</u>

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Year ended December 31, 2014

	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme Contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Wu Liejin	65	450	1,533	19	2,067
Executive directors					
Liang Daming	30	433	169	–	632
Xie Yongdong	50	267	892	19	1,228
Non-executive directors					
Huang Guoshen	30	–	–	–	30
Wu Yanfen	30	–	–	–	30
Yang Wenhui (resigned on June 6, 2014)	15	–	–	–	15
Independent non-executive directors					
Wu Qing (resigned on June 6, 2014)	40	–	–	–	40
Wu Xiangneng	80	–	–	–	80
Leung Hon Man (appointed on June 6, 2014)	40	–	–	–	40
Liu Heng (appointed on June 6, 2014)	40	–	–	–	40
Supervisor					
Wang Wei	15	123	297	10	445
Sun Weiqun	15	–	–	–	15
Li Qi	15	–	–	–	15
	<u>465</u>	<u>1,273</u>	<u>2,891</u>	<u>48</u>	<u>4,677</u>

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Six months ended June 30, 2015

	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme Contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Wu Liejin	38	241	–	10	289
Executive directors					
Liang Daming (resigned on March 25, 2015)	8	144	–	–	152
Xie Yongdong	30	155	–	10	195
Zhang Minming (appointed on March 25, 2015)	8	–	–	–	8
Non-executive directors					
Huang Guoshen	15	–	–	–	15
Wu Yanfen	15	–	–	–	15
Independent non-executive directors					
Wu Xiangneng	40	–	–	–	40
Leung Hon Man	40	–	–	–	40
Liu Heng	40	–	–	–	40
Supervisor					
Wang Wei	8	78	11	10	107
Li Qi	8	–	–	–	8
Sun Weiqun (resigned on March 25, 2015)	4	–	–	–	4
Feng Qunying (appointed on March 25, 2015)	4	–	–	–	4
Liang Yi (appointed on March 25, 2015)	4	76	13	10	103
Liao Zhenliang (appointed on March 25, 2015)	8	–	–	–	8
Zhong Jian (appointed on March 25, 2015)	8	–	–	–	8
	<u>278</u>	<u>694</u>	<u>24</u>	<u>40</u>	<u>1,036</u>

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Six months ended June 30, 2014

	Director's fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement Scheme Contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited:					
Chairman					
Wu Liejin	28	224	–	9	261
Executive directors					
Liang Daming	15	217	–	–	232
Xie Yongdong	15	125	–	9	149
Non-executive directors					
Huang Guoshen	15	–	–	–	15
Wu Yanfen	15	–	–	–	15
Yang Wenhui (resigned on June 6, 2014)	13	–	–	–	13
Independent non-executive directors					
Wu Qing (resigned on June 6, 2014)	33	–	–	–	33
Wu Xiangneng	40	–	–	–	40
Leung Hon Man (appointed on June 6, 2014)	47	–	–	–	47
Liu Heng (appointed on June 6, 2014)	47	–	–	–	47
Supervisor					
Wang Wei	8	60	9	4	81
Li Qi	8	–	–	–	8
Sun Weiqun	8	–	–	–	8
	<u>292</u>	<u>626</u>	<u>9</u>	<u>22</u>	<u>949</u>

There were no amounts paid during the Relevant Periods to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

* The dates of appointment and resign are subject to the approvals of shareholders.

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8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three are directors of the Company for the year ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 whose emoluments are disclosed in Note 7.

The aggregate of the emoluments in respect of two non-director individuals for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 respectively are as follows:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowance and benefits in kind	369	389	408	192	246
Discretionary bonuses	1,154	1,293	922	35	27
Retirement scheme contributions.....	27	28	34	14	21
Total	1,550	1,710	1,364	241	294

No emoluments are paid or payable to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

The emoluments of the two non-directors with the highest emoluments are all within the follow bands:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (Unaudited)	Number of individuals
HKD nil – 1,000,000	1	1	1	2	2
1,000,001 – 1,500,000	1	1	1	–	–

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9 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a profit of RMB107,602,000, RMB117,604,000, RMB133,113,000, RMB68,709,000 (unaudited) and RMB45,051,000 for each of the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2014 and 2015 which has been dealt with in the financial statements of the Company.

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statement		107,602	117,604	133,113	68,709	45,051
Final dividends from subsidiaries and associates attributable to the profits of the previous financial year, (approved and paid during the year/period) .		25,951	6,120	15,497	11,825	11,253
Company's profit for the year/period	29(a)	<u>133,553</u>	<u>123,724</u>	<u>148,610</u>	<u>80,534</u>	<u>56,304</u>

10 OTHER COMPREHENSIVE INCOME

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

	Years ended December 31,								
	2012			2013			2014		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets: net movement in fair value reserve	(1,887)	472	(1,415)	1,295	(324)	971	3,101	(775)	2,326

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	Six months ended June 30,					
	2014			2015		
	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/benefit	Net-of-tax amount
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets: net movement in fair value reserve	1,517	(380)	1,137	9,939	(2,485)	7,454

11 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 for the Relevant Periods as follows:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	'000	'000	'000	'000 (Unaudited)	'000
Profit attributable to the equity shareholders of the Company (RMB'000)	115,633	129,767	145,258	75,252	56,367
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share ('000)	584,000	663,292	800,000	800,000	800,000
Basic earnings per share (RMB)	0.20	0.20	0.18	0.09	0.07

(b) Weighted average number of ordinary shares

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	'000	'000	'000	'000 (Unaudited)	'000
Issued ordinary shares at January 1 .	522,000	645,000	800,000	800,000	800,000
Effect of capital injection	51,250	7,542	—	—	—
Share capital increased by capital reserve transfer	10,750	10,750	—	—	—
Weighted average number of ordinary shares at December 31/ June 30	584,000	663,292	800,000	800,000	800,000

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There were no dilutive potential ordinary shares during the Relevant Periods, and therefore, diluted earnings per share are the same as the basic earnings per share.

12 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	21	35	23	14
Cash at banks	479,628	604,566	568,766	372,916
Cash and cash equivalents in the consolidated cash flow statement ...	479,649	604,601	568,789	372,930
Term deposits with banks	165,765	179,355	285,581	202,262
Restricted bank deposits	7,413	5,364	3,958	7,713
	<u>652,827</u>	<u>789,320</u>	<u>858,328</u>	<u>582,905</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	3	—	2	4
Cash at banks	385,763	548,183	412,491	204,732
Cash and cash equivalents in the consolidated cash flow statement ...	385,766	548,183	412,493	204,736
Term deposits with banks	165,765	179,355	167,900	134,655
Restricted bank deposits	7,413	5,364	3,385	2,987
	<u>558,944</u>	<u>732,902</u>	<u>583,778</u>	<u>342,378</u>

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 represented the received guarantee business pledged customer deposit with tripartite custodian agreement among lending bank, guarantee customer 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.

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

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax		154,525	174,758	211,621	107,070	97,609
Adjustments for:						
Impairment losses		36,562	20,424	29,361	14,051	23,317
Provisions for/(reversal of provision for) guarantee losses		10,125	13,590	8,146	1,632	(10,883)
Depreciation and amortization	5(c)	1,081	1,435	1,829	795	1,487
(Gains)/losses on disposal of fixed assets		(32)	10	3	3	8
Interest expenses		5,468	2,590	5,258	–	5,162
Investment income	4	(8,135)	(8,365)	(18,163)	(7,416)	(5,465)
Share of profits of associates		(3,462)	(4,376)	(2,355)	(2,355)	–
Net gain on disposal of an associate		–	(1,270)	–	–	–
Net gain on disposal of subsidiaries		–	–	(473)	(473)	–
Fair value changes gain [REDACTED] cost		–	(639)	–	–	–
		–	–	619	260	1,141
Change in working capitals:						
(Increase)/decrease from term deposits with banks and restricted bank deposits		(49,641)	(49,791)	(16,885)	52,053	61,017
(Increase)/decrease in loans and advances to customers		(26,974)	97,723	(60,127)	(120,561)	(220,358)
(Increase) in trade and other receivables		(40,750)	(46,249)	(113,066)	(42,837)	(109,573)
(Decrease)/increase in customer pledged deposits		(46,093)	(22,831)	(2,167)	23,712	1,127
(Decrease)/increase in accruals and other payables		8,509	4,151	(416)	(738)	(5,081)
Cash generated from/(used in) operations		<u>41,183</u>	<u>181,160</u>	<u>43,185</u>	<u>25,196</u>	<u>(160,492)</u>

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13 PLEDGED BANK DEPOSITS

All pledged bank deposits represent the deposits at banks according to the requirements from banks or related government regulations for the financing guarantees that the Group provides to third parties for borrowing from banks.

14 TRADE AND OTHER RECEIVABLES

The Group

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Receivables for default guarantee payments	(i)/14(a)(i)	75,128	125,670	171,095	184,853
Less: Allowance for doubtful debts	14(b)(i)	(24,096)	(44,563)	(56,753)	(55,430)
		<u>51,032</u>	<u>81,107</u>	<u>114,342</u>	<u>129,423</u>
Receivables from guarantee customers	14(a)(ii)	1,196	10,108	40,084	103,535
Less: Allowance for doubtful debts	14(b)(ii)	(142)	(1,212)	(4,282)	(9,706)
		<u>1,054</u>	<u>8,896</u>	<u>35,802</u>	<u>93,829</u>
Receivable from HanTang Securities		7,131	6,829	2,684	—
Less: Allowance for doubtful debts	14(d)	(7,131)	(6,829)	(2,684)	—
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Guarantee income receivables		1,116	4,406	—	—
Interest receivables	14(e)	4,883	4,796	9,403	11,907
Amount due from related parties .	14(f)	37,851	171	173	210
Receivables from disposal of default guarantee payments		—	21,914	18,414	18,414
Other receivables		14,698	20,984	13,828	20,225
		<u>58,548</u>	<u>52,271</u>	<u>41,818</u>	<u>50,756</u>
Deposits and prepayments		4,810	9,790	13,447	10,731
Repossessed assets		790	790	7,601	7,602
[REDACTED] services fees		—	—	6,328	15,574
		<u>5,600</u>	<u>10,580</u>	<u>27,376</u>	<u>33,907</u>
		<u>116,234</u>	<u>152,854</u>	<u>219,338</u>	<u>307,915</u>

As at December 31, 2012, 2013 and 2014 and June 30, 2015, 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 RMB3.13 million, RMB27.82 million, RMB22.02 million and RMB3.33 million, respectively. All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

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- (i) During the period ended June 30, 2015, the Group disposed of receivables for default guarantee payments amounted to RMB58,073,000 with allowances for doubtful debts of RMB11,189,000 without recourse to Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司) and Foshan Zhongrong Zhixin Asset Management Co., Ltd. (佛山中融至信資產管理有限公司) at considerations amounted to RMB58,073,000.

The Company

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Receivables for default guarantee payments	(i)/14(a)(i)	38,866	67,150	112,668	129,148
Less: Allowance for doubtful debts	14(b)(i)	(14,007)	(23,740)	(35,844)	(36,763)
		<u>24,859</u>	<u>43,410</u>	<u>76,824</u>	<u>92,385</u>
Receivables from guarantee customers	14(a)(ii)	1,196	10,108	19,315	81,135
Less: Allowance for doubtful debts	14(b)(ii)	(142)	(1,212)	(1,884)	(8,090)
		<u>1,054</u>	<u>8,896</u>	<u>17,431</u>	<u>73,045</u>
Receivable from HanTang Securities		7,131	6,829	2,684	—
Less: Allowance for doubtful debts	14(d)	(7,131)	(6,829)	(2,684)	—
		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Guarantee income receivables		1,116	4,406	—	—
Interest receivables	14(e)	3,918	4,452	5,837	7,651
Amount due from related parties .	14(f)	37,851	1,709	173	210
Receivables from disposal of default guarantee payments		—	21,914	18,414	18,414
Other receivables		9,418	13,660	11,494	17,681
		<u>52,303</u>	<u>46,141</u>	<u>35,918</u>	<u>43,956</u>
Deposits and prepayments		3,977	9,437	12,279	9,511
Repossessed assets		790	790	7,601	7,602
[REDACTED] services fees		—	—	6,328	15,574
		<u>4,767</u>	<u>10,227</u>	<u>26,208</u>	<u>32,687</u>
		<u><u>82,983</u></u>	<u><u>108,674</u></u>	<u><u>156,381</u></u>	<u><u>242,073</u></u>

- (i) During the period ended June 30, 2015, the Company disposed of receivables for default guarantee payments amounted to RMB58,073,000 with allowances for doubtful debts of RMB11,189,000 without recourse to Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心有限公司) and Foshan Zhongrong Zhixin Asset Management Co., Ltd. (佛山中融至信資產管理有限公司) at considerations amounted to RMB58,073,000.

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As at December 31, 2012, 2013 and 2014 and June 30, 2015, 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 RMB1.84 million, RMB27.28 million, RMB21.53 million and RMB2.20 million, respectively. All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis:

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

(i) Receivables for default guarantee payments

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	64,467	61,517	72,338	70,642
Over 1 year but less than 2 years	6,753	54,974	59,139	44,930
Over 2 years but less than 3 years	1,916	6,753	32,969	55,250
Over 3 years	1,992	2,426	6,649	14,031
Less: allowance for doubtful debts	(24,096)	(44,563)	(56,753)	(55,430)
	<u>51,032</u>	<u>81,107</u>	<u>114,342</u>	<u>129,423</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	29,229	32,813	58,656	57,324
Over 1 year but less than 2 years	6,553	25,358	31,615	40,662
Over 2 years but less than 3 years	1,092	6,553	15,748	24,615
Over 3 years but less than 4 years	1,992	2,426	6,649	6,547
Less: allowance for doubtful debts	(14,007)	(23,740)	(35,844)	(36,763)
	<u>24,859</u>	<u>43,410</u>	<u>76,824</u>	<u>92,385</u>

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 30 (a).

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(ii) *Receivables from guarantee customers*

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,196	9,952	40,084	80,155
Over 1 year but less than 2 years	–	156	–	23,380
Less: allowance for doubtful debts	(142)	(1,212)	(4,282)	(9,706)
	<u>1,054</u>	<u>8,896</u>	<u>35,802</u>	<u>93,829</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,196	9,952	19,315	67,455
Over 1 year but less than 2 years	–	156	–	13,680
Less: allowance for doubtful debts	(142)	(1,212)	(1,884)	(8,090)
	<u>1,054</u>	<u>8,896</u>	<u>17,431</u>	<u>73,045</u>

Receivables from guarantee customers are due within 2 years from the date of payment. Further details on the Group's credit policy are set out in Note 30(a).

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

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

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The movement in the allowance for receivables for default guarantee payments and receivables from guarantee customers (including both individual and collective impairment) during the Relevant Periods, is as follows:

(i) *Receivables for default guarantee payments*

The Group

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period		9,832	24,096	44,563	56,753
Impairment losses recognised in the consolidated statement of profit or loss	5(a)	21,280	21,637	22,160	9,808
Amounts written off		(7,016)	(1,170)	(9,970)	(11,131)
At the end of the year/period		<u>24,096</u>	<u>44,563</u>	<u>56,753</u>	<u>55,430</u>

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's receivables for default guarantee payments of RMB75.13 million, RMB125.67 million, RMB171.10 million and RMB184.85 million, respectively, were all individually assessed for the impairment. As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group's receivables for default guarantee payments of RMB48.01 million, RMB94.49 million, RMB127.40 million and RMB131.81 million were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered unless no losses is expected to ensue when collateral or guarantees of the receivables are involved. Consequently, individually assessed allowances for receivables for default guarantee payments of RMB24.10 million, RMB44.56 million, RMB56.75 million and RMB55.43 million were made as at December 31, 2012, 2013 and 2014 and June 30, 2015, respectively.

The Company

		At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period ...		5,367	14,007	23,740	35,844
Impairment losses recognised in the consolidated statement of profit or loss		12,209	10,078	20,045	12,050
Amounts written off		(3,569)	(345)	(7,941)	(11,131)
At the end of the year/period		<u>14,007</u>	<u>23,740</u>	<u>35,844</u>	<u>36,763</u>

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's receivables for default guarantee payments of RMB38.87 million, RMB67.15 million, RMB112.67 million and RMB129.15, respectively, were all individually assessed for the impairment. As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Company's receivables for default guarantee payments of RMB31.03 million,

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RMB53.58 million, RMB80.19 million and RMB84.72 million were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered unless no losses is expected to ensue when collateral or guarantees of the receivables are involved. Consequently, individually assessed allowances for receivables for default guarantee payments of RMB14.01 million, RMB23.74 million, RMB35.84 million and RMB36.76 million were made as at December 31, 2012, 2013, 2014 and June 30, 2015 respectively.

(ii) Receivables from guarantee customers

The Group

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period		1,119	142	1,212	4,282
Impairment losses recognised/ (write back) in the consolidated statement of profit or loss	5(a)	(977)	1,070	3,070	5,424
At the end of the year/period		<u>142</u>	<u>1,212</u>	<u>4,282</u>	<u>9,706</u>

As at December 31, 2012, 2013 and 2014, none of the Group's receivables from guarantee customers were individually determined to be impaired. Collectively assessed allowances for receivables from guarantee customers of RMB0.14 million, RMB1.21 million and RMB4.28 million were made as at December 31, 2012, 2013 and 2014 respectively.

As at June 30, 2015, the Group's receivables from guarantee customers of RMB33.39 million were individually assessed for the impairment. As at June 30, 2015, the Group's receivables from guarantee customers of RMB3.7 million were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered unless no losses is expected to ensue when collateral or guarantees of the receivables are involved. For the remaining balance amounted to RMB70.15 million, the management adopted a collective assessment. Consequently, individually assessed allowances for doubtful debts of RMB1.41 million and collectively assessed allowances for receivables from guarantee customers of RMB8.30 million were made at June 30, 2015.

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period ...	1,119	142	1,212	1,884
Impairment losses recognised/(write back) in the statement of profit or loss	(977)	1,070	672	6,206
At the end of the year/period	<u>142</u>	<u>1,212</u>	<u>1,884</u>	<u>8,090</u>

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As at December 31, 2012, 2013 and 2014, none of the Company's receivables from guarantee customers were individually determined to be impaired. Collectively assessed allowances for receivables from guarantee customers of RMB0.14 million, RMB1.21 million and RMB1.88 million were made as at December 31, 2012, 2013 and 2014, respectively.

As at June 30, 2015, the Company's receivables from guarantee customers of RMB18.00 million were individually assessed for the impairment. As at June 30, 2015, the Company's receivables from guarantee customers of RMB0.8 million were individually determined to be impaired. The individually impaired receivables were related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered unless no losses is expected to ensue when collateral or guarantees of the receivables are involved. For the remaining balance amounted to RMB63.14 million, the management adopted a collective assessment. Consequently, individually assessed allowances for doubtful debts of RMB0.80 million and collectively assessed allowances for receivables from guarantee customers of RMB7.29 million were made at June 30, 2015.

(c) Receivables for default guarantee payments and receivables from guarantee customers that are not impaired:

(i) Receivables for default guarantee payments

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Overdue within 3 months (inclusive) ..	10,045	130	21,225	16,364
Overdue more than 3 months to 6 months (inclusive)	6,710	5,161	6,580	4,915
Overdue more than 6 months to one year (inclusive)	6,935	8,736	332	19,588
Overdue more than one year	3,430	17,151	15,561	12,168
	<u>27,120</u>	<u>31,178</u>	<u>43,698</u>	<u>53,035</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Overdue within 3 months (inclusive) ..	2,885	—	15,579	16,364
Overdue more than 3 months to 6 months (inclusive)	—	893	6,580	4,780
Overdue more than 6 months to one year (inclusive)	1,524	7,729	332	15,945
Overdue more than one year	3,430	4,949	9,986	7,343
	<u>7,839</u>	<u>13,571</u>	<u>32,477</u>	<u>44,432</u>

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Receivables for default guarantee payments that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

(ii) Receivables from guarantee customers

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,196	10,108	38,084	70,140
Overdue within 3 months (inclusive) ..	–	–	2,000	27,694
Overdue more than 6 months to one year (inclusive)	–	–	–	2,000
	1,196	10,108	40,084	99,834

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	1,196	10,108	17,315	63,140
Overdue within 3 months (inclusive) ..	–	–	2,000	15,195
Overdue more than 6 months to one year (inclusive)	–	–	–	2,000
	1,196	10,108	19,315	80,335

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

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(d) Impairment of receivable from HanTang Securities:

The Group and the Company

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period.....		7,131	7,131	6,829	2,684
Write back	5(a)	–	(302)	(4,145)	–
Write off		–	–	–	(2,684)
At the end of the year/period.....		<u>7,131</u>	<u>6,829</u>	<u>2,684</u>	<u>–</u>

Impairment of receivable investments relates to the purchase of national debt deposited in a custodian account at HanTang Securities in 2003. HanTang Securities went into bankruptcy in 2005, therefore the Group has recognised an 100% impairment loss for the unrecoverable amount. During the year ended December 31, 2012, 2013 and 2014, the Group received repayments of nil, RMB0.3 million and RMB4.15 million in the process of bankruptcy liquidation respectively, and the Group wrote back related impairment according to the amounts received. As at December 20, 2014, the Court issued a judgment to notify the completion of Hantang Securities's bankruptcy liquidation procedure. Considering the possibility of further repayments is remote, management wrote off the remaining balance amounted to RMB2,684,000 as at June 30, 2015.

(e) Interest receivables

The Group

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the interest receivables include interest receivables from loans and advances of RMB1,627,000, RMB342,000, RMB3,857,000 and RMB3,977,000, respectively.

The Company

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the interest receivables include interest receivables from loans and advances of RMB662,000, RMB124,000, RMB839,000 and RMB1,069,000, respectively.

(f) Amounts due from related parties

The amounts due from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

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15 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Micro-lending	–	–	268,849	287,843
Entrusted loans	192,050	86,220	117,664	319,028
Pawn loans	11,859	17,200	–	–
Gross loans and advances to customers	203,909	103,420	386,513	606,871
Less: Allowances for impairment losses				
— Individually assessed	(20,184)	(17,349)	(15,980)	(19,539)
— Collectively assessed	(3,878)	(1,967)	(13,166)	(17,692)
Total allowances for impairment losses	(24,062)	(19,316)	(29,146)	(37,231)
Net loans and advances to customers .	<u>179,847</u>	<u>84,104</u>	<u>357,367</u>	<u>569,640</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Entrusted loans	117,806	26,589	86,879	263,544
Less: Allowances for impairment losses				
— Individually assessed	(3,181)	(416)	–	(2,983)
— Collectively assessed	(2,493)	(675)	(2,553)	(5,734)
Total allowances for impairment losses	(5,674)	(1,091)	(2,553)	(8,717)
Net loans and advances to customers .	<u>112,132</u>	<u>25,498</u>	<u>84,326</u>	<u>254,827</u>

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(b) Analysed by industry sector

The Group

	December 31, 2012		December 31, 2013		December 31, 2014		June 30, 2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Wholesale and retail	93,303	47%	25,262	24%	81,190	21%	202,120	32%
Manufacturing	41,800	20%	32,324	31%	102,462	27%	84,202	14%
Service Sector	17,200	8%	8,000	8%	90,835	24%	180,148	30%
Transportation Warehousing and								
Postal service	18,048	9%	15,884	15%	12,385	3%	12,385	2%
Real estate and construction	8,000	4%	14,000	14%	2,400	1%	10,000	2%
Loans to individual business								
proprietors	10,558	5%	7,950	8%	90,091	22%	114,016	19%
Construction industry	15,000	7%	-	-	-	-	-	-
Others	-	-	-	-	7,150	2%	4,000	1%
Gross loans and advances to customers	203,909	100%	103,420	100%	386,513	100%	606,871	100%
Less: Allowances for impairment losses								
— Individually assessed	(20,184)		(17,349)		(15,980)		(19,539)	
— Collectively assessed	(3,878)		(1,967)		(13,166)		(17,692)	
Total allowances for impairment losses	(24,062)		(19,316)		(29,146)		(37,231)	
Net loans and advances to customers .	<u>179,847</u>		<u>84,104</u>		<u>357,367</u>		<u>569,640</u>	

The Company

	December 31, 2012		December 31, 2013		December 31, 2014		June 30, 2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Wholesale and retail	83,806	71%	2,765	10%	48,061	55%	142,961	54%
Manufacturing	19,000	16%	23,824	90%	4,318	5%	15,000	6%
Service Sector	-	-	-	-	34,500	40%	55,483	21%
Construction industry	15,000	13%	-	-	-	-	-	-
Loans to individual business								
proprietors	-	-	-	-	-	-	42,500	16%
Real estate and construction	-	-	-	-	-	-	7,600	3%
Gross loans and advances to customers	117,806	100%	26,589	100%	86,879	100%	263,544	100%
Less: Allowances for impairment losses								
— Individually assessed	(3,181)		(416)		-		(2,983)	
— Collectively assessed	(2,493)		(675)		(2,553)		(5,734)	
Total allowances for impairment losses	(5,674)		(1,091)		(2,553)		(8,717)	
Net loans and advances to customers .	<u>112,132</u>		<u>25,498</u>		<u>84,326</u>		<u>254,827</u>	

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(c) Analysed by type of collateral

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	40,200	25,574	496	64,828
Secured loans	101,107	41,200	158,500	238,202
Others	62,602	36,646	227,517	303,841
Gross loans and advances to customers	203,909	103,420	386,513	606,871
Less: Allowances for impairment losses				
— Individually assessed	(20,184)	(17,349)	(15,980)	(19,539)
— Collectively assessed	(3,878)	(1,967)	(13,166)	(17,692)
Total allowances for impairment losses	(24,062)	(19,316)	(29,146)	(37,231)
Net loans and advances to customers .	179,847	84,104	357,367	569,640

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured loans	25,000	13,824	—	39,000
Secured loans	60,000	—	75,262	147,244
Others	32,806	12,765	11,617	77,300
Gross loans and advances to customers	117,806	26,589	86,879	263,544
Less: Allowances for impairment losses				
— Individually assessed	(3,181)	(416)	—	(2,983)
— Collectively assessed	(2,493)	(675)	(2,553)	(5,734)
Total allowances for impairment losses	(5,674)	(1,091)	(2,553)	(8,717)
Net loans and advances to customers .	112,132	25,498	84,326	254,827

- (i) Unsecured Loan: Unsecured loans refer to the loan which are not secured by collateral or counter-guaranteed;
- Secured Loans: Secured loans refer to the loan 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 determined; and (iii) we have priorities over other beneficiaries on such collateral. Such collateral mainly includes real properties and land use rights.
- Other: Others refer to loans guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily determined, or on which we don not have priorities over other beneficiaries. Such collateral includes unregistrable real properties and land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests.

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(d) Overdue loans analysed by overdue period

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Overdue within 3 months (inclusive) ..	4,745	–	96	54,050
Overdue more than 3 months to 6 months (inclusive)	14,500	–	1,296	19,883
Overdue more than 6 months to one year (inclusive)	799	–	11,631	–
Overdue more than one year	7,507	20,895	14,864	26,350
	<u>27,551</u>	<u>20,895</u>	<u>27,887</u>	<u>100,283</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Overdue within 3 months (inclusive) ..	–	–	–	52,161
Overdue more than 3 months to 6 months (inclusive)	–	–	–	16,283
Overdue more than one year	6,506	2,765	–	–
	<u>6,506</u>	<u>2,765</u>	<u>–</u>	<u>68,444</u>

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

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

The Group

	At December 31, 2012		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Entrusted loans	149,200	42,850	192,050
Pawn loans.....	100	11,759	11,859
Gross of loans and advances to customers	149,300	54,609	203,909
Less: Allowances for impairment losses	(3,878)	(20,184)	(24,062)
Net loans and advances to customers	<u>145,422</u>	<u>34,425</u>	<u>179,847</u>

The Company

	At December 31, 2012		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Entrusted loans	96,000	21,806	117,806
Less: Allowances for impairment losses	(2,493)	(3,181)	(5,674)
Net loans and advances to customers	<u>93,507</u>	<u>18,625</u>	<u>112,132</u>

The Group

	At December 31, 2013		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Entrusted loans	55,325	30,895	86,220
Pawn loans	12,000	5,200	17,200
Gross of loans and advances to customers	67,325	36,095	103,420
Less: Allowances for impairment losses	(1,967)	(17,349)	(19,316)
Net loans and advances to customers	<u>65,358</u>	<u>18,746</u>	<u>84,104</u>

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The Company

	At December 31, 2013		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Entrusted loans	23,824	2,765	26,589
Less: Allowances for impairment losses	(675)	(416)	(1,091)
Net loans and advances to customers	<u>23,149</u>	<u>2,349</u>	<u>25,498</u>

The Group

	At December 31, 2014		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Micro-lending	266,746	2,103	268,849
Entrusted loans	91,880	25,784	117,664
Gross loans and advances to customers	358,626	27,887	386,513
Less: Allowances for impairment losses	(13,166)	(15,980)	(29,146)
Net loans and advances to customers	<u>345,460</u>	<u>11,907</u>	<u>357,367</u>

The Company

	At December 31, 2014		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Entrusted loans	86,879	—	86,879
Less: Allowances for impairment losses	(2,553)	—	(2,553)
Net loans and advances to customers	<u>84,326</u>	<u>—</u>	<u>84,326</u>

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The Group

	At June 30, 2015		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Micro-lending	284,788	3,055	287,843
Entrusted loans	221,800	97,228	319,028
Gross loans and advances to customers	506,588	100,283	606,871
Less: Allowances for impairment losses	(17,692)	(19,539)	(37,231)
Net loans and advances to customers	<u>488,896</u>	<u>80,744</u>	<u>569,640</u>

The Company

	At June 30, 2015		
	Loans and advances for which allowances are collectively assessed	Impaired loans and advances for which allowances are individually assessed	Total
	RMB'000	RMB'000	RMB'000
Entrusted loans	195,100	68,444	263,544
Less: Allowances for impairment losses	(5,734)	(2,983)	(8,717)
Net loans and advances to customers	<u>189,366</u>	<u>65,461</u>	<u>254,827</u>

(f) Movements of allowances for impairment losses

The Group

	Note	At December 31, 2012		
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
		RMB'000	RMB'000	RMB'000
As at January 1		3,981	10,257	14,238
(Write back)/charge for the year	5(a)	(103)	16,362	16,259
Write-offs		—	(6,435)	(6,435)
As at December 31		<u>3,878</u>	<u>20,184</u>	<u>24,062</u>

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ACCOUNTANTS' REPORT

At December 31, 2013				
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	Note	RMB'000	RMB'000	RMB'000
As at January 1		3,878	20,184	24,062
(Write back) for the year	5(a)	(1,911)	(70)	(1,981)
Write-offs		-	(2,765)	(2,765)
As at December 31		<u>1,967</u>	<u>17,349</u>	<u>19,316</u>

At December 31, 2014				
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	Note	RMB'000	RMB'000	RMB'000
As at January 1		1,967	17,349	19,316
charge for the year	5(a)	6,266	2,010	8,276
Write-offs		-	(3,455)	(3,455)
Addition through acquisition of a subsidiary		5,330	1,506	6,836
Transfer out through disposal of subsidiaries		(397)	(1,430)	(1,827)
As at December 31		<u>13,166</u>	<u>15,980</u>	<u>29,146</u>

At June 30, 2015				
		Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	Note	RMB'000	RMB'000	RMB'000
As at January 1		13,166	15,980	29,146
Charge for the period	5(a)	4,526	3,559	8,085
As at June 30		<u>17,692</u>	<u>19,539</u>	<u>37,231</u>

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ACCOUNTANTS' REPORT

The Company

At December 31, 2012			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
As at January 1	1,423	9,160	10,583
Charge for the year	1,070	–	1,070
Write-offs	–	(5,979)	(5,979)
As at December 31	<u>2,493</u>	<u>3,181</u>	<u>5,674</u>

At December 31, 2013			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
As at January 1	2,493	3,181	5,674
(Write back) for the year	(1,818)	–	(1,818)
Write-offs.....	–	(2,765)	(2,765)
As at December 31	<u>675</u>	<u>416</u>	<u>1,091</u>

At December 31, 2014			
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
As at January 1	675	416	1,091
Charge for the year	1,878	–	1,878
Write-offs.....	–	(416)	(416)
As at December 31	<u>2,553</u>	<u>–</u>	<u>2,553</u>

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ACCOUNTANTS' REPORT

	At June 30, 2015		
	Allowances for loans and advances which are collectively assessed	Allowances for impaired loans and advances which are individually assessed	Total
	RMB'000	RMB'000	RMB'000
As at January 1	2,553	–	2,553
Charge for the year	3,181	2,983	6,164
As at June 30	<u>5,734</u>	<u>2,983</u>	<u>8,717</u>

(g) Analysed by credit quality

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Gross balance of loans and advances to customers				
Neither past due nor impaired	164,600	70,325	358,626	506,588
Impaired	35,340	32,099	27,887	74,000
Overdue but not impaired	3,969	996	–	26,283
	<u>203,909</u>	<u>103,420</u>	<u>386,513</u>	<u>606,871</u>
Less: Allowances for impairment losses				
Neither past due nor impaired	(3,878)	(1,967)	(13,166)	(17,692)
Impaired	(20,184)	(17,349)	(15,980)	(19,539)
	<u>(24,062)</u>	<u>(19,316)</u>	<u>(29,146)</u>	<u>(37,231)</u>
Net balance				
Neither past due nor impaired	160,722	68,358	345,460	488,896
Impaired	15,156	14,750	11,907	54,461
Overdue but not impaired	3,969	996	–	26,283
	<u>179,847</u>	<u>84,104</u>	<u>357,367</u>	<u>569,640</u>

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The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Gross balance of loans and advances to customers				
Neither past due nor impaired	111,300	23,824	86,879	195,100
Impaired	5,531	2,765	—	42,161
Overdue but not impaired	975	—	—	26,283
	<u>117,806</u>	<u>26,589</u>	<u>86,879</u>	<u>263,544</u>
Less: Allowances for impairment losses				
Neither past due nor impaired	(2,493)	(675)	(2,553)	(5,734)
Impaired	(3,181)	(416)	—	(2,983)
	<u>(5,674)</u>	<u>(1,091)</u>	<u>(2,553)</u>	<u>(8,717)</u>
Net balance				
Neither past due nor impaired	108,807	23,149	84,326	189,366
Impaired	2,350	2,349	—	39,178
Overdue but not impaired	975	—	—	26,283
	<u>112,132</u>	<u>25,498</u>	<u>84,326</u>	<u>254,827</u>

16 DERIVATIVE FINANCIAL ASSETS

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Derivatives—redemption option on equity investment	—	639	—	—

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity instruments	6,200	49,267	—	—
Listed securities	13,042	10,396	13,497	23,436
Wealth management products	—	30,000	5,000	5,450
Unlisted bonds	—	—	—	4,900
	<u>19,242</u>	<u>89,663</u>	<u>18,497</u>	<u>33,786</u>

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ACCOUNTANTS' REPORT

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity instruments	6,200	6,200	–	–
Wealth management products	–	30,000	–	–
	<u>6,200</u>	<u>36,200</u>	<u>–</u>	<u>–</u>

When impairment of an available-for-sale investment measured at fair value occurs, any impairment loss recognised is recorded in the carrying amount directly. As at December 31, 2012, 2013 and 2014 and June 30, 2015, no impairment has been recognised.

Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses.

18 RECEIVABLE INVESTMENTS

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial institutions bonds	–	–	40,000	40,000
Trust rights	34,500	31,500	80,500	25,000
Wealth management products	20,049	–	–	–
	<u>54,549</u>	<u>31,500</u>	<u>120,500</u>	<u>65,000</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial institutions bonds	–	–	15,000	15,000
Trust rights	32,500	29,500	80,500	25,000
Wealth management products	20,049	–	–	–
	<u>52,549</u>	<u>29,500</u>	<u>95,500</u>	<u>40,000</u>

Financial institutions bonds represented the unlisted corporate bonds issued at the exchange center of Guangdong Equity Exchange Co., Ltd. (廣東金融高新區股權交易中心).

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19 INVESTMENTS IN SUBSIDIARIES

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Foshan Consultancy	3,000	3,000	3,000	3,000
Anhui Join-Share	76,500	76,500	76,500	76,500
Foshan Join-Share Industrial				
Investment	4,335	4,335	5,284	5,284
Foshan Pawn	8,000	8,000	—	—
Join-Share Fund Management	—	5,100	—	—
Shenzhen Linghang	—	26,914	—	—
Foshan Micro Credit	—	—	65,702	65,702
Zhongshan Join-Share	—	—	70,000	70,000
	91,835	123,849	220,486	220,486

(a) Information of subsidiaries

The details of the information of subsidiaries is disclosed in Note 1(b)(i), Note 1(b)(ii) basis of preparation and presentation.

(b) Material non-controlling interests

The following table lists out the information relating to Anhui Join -Share and Foshan Micro Credit and Zhongshan Join-Share, the three subsidiaries of the Group which have material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

(i) Anhui Join-Share Financing Guarantee Co., Ltd.

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	49%	49%	49%	49%
Gross amounts of the subsidiary:				
— Non-current assets	6,198	9,322	8,281	6,546
— Current assets	174,028	160,422	166,220	165,863
— Current liabilities	(16,001)	(18,031)	(17,027)	(16,929)
Net assets	164,225	151,713	157,474	155,480
Carrying amount of NCI	80,470	74,339	77,162	76,185

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	Year ended December 31,			Six months ended
	2012	2013	2014	June 30,
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Gross amounts of the subsidiary:				
— Revenue	21,002	16,119	13,350	9,030
— Profit	4,006	(511)	12,960	6,256
— Total comprehensive income	4,006	(511)	12,960	6,256
Profit allocated to NCI	1,963	(250)	6,350	3,065
Cash flow from operating activities ...	80,664	(33,665)	(7,407)	1,148
Cash flow from investment activities .	(1,903)	2,166	9,191	(3,241)
Cash flow from financing activities ...	(15,000)	(12,000)	(7,200)	(8,250)
Net increase/(decrease) in cash and cash equivalents	<u>63,761</u>	<u>(43,499)</u>	<u>(5,416)</u>	<u>(10,343)</u>

(ii) *Foshan Chancheng Join-Share Mirco Credit Co., Ltd.*

	As at	As at
	December 31, 2014	June 30, 2015
	RMB'000	RMB'000
NCI percentage	70%	70%
Gross amounts of the subsidiary:		
— Non-current assets	4,666	5,089
— Current assets	307,740	313,057
— Non-current liabilities	(75,000)	(75,000)
— Current liabilities	(12,275)	(25,263)
Net assets	<u>225,131</u>	<u>217,883</u>
Carrying amount of NCI	157,592	152,518
	Period from	Six months ended
	June 27, 2014 to	June 30, 2015
	December 31, 2014	
	RMB'000	RMB'000
Gross amounts of the subsidiary:		
— Revenue	25,906	25,309
— Profit	8,620	14,383
— Total comprehensive income	8,620	14,383
Profit allocated to NCI	6,034	10,068
Cash flow from operating activities	(329)	(7,733)
Cash flow from investment activities	(97)	(54)
Cash flow from financing activities	(1,455)	(7,510)
Net increase in cash and cash equivalents	<u>(1,881)</u>	<u>(15,297)</u>

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(iii) *Zhongshan Join-Share*

	As at December 31, 2014	As at June 30, 2015
	RMB'000	RMB'000
NCI percentage	21%	21%
Gross amounts of the subsidiary:		
— Non-current assets	26,434	27,163
— Current assets	178,569	187,492
— Non-current liabilities	(26,371)	(27,188)
— Current liabilities	(4,444)	(9,269)
Net assets	<u>174,188</u>	<u>178,198</u>
Carrying amount of NCI	37,252	38,110
	Period from July 8, 2014 to December 31, 2014	Six months ended June 30, 2015
	RMB'000	RMB'000
Gross amounts of the subsidiary:		
— Revenue	2,617	7,749
— Profit	(234)	4,009
— Total comprehensive income	(234)	4,009
Profit allocated to NCI	(50)	857
Cash flow from operating activities	521	35,846
Cash flow from investment activities	(124,379)	1,550
Cash flow from financing activities	200,000	—
Net increase in cash and cash equivalents	<u>76,142</u>	<u>37,396</u>

20 INTERESTS IN ASSOCIATES

The Group and the Company

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets					
— Foshan Micro Credit	20(a)	33,470	30,947	—	—
— Foshan Zhongsheng Property ..	20(b)	9,300	—	—	—
		<u>42,770</u>	<u>30,947</u>	<u>—</u>	<u>—</u>

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The following list contains only the particulars of associates, all of which are unlisted corporate entities, which principally affected the results or assets of the Group:

Name of company	Date and place of incorporation/ establishment	Date of consolidation	Paid-in/ registered capital	Proportion of ownership interest												Principal activity
				As at December 31, 2012			As at December 31, 2013			As at December 31, 2014			As at June 30, 2015			
				Group's effective interest	Held by the company	Held by a subsidiary	Group's effective interest	Held by the company	Held by a subsidiary	Group's effective interest	Held by the company	Held by a subsidiary	Group's effective interest	Held by the company	Held by a subsidiary	
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)	May 30, 2011 the PRC	June 27, 2014	RMB200,000,000 ⁽¹⁾	20%	20%	-	20%	20%	-	30%	30%	-	30%	30%	-	Microcredit
Foshan Zhongsheng Property Co., Ltd. ("Foshan Zhongsheng Property") (佛山市中盛置業有限公司)	June 1, 2012 the PRC	N/A	RMB30,000,000	31%	31%	-	-	-	-	-	-	-	-	-	-	Investment

(i) Foshan Micro was established on May 30, 2011 with paid in capital RMB150 million, subsequent to the capital increase (aggregate amount of RMB50 million) dated June 27, 2014, the registered capital of Foshan Micro Credit increased to RMB200 million.

(a) Foshan Micro Credit

Interest in Foshan Micro Credit was acquired on May 30, 2011. The Group had significant influence by holding 20% of its shares. On June 27, 2014, the Company have capital increase and acquisition of equity interest of Foshan Micro Credit, subsequent to which the Company's interest in Foshan Micro Credit was increased from 20% to 30% at a consideration of RMB32.4 million, and the Group entered into a Concert Party Agreement with Foshan Micro Credit's other shareholders, whose equity interests are up to 62.5%, which lead to an acquisition of subsidiary. From May 30, 2011 to June 26, 2014, Foshan Micro Credit was an associate of the Group, the Group accounted for its investment income using equity method in the consolidated financial statements. From January 1, 2014 to June 26, 2014, the net profit of Foshan Micro Credit is RMB11,777,000 (unaudited), investment income of the Group is RMB2,355,000 (unaudited).

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The Group received dividends from Foshan Micro Credit are RMB1.05 million, RMB3.24 million and RMB3.66 million during the years ended December 31, 2012, December 31, 2013 and December 31, 2014 respectively. Summarized financial information of Foshan Micro Credit, adjusted for any differences in accounting policies, reconciled to the carrying amounts in the consolidated financial statements and consolidated statement of profit or loss is disclosed below:

	At December 31,	
	2012	2013
	RMB'000	RMB'000
Gross amounts of the associate		
Current assets	244,608	267,515
Non-current assets	3,269	4,597
Current liabilities	(5,525)	(42,379)
Non-current liabilities	(75,000)	(75,000)
Equity	167,352	154,733
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	167,352	154,733
Group's effective interest	20%	20%
Group's share of net assets of the associate	33,470	30,947
Carrying amount in the consolidated financial statement	<u>33,470</u>	<u>30,947</u>

Gross amounts of the associate

	Years ended December 31,		Six months end
	2012	2013	June 30,
	RMB'000	RMB'000	2014
			RMB'000
			(Unaudited)
Revenue	40,507	43,207	25,200
Profit	17,312	21,881	11,777
Total comprehensive income	17,312	21,881	11,777
Dividend received from the associate	1,050	3,240	3,660
Reconciled to the Group's share of profits of the associate			
Gross amounts of total comprehensive income	17,312	21,881	11,777
Group's effective interest	20%	20%	20%
Group's share of profits of the associate	<u>3,462</u>	<u>4,376</u>	<u>2,355</u>

Foshan Micro Credit became a subsidiary of the Group since June 27, 2014 (Note 1(b)(i)).

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(b) Foshan Zhongsheng Property

Information of Foshan Zhongsheng Property that are not individually material:

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of individually immaterial associates in the consolidated financial statement	9,300	—	—	—
Amounts of the Group's share of Foshan Zhongsheng Property's profit	—	—	—	—
Total comprehensive income	—	—	—	—

On June 1, 2012, Foshan Zhongsheng Property was established by the Company and other third parties with paid up capital of RMB30,000,000, and the Company owned 26% of Foshan Zhongsheng Property's equity interest with consideration of RMB7,800,000. In December 2012, the Company additionally acquired 5% of Foshan Zhongsheng Property's equity interest from a third party, with a total consideration of RMB1,500,000. On December 2, 2013, the aggregate equity interests of 31% in Foshan Zhongsheng Property was disposed of to Guangdong Join-Share Co., Ltd. at consideration of RMB10,569,500 with a gain of RMB1,269,500.

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21 FIXED ASSETS

The Group

	Motor Vehicles	Office and other equipments	Deferred expenses	Total fixed assets
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1, 2012	2,185	2,210	1,187	5,582
Additions	656	421	709	1,786
Disposals	(478)	—	—	(478)
At December 31, 2012 and January 1, 2013	2,363	2,631	1,896	6,890
Additions	—	531	956	1,487
Disposals	(301)	(242)	(271)	(814)
At December 31, 2013 and January 1, 2014	2,062	2,920	2,581	7,563
Additions	295	1,077	1,391	2,763
Addition through acquisition of a subsidiary	172	173	18	363
Disposals	—	(199)	(76)	(275)
Transfer out through disposals of subsidiaries	—	(301)	(307)	(608)
At December 31, 2014 and January 1, 2015	2,529	3,670	3,607	9,806
Additions	—	128	492	620
Disposals.....	—	(166)	(5)	(171)
At June 30, 2015	2,529	3,632	4,094	10,255
Accumulated depreciation:				
At January 1, 2012	(861)	(1,130)	(271)	(2,262)
Charge for the year	(407)	(320)	(313)	(1,040)
Written back on disposals	453	—	—	453
At December 31, 2012 and January 1, 2013	(815)	(1,450)	(584)	(2,849)
Charge for the year	(435)	(371)	(613)	(1,419)
Written back on disposals	225	229	271	725
At December 31, 2013 and January 1, 2014	(1,025)	(1,592)	(926)	(3,543)
Charge for the year	(469)	(508)	(779)	(1,756)
Written back on disposals	—	166	76	242
Transfer out through disposals of subsidiaries	—	65	46	111
At December 31, 2014 and January 1, 2015	(1,494)	(1,869)	(1,583)	(4,946)
Charge for the period.....	(262)	(266)	(511)	(1,039)
Written back on disposals.....	—	80	5	85
At June 30, 2015	(1,756)	(2,055)	(2,089)	(5,900)
Net book value:				
At December 31, 2012	1,548	1,181	1,312	4,041
At December 31, 2013	1,037	1,328	1,655	4,020
At December 31, 2014	1,035	1,801	2,024	4,860
At June 30, 2015	773	1,577	2,005	4,355

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The Company

	Motor Vehicles	Office and other equipments	Deferred expenses	Total fixed assets
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
January 1, 2012	1,472	1,602	359	3,433
Additions	656	363	709	1,728
Disposals	(478)	—	—	(478)
At December 31, 2012 and January 1, 2013	1,650	1,965	1,068	4,683
Additions	—	387	601	988
Disposals	—	(218)	(249)	(467)
At December 31, 2013 and January 1, 2014	1,650	2,134	1,420	5,204
Additions	—	542	630	1,172
Disposals	—	(199)	—	(199)
At December 31, 2014 and January 1, 2015.	1,650	2,477	2,050	6,177
Additions	—	84	481	565
Disposals.....	—	(166)	—	(166)
At June 30, 2015	1,650	2,395	2,531	6,576
Accumulated depreciation:				
January 1, 2012	(738)	(964)	(66)	(1,768)
Charge for the year	(272)	(200)	(170)	(642)
Written back on disposals	454	—	—	454
At December 31, 2012 and January 1, 2013	(556)	(1,164)	(236)	(1,956)
Charge for the year	(314)	(250)	(452)	(1,016)
Written back on disposals	—	208	249	457
At December 31, 2013 and January 1, 2014	(870)	(1,206)	(439)	(2,515)
Charge for the year	(314)	(331)	(513)	(1,158)
Written back on disposals	—	166	—	166
At December 31, 2014 and January 1, 2015	(1,184)	(1,371)	(952)	(3,507)
Charge for the period.....	(157)	(163)	(317)	(637)
Written back on disposals.....	—	80	—	80
At June 30, 2015	(1,341)	(1,454)	(1,269)	(4,064)
Net book value:				
At December 31, 2012	1,094	801	832	2,727
At December 31, 2013	780	928	981	2,689
At December 31, 2014	466	1,106	1,098	2,670
At June 30, 2015	309	941	1,262	2,512

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22 INTANGIBLE ASSETS

The Group

All intangible assets of the Group are software during related periods.

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At the beginning of the year/period	85	45	4	304
Additions	–	4	255	2,095
Addition through acquisition of a subsidiary	–	–	50	–
Disposals	(40)	(45)	–	(1)
Transfer out through disposals of subsidiaries	–	–	(5)	–
At the end of the year/period	45	4	304	2,398
Less: Accumulated amortization				
At the beginning of the year/period ...	(28)	(29)	–	(72)
Charge for the year/period	(41)	(16)	(73)	(448)
Write-offs	40	45	–	1
Transfer out through disposals of subsidiaries	–	–	1	–
At the end of the year/period	(29)	–	(72)	(519)
Net book value:				
At the end of the year/period	16	4	232	1,879
At the beginning of the year/period ...	57	16	4	232

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The Company

All intangible assets of the Company are software during related periods.

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At the beginning of the year/period ...	76	36	–	160
Additions	–	–	160	1,369
Disposals	(40)	(36)	–	–
At the end of the year/period.....	36	–	160	1,529
Less: Accumulated amortization				
At the beginning of the year/period ...	(25)	(21)	–	(40)
Charge for the year/period	(36)	(15)	(40)	(293)
Write-offs	40	36	–	–
At the end of the year/period	(21)	–	(40)	(333)
Net book value:				
At the end of the year/period	15	–	120	1,196
At the beginning of the year/period ...	51	15	–	120

23 GOODWILL

	Note	RMB'000
Cost:		
At January 1 2012, December 31 2012 and January 1, 2013		–
Addition amounts recognised from business combinations occurring from January 1 to December 31, 2013	23(i)	2,605
Disposal amounts recognised from disposal of subsidiary from January 1 to December 31, 2014	23(i)	(2,605)
Addition amounts recognised from business combinations occurring from January 1 to December 31, 2014	23(ii)	419
Accumulated impairment losses:		
At December 31, 2012, 2013 and 2014 and June 30, 2015	23(a)	–
Carrying amount:		
At December 31, 2013		2,605
At December 31, 2014 and June 30, 2015		419

- (i) On February 18 2013, the Group acquired a 60% equity interest in Shenzhen Linghang. On the acquisition date, the fair value of Shenzhen Linghang's identifiable net assets was RMB40.52 million, 60% of which the Group accounted for RMB24.30 million, and the merger cost is RMB26.91 million. A sum of RMB2.61 million being the excess of merger cost over the fair value of the 60% identifiable net assets was recognised as goodwill. On June 26, 2014, the Group disposed of

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all Shenzhen Linghang's equity interest at a consideration of RMB26.91 million. Therefore, the directors are of the opinion that no impairment allowance is recognised.

Cash and cash equivalent and long term investment of Shenzhen Linghang have identified for determining the fair value at the acquisition date. Cash and cash equivalent's fair value has been measured by its face value. Long term investment has been measured by the Guideline Public Company Method for valuing its fair value.

- (ii) Foshan Micro Credit was an associate during the years ended December 31, 2012 and December 31, 2013, in which the Group held 20% equity interest with an original consideration of RMB30 million. On June 27, 2014, the Company have capital increase and acquisition of equity interest of Foshan Micro Credit, subsequent to which the Company's interest in Foshan Micro Credit was increased from 20% to 30% at a consideration of RMB32.4 million, and the Group entered into a Concert Party Agreement with Foshan Micro Credit's other shareholders, whose equity interests are up to 62.5%, which lead to an acquisition of subsidiary. On the acquisition date, the fair value of Foshan Micro Credit's identifiable net assets was RMB216.51 million, 30% of which the Group accounted for RMB65.0 million. A sum of RMB0.42 million being the excess of merger cost over the fair value of the 30% identifiable net assets was recognised as goodwill.

(a) Impairment tests for cash-generating units containing goodwill

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

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Shenzhen Linghang	23(i)	–	2,605	–	–
Foshan Micro Credit	23(ii)	–	–	419	419

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

24 INTEREST-BEARING BORROWINGS

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

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans				
— Guaranteed by third parties	52,900	–	75,000	75,000

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Details of the repayment schedule of the Group's interest-bearing borrowings are set out in Note 30(c).

25 LIABILITIES FROM GUARANTEES

The Group

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Deferred income		88,249	116,096	98,967	87,655
Provisions for guarantee losses ...	25(a)	54,712	68,302	76,448	65,565
		<u>142,961</u>	<u>184,398</u>	<u>175,415</u>	<u>153,220</u>

The Company

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Deferred income		82,890	110,804	93,692	77,890
Provisions for guarantee losses ...	25(a)	49,894	60,191	68,960	58,797
		<u>132,784</u>	<u>170,995</u>	<u>162,652</u>	<u>136,687</u>

(a) Provisions for guarantee losses

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period ...	44,587	54,712	68,302	76,448
Charge for the year/period	10,125	13,590	8,146	–
Write back	–	–	–	(10,883)
At the end of the year/period	<u>54,712</u>	<u>68,302</u>	<u>76,448</u>	<u>65,565</u>

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The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period ...	38,087	49,894	60,191	68,960
Charge for the year/period	11,807	10,297	8,769	–
Write back	–	–	–	(10,163)
At the end of the year/period	<u>49,894</u>	<u>60,191</u>	<u>68,960</u>	<u>58,797</u>

26 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

Customer pledged deposits refer to deposits received from customers as collateral security 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, 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 March 8, 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 promulgated by the Inter-ministerial Joint Meeting of Financing Guarantee Business Supervision on April 5, 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

The Group

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Accrued staff cost		32,970	37,527	41,590	32,601
Receipts in advance		5,701	5,818	4,598	6,111
Interest payables		110	–	144	119
Dividends payable	(i)	716	–	80,000	13,967
Withholding income tax ...		375	377	98	138
Other payables		6,668	6,143	8,664	15,662
Total		<u>46,540</u>	<u>49,865</u>	<u>135,094</u>	<u>68,598</u>

(i) For the detail of dividends payable as at December 31, 2012, 2013 and 2014, please refer to Note 1(b). On February 5, 2015, Foshan Micro Credit declared dividends of RMB21,630,000. The dividends of RMB13,966,800, which were not settled as at June 30, 2015, was distributed to 12 of its non-controlling shareholders in July 2015.

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The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000
Accrued staff cost	26,306	32,082	28,719	20,038
Receipts in advance	5,098	3,523	1,132	2,483
Dividends payable	–	–	80,000	–
Withholding income tax	163	356	83	133
Other payables	4,131	3,710	4,907	10,354
Total	35,698	39,671	114,841	33,008

27 OTHER FINANCIAL INSTRUMENT-LIABILITY COMPONENT

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB’000	RMB’000	RMB’000	RMB’000
Other financial instrument-liability component (i)	–	–	92,983	95,866

(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 fix return to Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. (“Zhongshan Health”) during the period from December 31, 2015 to December 31, 2022. For each year, the amount of the fix 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 December 31, 2022, Zhongshan Health’s remaining contribution will no longer enjoy the fix return.

Considering the above factors, the management considered Zhongshan Health’s contribution as compound financial instrument issued by Zhongshan Join-Share. The Principle of compound financial instrument is RMB100,000,000. Nominal interest rate is 6%. Maturity date is December 31, 2022. According to the shareholders agreement and the shareholders supplementary agreement, 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 ending 2015 to the year ending 2022. The remaining contribution of Zhongshan Health amounting to RMB10,000,000 would be transferred to ordinary share at the year ending 2022; each financial instrument would be transferred to ordinary share.

The Group considered Zhongshan Health’s RMB100,000,000 contribution as compound financial instrument, and measured 6% fixed rate liability. 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.

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28 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

The Group

	Note	At December 31,			At June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Balance of income tax payable at the beginning of the year/period		12,652	17,944	23,130	35,314
Provision for income tax on the estimated taxable profit for the year/period	6(a)	43,373	50,965	67,995	13,209
Income tax paid during the year/period		(38,081)	(45,779)	(57,422)	(29,337)
Acquisition of subsidiaries		—	—	1,611	—
Balance of income tax payable at the end of the year/period		<u>17,944</u>	<u>23,130</u>	<u>35,314</u>	<u>19,186</u>

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Balance of income tax payable at the beginning of the year/period	8,477	15,153	20,016	27,830
Provision for income tax on the estimated taxable profit for the year/period	35,135	43,398	54,091	4,204
Income tax paid during the year/period	(28,459)	(38,535)	(46,277)	(20,077)
Balance of income tax payable at the end of the year/period	<u>15,153</u>	<u>20,016</u>	<u>27,830</u>	<u>11,957</u>

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(b) Deferred tax assets and liabilities recognised:

The Group

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

	Note	Deferred tax assets				Deferred tax liabilities				Total	Net
		Deferred income	Impairment loss	Salaries payable	Total	Re-guarantee fee	Provision for guarantee losses	Government grant	Financial instrument		
At January 1, 2012		24,674	8,254	3,817	36,745	(752)	(22,101)	(6,578)	(2,381)	(31,812)	4,933
Charged/(credited) to the consolidated statement of profit or loss	6(a)	(2,612)	7,273	1,200	5,861	249	1,218	(2,689)	–	(1,222)	4,639
Charged to reserves		–	–	–	–	–	–	–	472	472	472
At December 31, 2012		<u>22,062</u>	<u>15,527</u>	<u>5,017</u>	<u>42,606</u>	<u>(503)</u>	<u>(20,883)</u>	<u>(9,267)</u>	<u>(1,909)</u>	<u>(32,562)</u>	<u>10,044</u>
At January 1, 2013		22,062	15,527	5,017	42,606	(503)	(20,883)	(9,267)	(1,909)	(32,562)	10,044
Charged/(credited) to the consolidated statement of profit or loss	6(a)	6,962	5,019	269	12,250	(1,439)	(2,083)	(1,393)	(159)	(5,074)	7,176
Charged to reserves		–	–	–	–	–	–	–	(324)	(324)	(324)
Disposal/ acquisition of subsidiaries		–	–	–	–	–	–	–	(3,488)	(3,488)	(3,488)
At December 31, 2013		<u>29,024</u>	<u>20,546</u>	<u>5,286</u>	<u>54,856</u>	<u>(1,942)</u>	<u>(22,966)</u>	<u>(10,660)</u>	<u>(5,880)</u>	<u>(41,448)</u>	<u>13,408</u>
At January 1, 2014		29,024	20,546	5,286	54,856	(1,942)	(22,966)	(10,660)	(5,880)	(41,448)	13,408
Charged/(credited) to the consolidated statement of profit or loss	6(a)	(4,282)	4,557	3,767	4,042	(131)	5,055	4,162	–	9,086	13,128
Charged to reserves		–	–	–	–	–	–	–	(775)	(775)	(775)
Disposal/acquisition of subsidiaries		–	636	1,437	2,073	–	–	–	4,632	4,632	6,705
At December 31, 2014		<u>24,742</u>	<u>25,739</u>	<u>10,490</u>	<u>60,971</u>	<u>(2,073)</u>	<u>(17,911)</u>	<u>(6,498)</u>	<u>(2,023)</u>	<u>(28,505)</u>	<u>32,466</u>
At January 1, 2015		24,742	25,739	10,490	60,971	(2,073)	(17,911)	(6,498)	(2,023)	(28,505)	32,466
Charged/(credited) to the consolidated statement of profit or loss	6(a)	(2,828)	(2,028)	(2,156)	(7,012)	510	(7,618)	2,104	–	(5,004)	(12,016)
Charged to reserves		–	–	–	–	–	–	–	(2,484)	(2,484)	(2,484)
At June 30, 2015		<u>21,914</u>	<u>23,711</u>	<u>8,334</u>	<u>53,959</u>	<u>(1,563)</u>	<u>(25,529)</u>	<u>(4,394)</u>	<u>(4,507)</u>	<u>(35,993)</u>	<u>17,966</u>

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The Company

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

	Deferred tax assets				Deferred tax liabilities				Net
	Deferred income	Impairment loss	Salaries payable	Total	Re-guarantee fee	Provision for guarantee losses	Government grant	Total	
At January 1, 2012	23,245	6,231	2,478	31,954	(752)	(19,411)	(5,872)	(26,035)	5,919
Charged/(credited) to the statement of profit or loss	(2,523)	2,183	1,375	1,035	249	1,104	(3,142)	(1,789)	(754)
At December 31, 2012	<u>20,722</u>	<u>8,414</u>	<u>3,853</u>	<u>32,989</u>	<u>(503)</u>	<u>(18,307)</u>	<u>(9,014)</u>	<u>(27,824)</u>	<u>5,165</u>
At January 1, 2013	20,722	8,414	3,853	32,989	(503)	(18,307)	(9,014)	(27,824)	5,165
Charged/(credited) to the statement of profit or loss	6,979	2,171	622	9,772	(1,439)	(2,676)	(1,456)	(5,571)	4,201
At December 31, 2013	<u>27,701</u>	<u>10,585</u>	<u>4,475</u>	<u>42,761</u>	<u>(1,942)</u>	<u>(20,983)</u>	<u>(10,470)</u>	<u>(33,395)</u>	<u>9,366</u>
At January 1, 2014	27,701	10,585	4,475	42,761	(1,942)	(20,983)	(10,470)	(33,395)	9,366
Charged/(credited) to the statement of profit or loss	(4,278)	2,627	2,705	1,054	(131)	5,070	3,532	8,471	9,525
At December 31, 2014	<u>23,423</u>	<u>13,212</u>	<u>7,180</u>	<u>43,815</u>	<u>(2,073)</u>	<u>(15,913)</u>	<u>(6,938)</u>	<u>(24,924)</u>	<u>18,891</u>
At January 1, 2015	23,423	13,212	7,180	43,815	(2,073)	(15,913)	(6,938)	(24,924)	18,891
Charged/(credited) to the statement of profit or loss	(3,949)	(1,704)	(2,172)	(7,825)	510	(5,682)	2,104	(3,068)	(10,893)
At June 30, 2015	<u>19,474</u>	<u>11,508</u>	<u>5,008</u>	<u>35,990</u>	<u>(1,563)</u>	<u>(21,595)</u>	<u>(4,834)</u>	<u>(27,992)</u>	<u>7,998</u>

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29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement 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:

The Company

	Share capital	Share premium	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 29(c)	Note 29(d)(i)	Note 29(d)(ii)	Note 29(d)(iv)	Note 29(d)(v)		
Balance at January 1, 2012	522,000	11,717	–	17,017	17,017	88,408	656,159
Changes in equity for 2012:							
Profit for the year	–	–	–	–	–	133,553	133,553
Total comprehensive income	–	–	–	–	–	133,553	133,553
Capital injection	123,000	61,500	–	–	–	–	184,500
Appropriation to surplus reserve	–	–	–	13,355	–	(13,355)	–
Appropriation to general reserve	–	–	–	–	13,355	(13,355)	–
Dividends approved in respect of the previous year	–	–	–	–	–	(83,520)	(83,520)
Balance at December 31, 2012 and January 1, 2013	<u>645,000</u>	<u>73,217</u>	<u>–</u>	<u>30,372</u>	<u>30,372</u>	<u>111,731</u>	<u>890,692</u>

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	Share capital	Share premium	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000 Note 29(c)	RMB'000 Note 29(d)(i)	RMB'000 Note 29(d)(ii)	RMB'000 Note 29(d)(iv)	RMB'000 Note 29(d)(v)	RMB'000	RMB'000
Balance at January 1, 2013	645,000	73,217	—	30,372	30,372	111,731	890,692
Changes in equity for 2013:							
Profit for the year	—	—	—	—	—	123,724	123,724
Total comprehensive income	—	—	—	—	—	123,724	123,724
Capital injection	90,500	34,390	—	—	—	—	124,890
Share capital increased by capital reserve transfer .	64,500	(64,500)	—	—	—	—	—
Appropriation to surplus reserve	—	—	—	12,372	—	(12,372)	—
Appropriation to general reserve	—	—	—	—	12,372	(12,372)	—
Dividends approved in respect of the previous year	—	—	—	—	—	(109,650)	(109,650)
Balance at December 31, 2013 and January 1, 2014	<u>800,000</u>	<u>43,107</u>	<u>—</u>	<u>42,744</u>	<u>42,744</u>	<u>101,061</u>	<u>1,029,656</u>
Balance at January 1, 2014	800,000	43,107	—	42,744	42,744	101,061	1,029,656
Changes in equity for 2014:							
Profit for the year	—	—	—	—	—	148,610	148,610
Total comprehensive income	—	—	—	—	—	148,610	148,610
Appropriation to surplus reserve	—	—	—	14,861	—	(14,861)	—
Appropriation to general reserve	—	—	—	—	14,861	(14,861)	—
Dividends approved in respect of the previous year	—	—	—	—	—	(152,000)	(152,000)
Balance at December 31, 2014 and January 1, 2015	<u>800,000</u>	<u>43,107</u>	<u>—</u>	<u>57,605</u>	<u>57,605</u>	<u>67,949</u>	<u>1,026,266</u>

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	Share capital	Share premium	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
	RMB'000 Note 29(c)	RMB'000 Note 29(d)(i)	RMB'000 Note 29(d)(ii)	RMB'000 Note 29(d)(iv)	RMB'000 Note 29(d)(v)	RMB'000	RMB'000
Balance at January 1, 2015	800,000	43,107	—	57,605	57,605	67,949	1,026,266
Changes in equity for 2015:							
Profit for the period	—	—	—	—	—	56,304	56,304
Total comprehensive income	—	—	—	—	—	56,304	56,304
Balance at June 30, 2015.	<u>800,000</u>	<u>43,107</u>	<u>—</u>	<u>57,605</u>	<u>57,605</u>	<u>124,253</u>	<u>1,082,570</u>
Unaudited:							
Balance at January 1, 2014	800,000	43,107	—	42,744	42,744	101,061	1,029,656
Changes in equity for 2014:							
Profit for the period	—	—	—	—	—	80,534	80,534
Total comprehensive income	—	—	—	—	—	80,534	80,534
Dividends approved in respect of the previous year	—	—	—	—	—	(72,000)	(72,000)
Balance at June 30, 2014.	<u>800,000</u>	<u>43,107</u>	<u>—</u>	<u>42,744</u>	<u>42,744</u>	<u>109,595</u>	<u>1,038,190</u>

(b) Dividends

The Company has distributed dividends of RMB52.2 million, RMB31.32 million, RMB109.65 million, RMB72 million and RMB80 million to all of shareholders in the first quarter 2012, third quarter 2012, third quarter 2013, first quarter 2014 and first quarter 2015 respectively. The above mentioned dividends were approved by the shareholders meetings on January 6, 2012, June 6, 2012, March 28, 2013, January 21, 2014 and December 16, 2014, respectively.

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(c) Share capital

The share capital of the Group as at December 31, 2012, 2013 and 2014 and June 30, 2015 represented the share capital of the Company.

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000	No. of shares ('000)	RMB'000
Ordinary shares, issued and fully paid:								
At January 1	522,000	522,000	645,000	645,000	800,000	800,000	800,000	800,000
Capital injection	123,000	123,000	90,500	90,500	-	-	-	-
Share capital increased by capital reserve transfer .	-	-	64,500	64,500	-	-	-	-
At December 31/								
June 30	645,000	645,000	800,000	800,000	800,000	800,000	800,000	800,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

(iii) Fair value reserve

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 and is dealt with in accordance with the accounting policies in Note 1(k)(i).

(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.

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

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

(v) General reserve

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

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

(vi) Other financial instrument-equity component

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

(e) Capital management

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

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

There were no changes in the Group's approach to capital management during the Relevant Periods.

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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to unexpired financial 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 financial guarantees issued as disclosed below, the Group has no credit risk arising from any other guarantee.

Credit risk arising from financial guarantees issued and entrusted loan operations:

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

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

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

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

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financing guarantee	3,982,166	4,789,210	4,300,912	3,675,249
Performance guarantee	191,528	186,884	165,761	484,588
Litigation guarantee	192,680	242,754	221,529	227,682
Subtotal	4,366,374	5,218,848	4,688,202	4,387,519
Less: Customer pledged deposits	(39,503)	(16,672)	(14,505)	(15,632)
Total	4,326,871	5,202,176	4,673,697	4,371,887

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financing guarantee	3,643,316	4,419,711	3,959,411	3,367,149
Performance guarantee	135,616	71,772	59,131	148,704
Litigation guarantee	192,680	242,754	221,529	227,682
Subtotal	3,971,612	4,734,237	4,240,071	3,743,535
Less: Customer pledged deposits	(33,703)	(12,672)	(14,505)	(15,632)
Total	3,937,909	4,721,565	4,225,566	3,727,903

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

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The maximum exposure to credit risk in respect of financial guarantees issued by industry at December 31, 2012, 2013 and 2014 and June 30, 2015 is as follows:

The Group

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Manufacturing	2,159,115	49%	2,433,999	46%	1,782,669	38%	1,455,184	32%
Wholesale and retail	887,528	20%	1,174,682	23%	1,253,499	27%	1,147,927	26%
Construction	436,409	10%	615,123	12%	769,655	16%	1,053,894	24%
Transportation Warehousing and Postal service	120,500	3%	94,249	2%	47,490	1%	38,038	1%
Commercial services	139,401	3%	335,755	6%	330,030	7%	247,495	6%
Service industry	51,370	1%	30,644	1%	36,418	1%	36,391	1%
Agriculture	99,200	2%	86,780	2%	70,620	2%	31,560	1%
Others	472,851	12%	447,616	8%	397,821	8%	377,030	9%
Total of financial guarantees issued	<u>4,366,374</u>	<u>100%</u>	<u>5,218,848</u>	<u>100%</u>	<u>4,688,202</u>	<u>100%</u>	<u>4,387,519</u>	<u>100%</u>

The Company

	At December 31,						At June 30,	
	2012		2013		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Manufacturing	1,998,866	50%	2,293,999	48%	1,717,510	41%	1,396,606	37%
Wholesale and retail	832,728	21%	1,094,182	23%	1,132,999	27%	1,025,077	27%
Construction	300,297	8%	431,012	9%	603,116	14%	630,782	17%
Transportation Warehousing and Postal service	120,500	3%	94,249	2%	44,490	1%	38,038	1%
Commercial services	136,401	3%	327,755	7%	329,030	8%	238,495	6%
Service industry	48,370	1%	30,644	1%	26,418	1%	26,391	1%
Agriculture	78,900	2%	25,780	1%	32,120	1%	22,060	1%
Others	455,550	12%	436,616	9%	354,388	7%	366,086	10%
Total of financial guarantees issued	<u>3,971,612</u>	<u>100%</u>	<u>4,734,237</u>	<u>100%</u>	<u>4,240,071</u>	<u>100%</u>	<u>3,743,535</u>	<u>100%</u>

Credit risk arising from micro-lending business:

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

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

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Group monitors the risk status of these customers regularly and reviews their risk positions at least on quarterly basis.

In accordance with accounting policies and regulations, if there is objective evidence that indicates the cash flow for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in the statement of profit or loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

Impairment allowances are provided for the following portfolios according to historical data, experience and statistical techniques: (i) those consisting of homogeneous assets that are individually below materiality thresholds; and (ii) those where losses that have been incurred but have not yet been individually identified with any specific asset within the portfolio.

Other credit risks:

The Group's other credit risks is attributable to bank deposits, available-for-sale financial assets, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The bank deposits and available-for-sale financial assets of the Group are mainly held with well-known financial institutions and state-owned enterprises. Management does not foresee any significant credit risks from these assets and does not expect that these financial institutions or state-owned enterprises may default and cause losses to the Group.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluation focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from loans and advances to customers and trade and other receivables are set out in Note 15 and Note 14, respectively.

(b) Interest rate risk

The Group is principally engaged in the provision of credit guarantee, lending and related consulting services to SME enterprises in the PRC. Its interest rate risk arises primarily from deposits with banks, loans and advances to customers and interest-bearing borrowing.

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

(i) *Interest rate profile*

The following tables details the interest rate profile of the Group's and the Company's assets and liabilities as of the end of the Relevant Periods:

The Group

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed interest rate				
Financial assets				
— Cash and cash equivalents	165,765	179,355	285,581	202,262
— Pledged bank deposits	27,300	28,550	65,871	76,350
— Loans and advances to customers	179,847	84,104	357,367	569,640
— Trade and other receivables	1,054	8,896	35,802	93,829
— Receivable investments	54,549	31,500	120,500	65,000
	428,515	332,405	865,121	1,007,081
Financial liabilities				
— Other financial instrument-liability component	—	—	(92,983)	(95,866)
Net	428,515	332,405	772,138	911,215
Variable interest rate				
Financial assets				
— Cash and cash equivalents	487,062	609,965	572,747	380,643
— Pledged bank deposits	187,501	203,680	174,450	152,521
— Available-for-sale financial assets	—	30,000	5,000	5,450
	674,563	843,645	752,197	538,614
Financial liabilities				
— Interest-bearing borrowings	(52,900)	—	(75,000)	(75,000)
Net.....	621,663	843,645	677,197	463,614
Total net financial assets	1,050,178	1,176,050	1,449,335	1,374,829

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	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Net fixed rate financial assets as a percentage of total net financial assets	41%	28%	53%	66%

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed interest rate				
Financial assets				
— Cash and cash equivalents	165,765	179,355	167,900	134,655
— Pledged bank deposits	27,100	18,650	63,050	53,900
— Loans and advances to customers	112,132	25,498	84,326	254,827
— Trade and other receivables	1,054	8,896	17,431	73,045
— Receivable investments	52,549	29,500	95,500	40,000
	358,600	261,899	428,207	556,427
Variable interest rate				
Financial assets				
— Cash and cash equivalents	393,179	553,547	415,878	207,723
— Pledged bank deposits	125,610	154,735	120,892	114,484
— Available-for-sale financial assets	—	30,000	—	—
	518,789	738,282	536,770	322,207
Total net financial assets	877,389	1,000,181	964,977	878,634
Net fixed rate financial assets as a percentage of total financial assets .	41%	26%	44%	63%

(ii) Sensitivity analysis

At December 31, 2012, 2013 and 2014 and June 30, 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax for the next 12 months by approximately RMB2,330,000, RMB3,050,000, RMB2,520,000 and RMB1,718,000, and retained profits by approximately RMB2,330,000, RMB3,160,000, RMB2,540,000 and RMB1,738,000, respectively.

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

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(c) Liquidity risk

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

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

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

(i) Maturity analysis

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

The Group

At December 31, 2012						
	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Customer pledged deposits	–	8,524	5,225	20,394	5,360	39,503
Interest-bearing borrowings	–	–	5,000	47,900	–	52,900
Liabilities from guarantees	2,414	31	5,989	59,111	75,416	142,961
Other liabilities	–	9,146	35,314	2,161	17,863	64,484
Total	2,414	17,701	51,528	129,566	98,639	299,848

At December 31, 2013						
	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Customer pledged deposits	–	2,332	2,410	8,350	3,580	16,672
Liabilities from guarantees	3,177	13	9,883	70,477	100,848	184,398
Other liabilities	–	7,122	43,994	3,580	18,299	72,995
Total	3,177	9,467	56,287	82,407	122,727	274,065

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At December 31, 2014

	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities							
Customer pledged deposits	-	2,430	5,855	3,810	2,410	-	14,505
Interest-bearing borrowings	-	-	-	75,000	-	-	75,000
Liabilities from guarantees	3,612	392	12,666	75,696	83,049	-	175,415
Other financial instrument-liability component.	-	-	-	11,805	43,902	37,276	92,983
Other liabilities	-	88,284	56,595	3,159	22,370	-	170,408
Total	3,612	91,106	75,116	169,470	151,731	37,276	528,311

At June 30, 2015

	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities							
Customer pledged deposits	-	2,289	1,500	4,750	7,093	-	15,632
Interest-bearing borrowings	-	-	-	75,000	-	-	75,000
Liabilities from guarantees	3,402	568	12,429	66,275	70,546	-	153,220
Other financial instrument-liability component.	-	-	-	11,644	49,476	34,746	95,866
Other liabilities	-	24,410	43,960	4,988	14,426	-	87,784
Total	3,402	27,267	57,889	162,657	141,541	34,746	427,502

The Company

At December 31, 2012

	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Customer pledged deposits	-	8,524	5,225	18,594	1,360	33,703
Liabilities from guarantees	2,421	31	5,364	53,628	71,340	132,784
Other liabilities	-	7,373	29,720	1,160	12,598	50,851
Total	2,421	15,928	40,309	73,382	85,298	217,338

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At December 31, 2013

	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Customer pledged deposits	–	2,332	2,410	4,350	3,580	12,672
Liabilities from guarantees	3,086	13	8,961	61,543	97,392	170,995
Other liabilities	–	4,455	38,036	1,864	15,332	59,687
Total	3,086	6,800	49,407	67,757	116,304	243,354

At December 31, 2014

	Indefinite	Repayable on demand	Within three months	Three months and one year	Between one year and five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Customer pledged deposits	–	2,430	5,855	3,810	2,410	14,505
Liabilities from guarantees	3,603	392	11,170	66,515	80,972	162,652
Other liabilities	–	82,044	43,489	2,835	14,303	142,671
Total	3,603	84,866	60,514	73,160	97,685	319,828

At June 30, 2015

	Indefinite	Repayable on demand	Within three months	Three months and one year	Between one year and five years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
Customer pledged deposits	–	2,289	1,500	4,750	7,093	15,632
Liabilities from guarantees	3,576	593	11,508	57,465	63,545	136,687
Other liabilities	–	3,355	28,375	4,710	8,525	44,965
Total	3,576	6,237	41,383	66,925	79,163	197,284

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(ii) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the customer pledged deposits and liabilities of the Group and the Company at the end of the Relevant Periods. The Group expected cash flows on these items may vary significantly from this analysis.

The Group

At December 31, 2012

	Carrying amount	Contractual undiscounted cash outflows	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities							
Customer pledged deposits	39,503	39,503	–	8,524	5,225	20,394	5,360
Interest-bearing borrowings	52,900	55,563	–	–	5,061	50,502	–
Other financial liabilities	12,642	12,642	–	9,146	411	2,161	924
Total	105,045	107,708	–	17,670	10,697	73,057	6,284
Guarantee issued							
Maximum amount guaranteed*		4,366,374	192,680	2,500	393,699	2,082,691	1,694,804

At December 31, 2013

	Carrying amount	Contractual undiscounted cash outflows	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities							
Customer pledged deposits	16,672	16,672	–	2,332	2,410	8,350	3,580
Other financial liabilities	10,976	10,976	–	7,122	252	3,580	22
Total	27,648	27,648	–	9,454	2,662	11,930	3,602
Guarantee issued							
Maximum amount guaranteed*		5,218,848	242,754	1,000	600,339	2,231,488	2,143,267

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At December 31, 2014

	Carrying amount	Contractual	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years
		undiscounted cash outflows						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities								
Customer pledged deposits	14,505	14,505	–	2,430	5,855	3,810	2,410	–
Interest-bearing borrowings	75,000	79,219	–	–	–	79,219	–	–
Other financial instrument-liability component	92,983	122,640	–	–	–	12,000	59,380	51,260
Other financial liabilities	92,408	92,408	–	88,284	965	3,159	–	–
Total	274,896	308,772	–	90,714	6,820	98,188	61,790	51,260
Guarantee issued								
Maximum amount guaranteed*		4,688,202	221,529	14,920	652,006	2,104,974	1,694,773	–

At June 30, 2015

	Carrying amount	Contractual	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years	More than five years
		undiscounted cash outflows						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities								
Customer pledged deposits	15,632	15,632	–	2,289	1,500	4,750	7,093	–
Interest-bearing borrowings	75,000	76,903	–	–	–	76,903	–	–
Other financial instrument-liability component	95,866	122,640	–	–	–	12,000	59,380	51,260
Other financial liabilities	34,682	34,682	–	24,410	4,722	4,988	562	–
Total	221,180	249,857	–	26,699	6,222	98,641	67,035	51,260
Guarantee issued								
Maximum amount guaranteed*		4,387,519	227,682	33,438	663,618	1,921,314	1,541,467	–

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The Company

At December 31, 2012

	Carrying amount	Contractual undiscounted cash outflows	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Liabilities							
Customer pledged deposits	33,703	33,703	–	8,524	5,225	18,594	1,360
Other financial liabilities	8,829	8,829	–	7,373	204	1,160	92
Total	<u>42,532</u>	<u>42,532</u>	<u>–</u>	<u>15,897</u>	<u>5,429</u>	<u>19,754</u>	<u>1,452</u>
Guarantee issued							
Maximum amount guaranteed* ..		<u>3,971,611</u>	<u>192,680</u>	<u>2,500</u>	<u>360,718</u>	<u>1,904,779</u>	<u>1,510,934</u>

At December 31, 2013

	Carrying amount	Contractual undiscounted cash outflows	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Liabilities							
Customer pledged deposits	12,672	12,672	–	2,332	2,410	4,350	3,580
Other financial liabilities	6,407	6,407	–	4,455	66	1,864	22
Total	<u>19,079</u>	<u>19,079</u>	<u>–</u>	<u>6,787</u>	<u>2,476</u>	<u>6,214</u>	<u>3,602</u>
Guarantee issued							
Maximum amount guaranteed* ..		<u>4,734,237</u>	<u>242,754</u>	<u>1,000</u>	<u>561,252</u>	<u>1,969,763</u>	<u>1,959,468</u>

At December 31, 2014

	Carrying amount	Contractual undiscounted cash outflows	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Liabilities							
Customer pledged deposits	14,505	14,505	–	2,430	5,855	3,810	2,410
Other financial liabilities	5,477	5,477	–	2,044	598	2,835	–
Total	<u>19,982</u>	<u>19,982</u>	<u>–</u>	<u>4,474</u>	<u>6,453</u>	<u>6,645</u>	<u>2,410</u>
Guarantee issued							
Maximum amount guaranteed* ..		<u>4,240,071</u>	<u>221,529</u>	<u>14,920</u>	<u>574,351</u>	<u>1,788,321</u>	<u>1,640,950</u>

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At June 30, 2015

	Carrying amount	Contractual undiscounted cash outflows	Indefinite	Repayable on demand	Within three months	Between three months and one year	Between one year and five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities							
Customer pledged deposits	15,632	15,632	–	2,289	1,500	4,750	7,093
Other financial liabilities	12,347	12,347	–	3,355	3,757	4,710	525
Total	27,979	27,979	–	5,644	5,257	9,460	7,618
Guarantee issued							
Maximum amount guaranteed* ..		3,743,535	227,682	33,438	580,416	1,559,060	1,342,939

The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantee is expected to expire without being called upon, the maximum liabilities do not represent expected future cash outflows.

(d) Fair values

(i) Financial assets and liabilities measured at fair value

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

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

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

The Group has a team performing valuations for the financial instruments, including unlisted equity securities and redemption options which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation reports with analysis of changes in fair value measurement are prepared by the team at each reporting date, and is reviewed and approved by the chief financial officer. The Group also reassess the valuation process and results regularly.

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Level 2				
Available-for-sale financial assets	13,042	10,396	13,497	23,436
Level 3				
Available-for-sale financial assets	6,200	79,267	5,000	10,350
Derivative financial assets.....	—	639	—	—
Liabilities				
Other financial instrument-liability component	—	—	92,983	95,866

During the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of listed equity investments in lock up period in Level 2 is determined by discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates and lock up period.

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments and certain wealth management products is determined using the price ratios of comparable listed companies adjusted for lack of marketability discount and discounted cash flow analysis, respectively. The fair value measurement is negatively correlated to the discount for lack of marketability.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period ...	6,200	6,200	79,906	5,000
Net unrealized gains or losses				
— recognised in other comprehensive income during the year/period	—	17,891	—	—
— recognised in profit or loss during the year/period	—	639	—	—
Payment for purchases	—	55,176	5,000	10,350
Proceeds from sales	—	—	(79,906)	(5,000)
At the end of the year/period	<u>6,200</u>	<u>79,906</u>	<u>5,000</u>	<u>10,350</u>

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Other financial instrument-liability component				
At the beginning of the year/period ...	—	—	—	92,983
— issue the financial instrument	—	—	92,983	—
— charge for the year	—	—	—	2,883
At the end of the year/period	<u>—</u>	<u>—</u>	<u>92,983</u>	<u>95,866</u>

The carrying amounts of the Group's financial instrument carried at cost or amortised cost are not materially different from their fair values as at December 31, 2012, 2013 and 2014 and June 30, 2015.

31 COMMITMENTS AND CONTINGENT LIABILITIES

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

The Group

	<u>At December 31,</u>			<u>At June 30,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year (inclusive)	2,269	3,550	4,113	4,798
After 1 year but within 3 years (inclusive)	2,943	7,056	4,852	4,936
Over 3 years	—	953	—	1,612
Total	<u>5,212</u>	<u>11,559</u>	<u>8,965</u>	<u>11,346</u>

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The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1-5 years, at the end of which period all terms are renegotiated. None of the leases include contingent rentals.

The Company

	At December 31,			At June 30,
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year (inclusive)	1,609	2,204	2,028	2,903
After 1 year but within 3 years (inclusive)	1,794	3,947	2,331	2,528
Over 3 years	—	506	—	129
Total	3,403	6,657	4,359	5,560

(b) Litigations and disputes

As at December 31, 2012, 2013 and 2014 and June 30, 2015, the Group had no outstanding litigation or disputes in which the Group was a defendant.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of related party	Relationship
張玉冰 (Zhang Yubin)	One of the owners who owns over 5% shares
黃國深 (Huang Guoshen)	One of the owners who owns over 5% shares and Non-executive directors
佛山市富思德基礎設施投資有限公司 (Foshan Fuside Infrastructure Investment Co., Ltd.) ..	One of the owners who owns over 5% shares
廣東進發鋼鐵實業有限公司 (Guangdong Beng Fa Iron and steel industrial Co., Ltd.)	One of the owners who owns over 5% shares at the year of 2012
佛山創業成長投資中心 (有限合夥) (Foshan Entrepreneurship Growing Investment Center (limited partnership))	One of the owners who owns over 5% shares at the year of 2012
廣東省科技創業投資有限公司 (Guangdong Technology Venture Investment Co., Ltd.)	One of the owners who owns over 5% shares at the year 2012
廣東中盈盛達控股股份有限公司 (Guangdong Join-Share Co., Ltd.)	Controlled by the same shareholders
廣東佛山電力股份有限公司 (Guangdong Foshan Power Co., Ltd.)	Shareholder of one of the owners who owns over 5% shares
廣東省粵科金融集團有限公司 (Guangdong Technology Financial Group Co., Ltd.) ..	Shareholder of one of the owners who owns over 5% shares
Foshan Micro Credit	Associate of the Group from 2011 to 2013

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Name of related party	Relationship
佛山市中盛置業有限公司 (Foshan Zhongsheng Property Co., Ltd.)	Associate of the Group in 2012 and 2013
廣東中盈盛達基金管理有限公司 (Guangdong Fund Management)	Subsidiary of Guangdong Join-Share Co., Ltd. from 2014
深圳市領航成長創業投資有限公司 (Shenzhen Linghang).....	Subsidiary of Guangdong Join-Share Co., Ltd. from 2014
深圳市合創成長軟件技術有限公司 (Hechuang Software)	Subsidiary of Guangdong Join-Share Co., Ltd. from 2014
佛山天使中小企業融資服務中心有限公司 (Foshan Angel Small and Medium-sized Enterprises Financing Service Center Co. Ltd.).....	Subsidiary of Guangdong Join-Share Co., Ltd. from 2014
吳列進 (Wu Liejin)	Director of the Company
吳豔芬 (Wu Yanfen)	Director of the Company
顧李丹 (Gu Lidan)	Director of the Company
謝勇東 (Xie Yongdong)	Director of the Company
梁達明 (Liang Daming)	Director of the Company
梁漢文 (Leung Hon Man)	Director of the Company
吳向能 (Wu Xiangneng)	Director of the Company
劉恒 (Liu Heng)	Director of the Company
張德本 (Zhang Deben)	Executive vice president of the Company
歐偉明 (Ou Weiming)	Vice president of the Company
陸皓明 (Lu Haoming)	Chief financial officer
黃碧汶 (Huang Biwen)	Chief risk management officer
鄭正強 (Zheng Zhengqiang)	Sectary to the Board of the Company
王維 (Wang Wei)	Supervisor of the Company
李琦 (Li Qi)	Supervisor of the Company
孫偉群 (Sun Weiqun)	Supervisor of the Company
張敏明 (Zhang Minming).....	Director of the Company
黃國深 (Huang Guoshen)	Director of the Company
馮群英 (Feng Qunying).....	Supervisor of the Company
梁毅 (Liang Yi)	Supervisor of the Company
廖振亮 (Liao Zhenliang)	Supervisor of the Company
鍾堅 (Zhong Jian).....	Supervisor of the Company
佛山市富豐房地產開發有限公司 (Foshan Fufeng Real Estate Development Co., Ltd.) ..	A company of which 26.86% interest held by related person of Zhang Yu Bing
佛山市聯益建築材料有限公司 (Foshan LianYi Building Materials Co., Ltd.)	A company of which 100% interest held by related person of Zhang Yu Bing
肇慶市科明達混凝土攪拌有限公司 (Zhaoqing Ke Ming Da Concrete Co., Ltd.)	A company of which 100% interest held by the related person of Zhang Yu Bing
佛山市南海聯發貿易發展有限公司 (Foshan Nanhai Lian Fa Trading Development Co., Ltd.)	A company of which 100% interest held by Zhang Yu Bing and her related person

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Name of related party	Relationship
佛山市南海科明達混凝土有限公司 (Foshan Nanhai Ke Ming Da Concrete Co., Ltd.)	A company of which 95% interest held by the related person of Zhang Yu Bing
佛山市南海區西樵恒建混凝土有限公司 (Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.)	A company of which 100% interest held by the related person of Zhang Yu Bing
廣東科明達集團有限公司 (Guangdong Ke Ming Da Group Co., Ltd.)	A company of which 100% interest held by the related person of Zhang Yu Bing
佛山市科明達數碼科技有限公司 (Foshan Kemingda Digital Technology Development Co., Ltd.)	A company of which 80% interest held by related person of Zhang Yu Bing
佛山市南海聯盈建築工程勞務有限公司 (Foshan Nanhai LianYing Architecture Engineering Services Co., Ltd.)	A company of which 90% interest held by related person of Zhang Yu Bing
四會市志高華美投資有限公司 (Sihui Zhi Gao Hua Mei Investment Co., Ltd.)	A company of which 24% interest held by Huang Guo Shen
陽江市志高麗島房地產開發有限公司 (Yangjiang Zhi Gao Li Real Estate Development Co., Ltd.)	A company of which 95% interest held by Huang Guo Shen
佛山市美傳科技有限公司 (Foshan Mei Chuan Technology Co., Ltd.)	A company of which 80% interest held by Wu Yan Fen
廣東美思內衣有限公司 (Guangdong MeiSi Co., Ltd.)	A company of which 90% interest held by Wu Yan Fen
佛山市威能管理諮詢有限公司 (Foshan Wei Neng Management Consulting Co., Ltd.)	A company of which 100% interest held by related person of Lu Hao Ming
美漢有限公司 (Mei Han Co., Ltd.)	A company which 100% interest hold by Leung Hon Man
佛山市南海宗永建材貿易有限公司 (Foshan Nanhai Zong Yong Building Material Co, Ltd.)	A company which 60% interest hold by Zhang Minming
陽江同心房地產開發有限公司 (Yangjiang Tong Xin Real Estate Development Co, Ltd.)	A company which 70% interest hold by Zhang Minming
佛山市南海臻恒建材有限公司 (Foshan Nanhai Zhen Heng Building Material Co, Ltd.)	A company which 55% interest hold by Zhang Minming
佛山市高明明建混凝土配送有限公司 (Foshan Gaoming Mingjian Concrete Distribution Co, Ltd.)	A company which 50% interest hold by Zhang Minming
佛山市譽基房地產開發有限公司 (Foshan Yu Ji Real Estate Development Co, Ltd.)	A company which 50% interest hold by Zhang Minming

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

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(b) Key management personnel remuneration

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Key management personnel remuneration	(i)(ii)	7,407	7,563	7,580	1,366	1,676

Notes:

- (i) Remuneration for key management personnel of the Group includes amounts paid to the Company's directors as disclosed in Note 7 and the highest paid employees as disclosed in Note 8.
- (ii) All the balances with key management personnel are disclosed in relevant notes.

(c) Related parties transactions

	Note	Years ended December 31,			Six months ended June 30,	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Guarantee fee income						
— Guangdong MeiSi Co., Ltd.		473	484	418	255	—
— Foshan Micro Credit		—	30	—	—	—
— Zhaoqing Ke Ming Da Concrete Co., Ltd.		17	—	—	—	—
— Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.		770	675	829	429	367
— Foshan Nanhai Ke Ming Da Concrete Co., Ltd....		—	80	85	85	—
Interest income						
— Foshan Pawn		—	—	378	—	—
Service fee from consulting services						
— Foshan Micro Credit		800	800	—	—	—
— Foshan Zhongsheng Property		—	5	—	—	—
— Guangdong Ke Ming Da Group Co., Ltd.		20	—	—	—	—
— Foshan Nanhai Ke Ming Da Concrete Co., Ltd....		—	80	—	—	—
Disposal of investment in subsidiaries	(i)	—	10,570	32,215	32,215	—
Acquisition of equity interest in investment in a subsidiary....	(ii)	—	—	13,200	13,200	—

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- (i) As part of the Reorganisation, the Group disposed of its entire equity interests in Join-Share Funding, Shenzhen Linghang and Foshan Angel Small and Medium-sized Enterprises Financing Service Center Co. Ltd. on June 26, 2014 and disposed of its entire equity interest in Foshan Zhongsheng Property on December 2, 2013 to Join-Share Co.,Ltd., majority of which the share holders are the same as the Group at a consideration of RMB5,100,000, RMB26,914,524, RMB200,000 and RMB10,569,500 respectively.
- (ii) The Company acquire 6% equity interest of Foshan Micro Credit from Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd. at a consideration of RMB13,200,000.

(d) Balances with related parties

	Note	Years ended December 31,			Six months ended June 30,
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Guarantee fee received in advance					
— Guangdong MeiSi Co., Ltd. .		—	110	18	—
Guarantee income receivables					
— Foshan Micro Credit		—	30	—	—
Amount due from related parties					
— Foshan Micro Credit		1	1	—	—
— Foshan Zhongsheng					
Property	(i)	37,800	—	—	—
— Loan to related persons					
— Zheng Zhengqiang		—	80	73	47
— Ou Weiming		—	—	100	100
— Huang Biwen		—	90	—	—
— Wang Wei		50	—	—	—
— Liang Yi		—	—	—	63
Other payable					
— Xie Yongdong		22	40	40	18
— Wu Liejin		28	—	—	—

Note:

- (i) Guangdong Join-share paid RMB37,800,000 of land purchase advance in 2012 on behalf of Foshan Zhongsheng and debited the amount in other receivables. The amount was settled in 2013.

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(e) Guarantees provided to related parties

The guarantees provided to related parties by the Group at the end of each reporting period were as follows:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Guarantee amount					
— Guangdong MeiSi Co., Ltd.	25,000	20,000	—	—	—
— Foshan Nanhai Xiqiao Heng Jian Concrete Co., Ltd.	30,000	20,000	30,000	—	30,000
— Foshan Nanhai Ke Ming Da Concrete Co., Ltd.	—	3,000	—	—	—

The guarantees provided by related parties to the Group at the end of each reporting period were as follows:

	Years ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Guarantee amount	2,417,289	3,108,831	2,547,982	2,981,488	81,000

Since the Company doesn't have a majority shareholder or an actual controller, the counterparties request the directors Mr. Wu Liejin and Mr. Xie Yongdong to take joint liability guarantee in the cooperation with Guangdong Re-Guarantee, China Development Bank and China Construction Bank. Mr. Wu Liejin (from 2011 to 2014) and Mr. Xie Yongdong (from 2013 to 2014) signed the agreement with Guangdong Re-guarantee to provide guarantee for the financial guarantees issued by the Group; Mr. Wu Liejin (from 2012 to 2014) entered into an agreement with China Development Bank to provide guarantee for the financial guarantees issued by the Group, with the maximum guarantee amount up to RMB500 million; According to the loan contract with China Construction Bank, Mr. Wu Liejin and Mr. Xie Yongdong should provide guarantee for the financial guarantees issued by the Group. In the second quarter of 2015, Mr. Wu Liejin and Mr. Xie Yongdong's joint liability guarantees to Guangdong Re-guarantee were terminated with consent of the counterparty.

33 LOANS TO OFFICERS

Loans made by the Company

Name of borrower	鄭正强 (Zheng Zhengqiang)	歐偉明 (Ou Weiming)	梁毅 (Liang Yi)
Position	Secretary to the Board of the Company	Vice president of the Group	Supervisor

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Terms of the loan			
— duration and repayment terms.....	Three years	Three years	Three years
— loan amount	80	100	80
— interest rate	—	—	—
— security	Car	Car	Car
 Balance of the loan (RMB '000)			
— at December 31, 2011 and January 1, 2012	Nil	Nil	Nil
— at December 31, 2012 and January 1, 2013	Nil	Nil	Nil
— at December 31, 2013 and January 1, 2014	80	Nil	Nil
— at December 31, 2014 and January 1, 2015	73	100	80
— at June 30, 2015	47	100	63
 Maximum balance outstanding (RMB '000)			
— during 2015	73	100	80
— during 2014	80	100	80
— during 2013	80	Nil	Nil
— during 2012	Nil	Nil	Nil

(i) *Mr. Liang Yi was appointed as the supervisor of the Company at the shareholders meeting held on March 25, 2015.*

34 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

* Note 1(b) & Note 2(a) — Consolidation: whether the Group has de facto control over an investee.

(b) Sources of estimation uncertainty

Note 30 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Impairment of receivables, loans and advances to customers and available-for-sale financial assets

The Group reviews portfolios of receivables, loans and advances and available-for-sale financial assets 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 receivables, loans and advances and available-for-sale financial assets. 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.

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The impairment loss for receivables and loans and advances to customers that is individually assessed for impairment is the net decrease in the estimated discounted future cash flow of the assets. When the financial assets are collectively assessed for impairment, the estimate is based on historical loss experience for assets with credit risk characteristics similar to the financial assets. Historical loss experience is adjusted on the basis of the relevant observable data that reflect current economic conditions and the judgement based on management's historical experience. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss.

The objective evidence of impairment for available-for-sale financial assets includes significant or continual decline in fair value of investments. When deciding whether there is significant or continual decline in fair value, the Group will consider the historical fluctuation records of market and debtors' credit condition, financial position and performance of related industry.

(ii) Impairment of non-financial assets

If circumstances indicate that the carrying amount of a non-financial asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-financial assets as described in Note 1(o). The carrying amounts of non-financial assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(c) Depreciation and amortisation

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

(d) Provisions for guarantee losses

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as of the balance sheet date and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

(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.

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(f) Measurement of fair values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including 3 fair values and reports directly to financial officer (Note 30 (d)).

(g) Judgement on the degree of control of investment

Control is define the Group has the power of 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.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of the Financial Information, the HKICPA has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	January 1, 2016
Amendments to HKAS 1, <i>Disclosure Initiative</i>	January 1, 2016
Amendments to HKFRS 11, <i>Accounting for acquisitions of interests in join operations</i>	January 1, 2016
Amendments to HKAS 16 and HKAS 38, <i>Clarification of acceptable methods of depreciation and amortization</i>	January 1, 2016
Amendments to HKAS 27, <i>Equity Method in Separate Financial Statements</i>	January 1, 2016
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	January 1, 2016
HKFRS 15, <i>Revenue from contracts with customers</i>	January 1, 2017
HKFRS 9, <i>Financial instruments</i>	January 1, 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements except for the adoption of the HKFRS 9, which is expected to have an impact on the Group's financial statement as disclosed below:

HKFRS 9, Financial Instruments

HKFRS 9 was issued in November 2009 and establishes new principles for the classification and measurement of financial instruments. In September 2014, the HKICPA issued the complete standard of HKFRS 9 (HKFRS 9 (2014)). The main changes to the requirements of HKAS 39 are summarised below.

Classification and measurement of financial assets and financial liabilities

HKFRS 9 includes three principal classification categories for financial assets: measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). A financial asset is classified as being subsequently measured at amortised cost if the asset is held within a business model whose objective is to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (the ‘SPPI criterion’). A financial asset is classified as being subsequently measured at FVOCI if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. All other financial assets are classified as being subsequently measured at FVTPL. In addition, an entity may, at initial recognition, irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. At initial recognition of an equity investment that is not held for trading, an entity may irrevocably elect to present in other comprehensive income (OCI) subsequent changes in its fair value.

For the classification and measurement, HKFRS 9 introduces a new requirement that the gain or loss on a financial liability designated at fair value through profit or loss that is attributable to changes in the entity’s own credit risk is recognised in other comprehensive income; the remaining amount of change in fair value is recognised in profit or loss (“own credit risk requirements”).

Hedge accounting

The new standard aligns hedge accounting more closely with risk management. It does not fundamentally change the types of hedging or the requirement to measure and recognise ineffectiveness; however, more hedging strategies that are used for risk management will qualify for hedge accounting.

Impairment

The new impairment requirements in HKFRS 9 replace the “incurred loss” model in HKAS 39 with an “expected credit loss” model. The new model applies to financial assets that are debt instruments not measured at FVTPL (including loans, lease and trade receivables, debt securities), financial guarantees within the scope of HKFRS 9, and loan commitments issued that are not accounted for at FVTPL; contract assets arising under HKFRS 15 are also subject to the impairment requirements in HKFRS 9. The impairment requirements do not apply to investments in equity instruments. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument. In other words, under HKFRS 9 it is not necessary for a credit event to have occurred before credit losses are recognised.

Since the Group is in the process of making an assessment on overall impact of HKFRS 9, and given the nature of the Group’s operations, the Standard is expected to have an impact on the Group’s financial statements, including the classification categories and the measurement of financial assets, the measurement of liabilities for financial guarantees, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk, including trade and other receivables, loan and advances to customers, receivable investments, and financial guarantees. HKFRS 9 will also change the way the group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Until a detailed review of the impact of adopting HKFRS 9 is performed, the Group cannot provide a reasonable estimate that quantifies the impact on its financial statements nor can it yet conclude whether that impact will be significant or not. It is expected that adopting HKFRS 9 will require changes to systems and processes to collect necessary data.

APPENDIX I

ACCOUNTANTS' REPORT

36 SUBSEQUENT EVENTS

The Group had no material events for disclosure subsequent to June 30, 2015 and up to the date of the Accountants' Report.

C SUBSEQUENT FINANCIAL INFORMATION AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2015. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to June 30, 2015.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth below does not form part of the Accountants’ Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants, as set forth in Appendix I to this Document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this Document and the financial information included in the Accountants’ Report set forth in Appendix I to this Document.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as of June 30, 2015 as if the [REDACTED] had taken place on June 30, 2015.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at June 30, 2015 or at any future date.

	Consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at June 30, 2015	Estimated net proceeds from the [REDACTED]	Pro forma adjusted net tangible sets	Pro forma adjusted net tangible assets per Share	
	RMB’000 (Note 1)	RMB’000 (Note 2)	RMB’000 (Note 3)	RMB (Note 3)	HK\$ (Note 4)

Based on an [REDACTED] of HK\$[REDACTED] per Share	1,113,444	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per Share	1,113,444	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at June 30, 2015 is based on the total equity attributable to the equity shareholders of the Company of approximately RMB1,115,526,000 as at June 30, 2015 after deduction of goodwill of RMB419,000 and intangible assets of RMB1,879,000, and adjusting the share of intangible assets attributable to non-controlling interests of RMB216,000.
- (2) The estimated net proceeds from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share after deduction of the underwriting fees and other related expenses payable by the Group. The estimated net proceeds have been converted to Renminbi at the People’s Bank of China (the “PBOC”) rate of HK\$1.00 to 0.82534 prevailing on [REDACTED].
- (3) The pro forma adjusted net tangible assets are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] shares are expected to be in issue following the [REDACTED] (including [REDACTED] shares newly issued upon completion of the [REDACTED] and the respective [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per Share.
- (4) The pro forma adjusted net tangible assets per Share are converted into Hong Kong Dollar at the PBOC rate of HK\$1.00 to RMB0.82534 prevailing on [REDACTED].
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2015.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

This appendix sets out summaries of certain aspects of the PRC legal and judicial system, its arbitration system and its company and securities regulations. It also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and Hong Kong company law, certain requirements of the Listing Rules and the Mandatory Provisions. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which is important to the potential investors.

PRC LAWS AND REGULATIONS

(a) The PRC legal system

The PRC legal system is based on the PRC Constitution (hereinafter referred to as “the Constitution”) and is made up of written laws, administrative regulations, local regulations, autonomy regulations and separate rules, rules of State Council departments, rules of local governments and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (“the Legislation Law”), the National People’s Congress (“NPC”) and the standing committee of the NPC (“the Standing Committee”) are empowered to exercise the legislative power of the State. The NPC enacts and amends basic laws governing criminal offenses, civil affairs, the State organs and other matters. The Standing Committee enacts and amends laws other than those that shall be formulated by the NPC, and during the period of adjournment of the NPC, the Standing Committee may partially supplement and amend the laws enacted by the NPC, but not in contradiction to the basic principles of such laws. The State Council is the highest organ of state administration and enacts administrative regulations based on the Constitution and laws. The people’s congresses at the provincial level and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The ministries and commissions of the State Council, the PBOC, the National Audit Office of the PRC as well as other state organs endowed with administrative functions directly under the State Council may, according to laws, administrative regulations, decisions and orders of the State Council, formulate ministerial rules within their authorities. The people’s governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The people’s congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationalities that reside in the area.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people’s governments of the provinces or autonomous regions is greater than that of the rules enacted by the people’s governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulation that contravenes the Constitution and laws, to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or local regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law.

The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

The power to interpret laws is vested in the Standing Committee by the Constitution. According to Resolutions of the Standing Committee on Improving Interpretation of Laws passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and supervisory authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the supervisory authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

(b) The PRC judicial system

According to the Constitution and the Law of Organization of the People's Courts of the PRC (hereinafter referred to as the "Law of Organization of the People's Courts"), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the people's courts at all levels.

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

The people's courts have adopted a "second instance as final" system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment or ruling by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgment by the court over which he/she presides, the case may then be retried in accordance with the judicial supervisory procedures.

The Civil Procedure Law of the PRC (hereinafter referred to as the "Civil Procedure Law") sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of domicile. The parties to a contractured dispute or any other dispute relating to property interests may, agree in writing to select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction is located in either the plaintiff's or the defendant's place of domicile, or the place of execution or implementation, or the place of the object of the action, and provided that the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the judicial system of a foreign country limits the litigation rights of the PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The suspension or discontinuance of the time limit for applying for enforcement shall be governed by the provisions on the suspension or discontinuance of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interests.

(c) The PRC Company Law, Special Regulations and Mandatory Provisions

On December 29, 1993, the Company Law of the PRC was adopted by the standing committee of the Eighth NPC, which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004, the third time on October 27, 2005 and the fourth time on December 28, 2013. The newly amended Company Law of the PRC (hereinafter referred to as the new "Company Law") will come into effect on March 1, 2014. The Special Provisions of the State Council

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies (hereinafter referred to as the "Special Provisions") were adopted at the 22nd Standing Committee Meeting of the State Council on August 4, 1994. The Special Provisions was formulated according to Article 85 and Article 155 of the Company Law (in 1993 as was then in effect) and applies to the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (hereinafter referred to as the "Mandatory Provisions") were promulgated by the former Securities Commission of the State Council and the State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in Appendix IV).

(i) General provisions

A "joint stock limited company" (hereinafter referred to as the "company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its Shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A State-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the handling and evaluation of the company's assets and liabilities and the establishment of its internal management organs.

A company must conduct its business in accordance with law and professional ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liability associated with the debts of the invested enterprises.

(ii) Incorporation

A company may be incorporated by promotion or public subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. According to the Special Regulations, state-owned enterprises or enterprises with the majority of their assets owned by the PRC government can be restructured in accordance with the relevant regulations to become joint stock limited companies which may issue shares to overseas investors.

A company incorporated by promotion is one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be offered to the public or specific persons.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce; for companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce.

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

Pursuant to the Securities Law, the total capital of a company which proposes to apply for its shares to be listed on a stock exchange shall not be less than RMB30 million. The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of Shareholders holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the Board of Supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for: (i) the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated; (ii) the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations Concerning the Issue and Trading of Shares promulgated by the State Council on April 22, 1993 (which is only applicable to the issue and trading of shares in the PRC and relevant activities), if a company is incorporated by means of public subscription, the promoters of the company are required to assume joint liability for the accuracy of the contents of this document and to ensure that this document does not contain any material misleading statement or omission of any material information.

(iii) Share capital

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company.

If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed overseas are defined as overseas-listed-foreign-invested shares, and those issued to investors within the PRC other than the aforementioned areas are defined as domestic shares. Qualified Foreign Institutional Investors

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

("QFII") approved by the CSRC may hold domestic listed shares. A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. According to the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement on issuing overseas-listed-foreign-invested shares, to retain not more than 15% of the aggregate amount of overseas-listed-foreign-invested shares proposed to be issued less the amount of underwritten shares. The share offering price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by Shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. The transfer of registered shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee. No modification registration as a result of the transfer of shares shall be made to the registrar of Shareholders within twenty (20) days prior to the Shareholders' general meeting being held or within five (5) days prior to the benchmark date set for the purpose of distribution of dividends.

(iv) Increase in capital

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by Shareholders in general meeting. Except for abovementioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law requires the following conditions for a company to offer new shares to the public: (i) a complete and well-operated organization; (ii) capability of making profits continuously and a healthy financial status; (iii) no false records or significant irregularities in its financial statements over the last three years; (iv) fulfill any other requirements as prescribed by the securities administration authority of the State Council as approved by the State Council.

The public offer requires the approval of the securities administration authority of the State Council. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

(v) Reduction of share capital

Subject to the minimum registered capital requirements, a company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and the list of properties;
- the reduction of registered capital must be approved by Shareholders in the general meeting;
- the company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in newspapers within 30 days once the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

(vi) Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

- to reduce the registered capital by canceling its shares or to merge with another company holding its shares;
- to grant shares as a reward to the staff of the company;
- to purchase the company's own shares upon request of its Shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; or
- other purposes permitted by laws and administrative regulations.

The shares repurchased by the company as a reward to its staff shall not exceed 5% of the total number of its issued shares. Any fund for the repurchase shall be paid out of after-tax profits of the company, and the shares repurchased shall be transferred to the staff of the company within one year. The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its Shareholders or on a stock exchange through public trading or by agreement off the stock exchange.

(vii) Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement or in any other manner specified in applicable laws and regulations. Shares held by the promoter(s) of a company shall not be transferred within one (1) year from the date of incorporation of the company. Shares issued by a company prior to the public offer of its shares shall not be transferred within one (1) year from the date of its shares being listed on a stock exchange. Directors, supervisors and senior management personnel of the company shall not transfer over 25% of the total shares they hold in the company each year during their term of office, and shall not transfer any share of the company held by each of them within one (1) year from the listing date.

(viii) Shareholders

The articles of association of a company set forth the Shareholders' rights and obligations and are binding on all the Shareholders. Pursuant to the Company Law and the Mandatory Provisions, a Shareholder's rights include:

- the right to attend in person or appoint a representative to attend the Shareholders' general meeting and to vote in respect of the amount of shares held;
- the right to transfer his/her shares in accordance with applicable laws and regulations as well as the articles of association;

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

- the right to inspect the company's articles of association, Shareholders' registers, records of company's debentures, minutes of the general meeting, board resolutions, supervisor resolutions and financial accounting reports, and to put forward proposals or raise questions on the business operations of the company;
- if a resolution approved by the Shareholders' general meeting or by the board of directors violates any law or regulation, or infringes on the Shareholders' lawful rights and interests, the right to institute an action in a people's court demanding that the illegal infringing action be stopped;
- the right to receive dividends based on the number of shares held;
- the right to obtain surplus assets of the company upon its termination in proportion to shares he/she holds; to claim against other Shareholders who abuse their rights of Shareholders for the damages; and
- any other Shareholders' rights specified in the articles of association.

The obligations of Shareholders include: abide by the articles of association of the company; pay the subscription monies in respect of shares subscribed for; be liable for debts and liabilities of the company to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up; no abuse of Shareholders' rights to damage the interests of the company or other Shareholders of the company; no abuse of the independent status of the company as a legal person and its limited liability companies as to damage the interests of the creditors of the company; and any other obligation specified in the articles of association of the company.

(ix) Shareholders' general meeting

The Shareholders' general meeting is the organ of authority of a company, which exercises its functions and powers in accordance with the Company Law.

The Shareholders' general meeting exercises the following functions and powers:

- to decide on operational policies and investment plans of the company;
- to elect or change the directors and supervisors who are not representatives of the employees;
- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or the supervisors;
- to review and approve the company's annual financial budgets and final accounts;
- to review and approve proposals for profit distribution and for recovery of losses of the company;

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

- to decide on increase and reduction of the registered capital of the company;
- to decide on bond issuances of the company;
- to decide on merger, division, dissolution and liquidation of the company and other issues;
- to amend the articles of association of the company; and
- other functions and powers specified in the articles of association of the company.

The annual Shareholders' general meeting must be convened once a year. An extraordinary Shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the articles of association of the company;
- the losses of the company which are not made up reach one-third of the total paid-up share capital of the company;
- as requested by a shareholder holding, or Shareholders holding separately or jointly 10% or more of the shares of the company;
- when deemed necessary by the board of directors;
- as suggested by the board of supervisors; or
- other matters required by the articles of association.

The Shareholders' general meeting shall be convened by the board of directors and shall be presided over by the chairman of the board of directors.

The notice to convene the Shareholders' general meeting shall be dispatched to all the Shareholders 20 days before the general meeting pursuant to the Company Law, and 45 days pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed at the general meeting. Under the Special Regulations and the Mandatory Provisions, Shareholders intending to attend are required to send written confirmations of their attendance to the company 20 days before the general meeting. According to the Special Regulations, at the annual Shareholders' general meeting of the company, Shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new resolutions to be reviewed at the general meeting, which if within the functions and powers of the Shareholders' general meeting, are required to be added to the agenda of the general meeting.

Shareholders present at the Shareholders' general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds.

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Resolutions proposed at the Shareholders' general meeting shall be approved by more than half of the voting rights cast by Shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division, increase or reduction of registered capital, the issue of bonds or short-term debentures, the change in the form of the company or the amendment to the articles of association, shall be approved by Shareholders with more than two-thirds of the voting rights cast by Shareholders present (including those represented by proxies) at the general meeting.

A shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. There is no specific provision in the Company Law regarding the number of Shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from Shareholders holding shares representing 50% of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify Shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting, and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of Shareholders for this purpose.

(x) Directors

A company shall have a board of directors, which shall consist of five to nineteen members, and there can be staff representatives of the company. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years.

The directors may hold consecutive terms upon re-election. Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors at least 10 days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the Shareholders' general meeting and report on its work to the Shareholders;
- to implement the resolutions passed in the general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's annual financial budget and final accounts;
- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to prepare plans for the merger, division change to the form or dissolution of the company;

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- to decide on the company's internal organizational structure;
- to appoint or dismiss the company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist market economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or managers of a company or enterprise that has been bankrupt and has been liquidated due to mismanagement, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or

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- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to):

- to preside over Shareholders' general meetings and convene and preside over meetings of the board of directors; and
- to check on the implementation of the resolutions of the board of directors.

The legal representative of a company, in accordance with the company's articles of association, may be the chairman, any executive director or the manager. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix V) contains further elaborations of such duties.

(xi) Supervisors

A company shall have a Board of Supervisors composed of not less than three members. Each term of office of a supervisor is three years, and the supervisors may hold consecutive terms upon re-election. The Board of Supervisors is made up of Shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

The Board of Supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the Shareholders' meeting;
- require the director or senior manager to make corrections if his act is detrimental to the interests of the company;
- propose the convening of extraordinary Shareholders' general meetings, and to convene and preside over Shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over Shareholders' meetings;

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- put forward proposals at Shareholders' general meetings;
- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

(xii) Managers and senior officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's internal rules;
- recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management personnel of a company include the financial officers, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the Shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management personnel of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix V).

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(xiii) Duties of directors, supervisors, managers and senior officers

A director, supervisor, manager and other senior officers of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. A director, supervisor, manager and other senior officers of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the Shareholders.

A director, supervisor, manager and other senior officers who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, manager and other senior officers of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

(xiv) Finance and accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the responsible financial department of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited and verified as provided by law.

A company shall make available its financial statements at the company for the inspection by the Shareholders at least 20 days before the convening of the annual general meeting of Shareholders. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders' meeting or the Shareholders' general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits.

If the aggregate balance of the company's statutory surplus reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making good the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and statutory surplus reserves have been set aside from the after-tax profit, the remaining profits shall be distributed to Shareholders in proportion to the number of shares held by Shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association.

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The premium over the nominal value of the shares of the joint stock company from issuance of the shares and any other amounts to be included in the capital reserve required by the financial department of the State Council shall be recorded as the company's capital reserve.

The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve shall not be used for making up the company's losses. Where the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve shall not be less than 25% of the registered capital before such conversion.

(xv) Appointment and retirement of auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the Shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the Shareholders at Shareholders' general meetings and shall be filed with the CSRC for record.

(xvi) Distribution of profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to Shareholders shall be made through a receiving agent.

(xvii) Amendments to articles of association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies' approval department of the State Council and the CSRC. In relation to matters involving the company's registration, the company shall modify its registration with the companies' registration authority.

(xviii) Dissolution and liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the People's Court has made a declaration of the company's insolvency, the Shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

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Under the Company Law, a company shall be dissolved in any of the following events:

- (1) the term of its operations set down in the company's articles of association has expired or events of dissolution specified in the company's articles of association have occurred;
- (2) the Shareholders in a general meeting have resolved to dissolve the company;
- (3) the company is dissolved by reason of its merger or demerger;
- (4) the company is subject to the revocation of business license, a closure order or dismissal in accordance with laws; or
- (5) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of Shareholders, and where this cannot be resolved through other means, Shareholders who hold more than 10% of the total Shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days from the date of dissolution.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the People's Court for its establishment. The liquidation committee shall notify the company's creditors within 10 days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

- clear up the company's assets and prepare a balance sheet and an inventory of the assets;
- notify creditors by way of notice or public announcement;
- deal with and liquidate any remaining business of the company;
- pay any tax overdue;
- settle the company's financial claims and liabilities;
- dispose of the surplus assets of the company after its debts have been paid off; and
- represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and social insurance expenses, statutory compensation, tax overdue and debts of the company. Any surplus assets shall be distributed to the Shareholders of the company in proportion to the number of shares held by them.

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A company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the Shareholders' general meeting or the relevant supervisory department for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of the liquidation committee is liable to indemnify the company and its creditors with respect to any loss arising from his willful or material default.

(xix) Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the CSRC may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

(xx) Loss of H share certificates

A shareholder may apply, in accordance with the relevant provision set out in the PRC Civil Procedure Law, to a people's court in the event that H share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

(xxi) Suspension and Termination of Listing

The new and amended Company Law has deleted provisions governing suspension and termination of listing. Trading of shares of a company on a stock exchange may be suspended under one of the following circumstances:

- (1) the change to the total share capital or shareholding structure resulting in the disqualification for listing;
- (2) the company failed to make public its financial conditions in accordance with the requirements or there is false information in the company's financial accounting report which may mislead investors;

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- (3) the company has committed a major breach of the law;
- (4) the company has incurred losses for three (3) consecutive years; or
- (5) other circumstances as required by the listing rules of the relevant stock exchange(s).

Under the Securities Law, in the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

The Securities Law provides that the securities administration department of the State Council may also terminate the listing of a company's shares in the event that the company is dissolved or declared bankrupt.

(xxii) Merger and demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

(d) Securities law and other relevant regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of Shares and disclosure of information by the Company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory body of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by the PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking research and analysis.

The Securities Law took effect on July 1, 1999 and was revised for the first time as of August 28, 2004, the second time on October 27, 2005 and the third time on June 29, 2013. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC. Article 239 of the Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

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(e) Arbitration and enforcement of arbitral awards

The Arbitration Law of the People’s Republic of China (the “Arbitration Law”) was passed by the Standing Committee of NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in a company’s Articles of Association and, in the case of the Listing Rules, also in contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of H Shares and the company, holders of H Shares and the directors, supervisors, manager or other senior officers, or holders of H Shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of any rights or obligations arising under its Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration. Where a dispute or claim of rights is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim shall comply with the arbitration. Disputes with respect to the definition of Shareholders and disputes related to a company’s register of Shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Center.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award by a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

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The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the request for enforcement is made.

It was declared by the Standing Committee simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC will only apply the New York Convention in disputes considered under the PRC laws to arise from contractual and non-contractual mercantile legal relations. On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958. Under the arrangement, awards made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in China.

HONG KONG LAWS AND REGULATIONS

(a) Summary of Material Differences Between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. The Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(i) Corporate existence

Under Hong Kong company law, a company having share capital, is incorporated and will acquire an independent corporate existence after the company registrar of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association does not contain such preemptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

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(ii) Share capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. The authorized share capital may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the Shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital other than registered capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the Shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

According to the PRC Company Law, for a joint stock limited company, the share capital subscribed for or raised by all the promoters shall be in compliance with the company's articles of association. Where otherwise provided for in any other laws, administrative regulations and decisions of the State Council in respect of the actual paid-in registered capital and the minimum registered capital for a joint stock limited company, the provisions thereof shall prevail. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and shall be lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

(iii) Restrictions on shareholding and transfer of shares

Under PRC law, our Domestic Shares which are denominated and subscribed for in Renminbi may only be subscribed or traded by the domestic investors of the PRC. The overseas listed foreign shares ("foreign shares") issued by a joint stock limited company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, as well as other qualified institutions.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law except for the six-month lock-up on the company's issue of shares and the 12 month lock-up on the Controlling Shareholders' disposal of shares as described in "Underwriting."

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(iv) Financial assistance for acquisition of shares

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under Hong Kong company law.

(v) Variation of class rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix IV to this document.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions. The Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of Shareholders, provided however that the special procedures for approval by separate class Shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by the CSRC, the Shareholders of domestic shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(vi) Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without Shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix IV to this document.

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(vii) Board of Supervisors

Under the PRC Company Law, the board of directors and managers of a joint stock limited company is subject to the supervision and inspection of a Board of Supervisors but there is no mandatory requirement for the establishment of a Board of Supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) Derivative action by minority shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the Shareholders in a general meeting, or by the board of directors, which violates any law or infringes the lawful rights and interests of the Shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of the company violates the law, administrative regulation or articles of association of the company and thus infringe the shareholder's interest. The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(ix) Protection of minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other Shareholders which is prejudicial to the interests of the Shareholders generally or of some part of the Shareholders of a company.

(x) Notice of Shareholders' meetings

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being

APPENDIX III SUMMARY OF PRINCIPAL PRC AND HONG KONG LEGAL AND REGULATORY PROVISIONS

held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all Shareholders and Shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively. The notice period for an annual general meeting is 21 days.

(xi) Quorum for shareholders' meetings

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from Shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its Shareholders by public announcement and the Shareholders' general meeting may be held thereafter.

(xii) Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by Shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of voting rights of Shareholders present at a general meeting.

(xiii) Financial disclosure

A company is required under the PRC Company Law to make available at its office for inspection by Shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of Shareholders. In addition, a company established by way of public subscription under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting. A company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC GAAP, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

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The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) Information on directors and Shareholders

The PRC Company Law gives the Shareholders of a company the right to inspect and photocopy the articles of association, minutes of the general meetings, the resolutions of the board of directors, the resolutions of the board of supervisors and financial and accounting reports. Under the articles of association, Shareholders of a company have the right to inspect and copy (at reasonable charges) certain information on Shareholders and on directors similar to that available to Shareholders of Hong Kong companies under Hong Kong law.

(xv) Receiving agent

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to Shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years. The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(xvi) Corporate reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by Shareholders at general meeting.

(xvii) Arbitration of disputes

In Hong Kong, disputes between Shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

(xviii) Mandatory deductions

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declare any dividends after taxation. The company may not required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the Shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

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(xix) Remedies of a company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) have been in compliance with the Hong Kong Listing Rules.

(xx) Dividends

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) Closure of register of Shareholders

The Companies Ordinance requires that the register of Shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the articles of association of a company provide, as required by the PRC Company Law, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

(b) Hong Kong Listing Rules

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

(i) Compliance advisor

A company seeking listing on the Stock Exchange is required to appoint a compliance advisor acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

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If the Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

(ii) Accountants' report

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

(iii) Process agent

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange and must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

(iv) Public shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK\$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of over HK\$10,000,000,000.

(v) Independent non-executive directors and supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of Shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is

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required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Takeovers Code and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

(vi) Mandatory provisions

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the board of supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix IV to this document.

(vii) Redeemable shares

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(viii) Pre-emptive rights

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of Shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's articles of association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its Shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing Shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Counsel, the Shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(ix) Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Stock Exchange.

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The Company is required to obtain the approval of its Shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

The remuneration and assessment committee of the Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than Shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote.

(x) Amendment to the Articles of Association

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Hong Kong Listing Rules and the Mandatory Provisions or the PRC Company Law.

(xi) Documents for inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges the following:

- a complete duplicate register of Shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return led with the Beijing Administration for Industry and Commerce; and
- for Shareholders only, copies of minutes of meetings of Shareholders.

(xii) Receiving agents

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

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(xiii) Statements in H share certificates

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with the Company and each Shareholder of the Company, and the Company agrees with each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorizes the Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

(xiv) Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xv) Contract between the Company and its Directors, officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the PRC Company law, the Special Regulations, the Articles of Association, the Takeovers Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

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- an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award. The Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

(xvi) Subsequent listing

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(xvii) English translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

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(xviii) General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

(c) Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

(d) Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association, PRC Company Law and other applicable laws shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

(e) PRC Legal Matter

King & Wood Mallesons, our legal advisors on PRC law, have confirmed that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. Any person wishing to have detailed advice on PRC law and the laws of any jurisdictions is recommend to seek independent legal advice.

APPENDIX IV

SUMMARY OF ARTICLES OF ASSOCIATION

This Appendix set out summaries of the main clauses of our Articles of Association adopted by a special resolution of the extraordinary general meeting of the Company, and its subsequent amendments which shall become effective as of the date on which the H Shares are listed on the Stock Exchange. As the main purpose of this appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for investors. As discussed in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this document, the full document of the Articles of Association in Chinese is available for examination.

1 DIRECTORS AND BOARD OF DIRECTORS

(a) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the Shareholders' general meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws and administrative regulations.

(b) Power to dispose assets of our Company or our subsidiaries

Subject to the applicable laws, regulations and the Listing Rules, if the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the cost received from the fixed assets of our Company disposed of within the four months immediately preceding a suggestion for disposal exceeds 33% of the value of fixed assets of our Company, as indicated on the latest audited balance sheet submitted to the Shareholders at the general meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of the Shareholders at the general meeting. The above disposal refers to the transfer of rights and interests in certain assets, but does not include the provision of guarantees with fixed assets. The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in the Articles of Association.

(c) Indemnification or compensation for loss of office

As provided in the contract entered into between our Company and the Directors or Supervisors in connection with their emoluments, the Directors and Supervisors are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the approval of the Shareholders at the general meeting in advance. Acquisition of our Company refers to any of the following circumstances:

- (i) An offer made to all the Shareholders; or
- (ii) An offer made by any person such that the offeror will become the Controlling Shareholder of our Company (as defined in the Articles of Association).

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the shares for accepting the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person in a proportional manner and all related expenses shall not be deducted from these payments distributed.

(d) Loans to Directors, Supervisors or other management personnel

Our Company shall neither provide the Directors, Supervisors or senior management of our Company or our parent company with loans or loan guarantees, either directly or indirectly, nor provide persons related to the above personnel with loans or loan guarantees.

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The following transactions are exempted from the above clauses:

- (i) our Company provides our subsidiaries with loans or loan guarantees;
- (ii) our Company provides any of the Directors, Supervisors or senior management with loans, loan guarantees or any other funds pursuant to the employment contracts approved at the general meeting to pay all expenses incurred by Directors, Supervisors or senior management for the purpose of our Company in the performance of their duties; and
- (iii) in case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors or senior management or other related personnel with loans or guarantees for loans, provided that the conditions governing the above loans or loan guarantees shall be normal commercial conditions.

In the event that our Company provides loans in violation of this restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the conditions attached to the loans. Any loan guarantees provided by our Company in violation of the above requirements shall not be mandatorily enforced against us, unless under the following circumstances:

- (i) the loan provider unknowingly provides loans to the personnel related to the Directors, Supervisors or senior management of our Company or our parent company; or
- (ii) The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

For the purpose of the above provisions, "guarantee" includes the acts of the guarantor bearing the liabilities or providing properties to ensure that the obligor performs the obligations.

(e) Provision of the financial assistance for acquiring the Shares or shares of any of our subsidiaries

Pursuant to the Articles of Association:

- (i) our Company or our subsidiaries shall not provide any financial assistance at any time or in any manner to personnel that acquire or plan to acquire our Shares. Such personnel include anyone who assumes obligations, directly or indirectly, due to acquisition of the Shares, and
- (ii) our Company or any of our subsidiaries shall not provide the personnel mentioned in the preceding paragraph with financial assistance at any time or in any manner to mitigate or exempt the obligations of the above personnel.

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The following transactions are not prohibited:

- (i) related financial assistance provided by our Company in good faith which is in our interest and the main purpose of which is not to acquire our Shares or is an incidental part of a master plan of our Company;
- (ii) the lawful distribution of our properties by way of dividend;
- (iii) distribution of dividends in the form of shares;
- (iv) reducing the registered capital, redeeming the Shares or adjusting the equity structure pursuant to the Articles of Association;
- (v) our Company grants loans in its ordinary and usual course of business, provided that such loans shall not result in reduction in the net assets of our Company, or even if the net assets are reduced, this financial assistance is paid from the profit available for distribution; and
- (vi) our Company provides the employee share option scheme with funds, provided that such loans shall not result in reduction in the net assets of our Company or, even if the net assets are reduced, this financial assistance is paid from the profit available for distribution.

For the purpose of the above provisions:

- (i) "Financial assistance" includes, but is not limited to:
 - (A) gifts;
 - (B) guarantees (including acts of the guarantor assuming liabilities or providing property to ensure that the obligor performs the obligations), compensation (excluding compensation arising from mistakes of our Company), release or waiver of rights;
 - (C) provision of loans or signing of contracts whereby our Company performs some obligations before others, change of the parties to the loans/contracts as well as the assignment of the rights in the loans/contracts; or
 - (D) financial assistance provided by our Company in any other manner when it is insolvent, has no net assets, or will suffer significant decreases in net assets.
- (ii) "Assuming obligations" includes an obligor undertaking obligations by signing agreements or making arrangements (no matter whether the agreements or arrangements are enforceable on demand or bearing the obligations by itself or jointly with any other person) or changing its financial conditions in any other manner.

(f) Disclosure relating to the contract rights of our Company and voting on the contract/s

When any of the Directors, Supervisors and senior management has a material interest, either directly or indirectly, in the contracts, transactions or arrangements that our Company has entered into or plans to enter into (except for employment contracts between our Company and the Directors, Supervisors and senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions, arrangements or suggestions are subject to the approval of the Board of Directors in normal circumstances.

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With respect to any contract, transaction, arrangement or proposal in which a Director or his associates have a material interest, subject to such certain exceptions available under the Listing Rules or such exceptions as the Stock Exchange may approve, the Director shall withdraw and not participate in voting; and the Director shall not be included when determining whether the number of directors attending the meeting reaches a quorum.

Unless the Directors, Supervisors and senior management with interests in contract, transaction or arrangement have made disclosure to the Board of Directors in accordance with the above requirements and the Board of Directors approves the matters at the meeting where they are not included in the quorum nor participate in voting, our Company shall have the right to revoke the contracts, transactions or arrangements, except where the counterparty has acted in good faith without knowledge of the acts of the relevant Directors, Supervisors and senior management violating their obligations.

The Directors, Supervisors or senior management shall be deemed to have interests in certain contracts, transactions and arrangements if any of their associates have interests those contracts, transactions and arrangements.

(g) Remuneration

Our Company shall sign written agreements with the Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general meeting, including:

- (i) remuneration for providing services as the Directors, Supervisors or senior management of our Company;
- (ii) remuneration for providing services as the Directors, Supervisors or senior management of our subsidiaries;
- (iii) remuneration for providing other services for management of our Company and our subsidiaries; and
- (iv) compensation to be received by the Directors or Supervisors as a result of loss of position or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relating to the above unless otherwise provided in the above agreements.

(h) Resignation, Appointment and Dismissal

None of the following persons shall serve as our Director, Supervisor or senior management:

- (i) anyone who has no civil capacity or has limited civil capacity;
- (ii) anyone who has been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;
- (iii) anyone who served as director, factory manager or manager of a company or enterprise that was bankrupt and liquidated as a result of improper management, and was personally liable for the bankruptcy of the company or enterprise, within three years of the date of completion of bankruptcy and liquidation of the company or enterprise;

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- (iv) anyone who served as the legal representative of a company or enterprise of which the business license was revoked due to violation of the law and was personally liable, within three years of the date on which the business license of our Company or enterprise was revoked;
- (v) anyone who has a large sum of debt due but hasn't paid off;
- (vi) anyone who is investigated by the judicial authority for violation of criminal law and whose case is pending;
- (vii) anyone who may not serve as a head of the company pursuant to the provisions of the laws and administrative regulations, or regulations of the competent authorities;
- (viii) anyone who is not a natural person;
- (ix) anyone ruled by the competent governmental body to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the ruling was made; or
- (x) other circumstances which are applicable pursuant to the provisions of the laws and administrative regulations, or regulations of the competent authorities.

The qualifications of the directors, supervisors and the senior management shall be reviewed and approved by the relevant regulatory authority. The proposed directors, supervisors or senior management shall not perform their duties before approved by the relevant regulatory authority.

The validity of the acts of the Directors, Supervisor or senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their appointment, election or qualifications.

The Board of Directors consists of nine directors and these are elected at the general meeting, of which at least one-third shall be independent non-executive Directors. The Directors are not required to hold any of our Shares.

The chairman shall be elected and dismissed by a vote of more than two-thirds of the Directors.

Subject to compliance with the relevant laws and administrative regulations, the general meeting may remove any Director whose term has not expired by an ordinary resolution without affecting any claim for damages that may be made pursuant to any contract.

The Directors serve three-year terms. Upon expiration of the term, the Director may be re-elected.

Written notice concerning proposed nomination of a director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Board of Directors ten days before the general meeting is convened.

(i) Power to Obtain Loans

The Articles of Association does not include any special provision regarding the manner in which the Directors may exercise the right to obtain loans or the manner in which such a right is created except (a) the provision regarding the power of the Directors to make the plans for our Company to issue bonds,

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and (b) the provision that the issuance of the bonds must be approved by the Shareholders through a special resolution at the general meeting.

(j) Responsibilities

The Directors, Supervisors and senior management shall bear the obligations of good faith and diligence towards our Company. In the event of violation of obligations owed to our Company by the Directors, Supervisors and senior management, we shall have the right to take the following measures in addition to various rights and remedial measures stipulated in laws and administrative regulations:

- (i) require the relevant Directors, Supervisors or senior management to compensate our Company for losses sustained as a result of their neglect of duty;
- (ii) revoke any contract or transaction entered into between the Company and the relevant Directors, Supervisors or senior management as well as any contract or transaction entered into between our Company and any third person when the third person knew or should have known that the Directors, Supervisors or senior management acting on behalf of our Company violated their obligations owed to our Company;
- (iii) require the relevant Directors, Supervisors or senior management to turn over the proceeds obtained from the violation of their obligations;
- (iv) recover funds collected by the relevant Directors, Supervisors or senior management that should have been collected for our Company, including but not limited to commissions;
- (v) require the relevant Directors, Supervisors or senior management to return to the Company the interest earned or that may be earned from funds that should have been paid to our Company.

When performing their responsibilities, the Directors, Supervisors and senior management must comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have undertaken. This principle includes, but is not limited to, performing the following obligations:

- (i) sincerely taking the best interests of our Company as the starting point of any action;
- (ii) exercising his/her rights within but not exceeding the scope of authority;
- (iii) exercising conferred discretionary powers personally without being manipulated by others; not transferring discretionary powers to other persons unless and to the extent permitted by laws and administrative regulations or with the informed consent of Shareholders given at the general meeting;
- (iv) treating Shareholders of the same type equally and Shareholders of different types fairly;
- (v) not entering into any contract, transaction or arrangement with our Company, unless otherwise provided in the Articles of Association or approved by the general meeting with the Shareholders' full knowledge;
- (vi) not taking advantage of the Company's properties in any manner to make profit for themselves, unless otherwise approved at the general meeting with the Shareholders' full knowledge;

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- (vii) not taking advantage of their positions to take bribes or other illegal gains in any form, nor seizing the Company's properties/interests in any manner, including, but not limited to, opportunities beneficial to our Company;
- (viii) not accepting the commissions relating to the transactions of our Company, unless otherwise approved by the general meeting with the Shareholders' full knowledge;
- (ix) compliance with the Articles of Association, discharging duties in good faith, safeguarding the interests of our Company rather than seeking private by taking advantage of their positions and authorities in our Company;
- (x) not competing with our Company in any manner, unless otherwise approved at the general meeting with the Shareholders' full knowledge;
- (xi) not misappropriating or lending the Company's funds to others, or depositing the assets of our Company in an account opened in their own name or other names, or using the assets of our Company as the collateral to guarantee the debts of the Shareholders or other individuals; and
- (xii) not disclosing any confidential information relating to our Company obtained during their term of office, unless otherwise approved at the general meeting with the Shareholders' full knowledge; not using this confidential information unless in the interests of the Company; however, under the following circumstances the information may be disclosed to the court or other competent governmental body as required by: (A) the provisions of the law; (B) the public interest; (C) the interest of the Directors, Supervisors or senior management.

The Directors, Supervisors and senior management may not direct the following personnel or institutions ("**related personnel**") to do acts that Directors, Supervisors and senior management are prohibited from doing:

- (i) spouse or minor children of the Director, Supervisor or senior management;
- (ii) trustee of the Directors, Supervisors and senior management or the persons mentioned in (i);
- (iii) partners of the Directors, Supervisors and senior management or persons mentioned in (i); and
- (iv) the company under de facto control by the Directors, Supervisors and senior management individually or jointly with the persons or other directors, supervisors and senior management of companies mentioned in (i), (ii) and (iii); or
- (v) Directors, Supervisors or senior management of the controlled companies mentioned in (iv).

The good faith obligation owed by the Directors, Supervisors and senior management may not necessarily terminate with the expiration of their terms; their obligation to keep the trade secrets of our Company in confidence shall survive the expiration of their terms, until such secrets become public available. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Unless otherwise provided in the Articles of Association, liabilities of Directors, Supervisors and senior management arising from the violation of specific duties may be released by informed Shareholders at general meetings.

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Apart from the obligations set forth in the relevant laws, administrative regulations or the listing rules of the stock exchange where the Shares are listed, the Directors, Supervisors or senior management shall assume the following obligations for each of the Shareholders when exercising their rights and performing their responsibilities:

- (i) They may not cause our Company to operate beyond the scope of business indicated on our business license;
- (ii) They shall sincerely take the best interests of our Company as the starting point of any action;
- (iii) They may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company; and
- (iv) They may not deprive the Shareholders of personal rights and interests, including, but not limited to, the right to receive dividends distributed and to vote, except for restructuring of our Company approved at the general Shareholders' meeting pursuant to the provisions of the Articles of Association.

The Directors, Supervisors and senior management have the responsibility when exercising their rights or carrying out their obligations to act with the care, diligence and skill due from a reasonably prudent person under similar circumstances.

2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

We may amend the Articles of Association based on the provisions of the relevant laws, administrative regulations and Articles of Association. The amendment to the Articles of Association shall be subject to the approval of the relevant regulatory authorities.

Where the amendment of the Articles of Association involves our registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3 SPECIAL VOTING PROCEDURES OF CLASSIFIED SHAREHOLDERS

Any Shareholder who holds different types of Shares is a classified Shareholder. Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the general meeting in the form of a special resolution and the approval of the affected classified Shareholders at a separately convened meeting of the affected classified Shareholders in accordance with the Articles of Association before it can be implemented. The rights of a classified Shareholder shall be viewed as changed or abolished under any of the following circumstances:

- (a) Increase/reduce the number of the classified Shares, or increase/reduce the number of classified Shares with equal or more voting rights, distribution rights and other privileges than this type of classified Shares;
- (b) Convert all or part of the classified Shares into other types or convert another type of Shares, partly or wholly, into this type of classified Shares or grant such conversion right;
- (c) Cancel/reduce the right of the classified Shares to obtain dividends generated or cumulative dividends;
- (d) Reduce/cancel the right of the classified Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;

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- (e) Increase/cancel or reduce the right of the classified Shares to convert Share rights, options rights, voting rights, transfer rights, and pre-emptive rights, or the right to obtain the securities of our Company;
- (f) Cancel/reduce the right of the classified Shares to receive funds payable of our Company in specified currencies;
- (g) Create new classified Shares entitled to equal or more voting rights, distribution rights, or other privileges than the classified Shares;
- (h) Impose restrictions on the transfer of ownership of the classified Shares or increase such restrictions;
- (i) Issue subscription or conversion rights for this or other classified Shares;
- (j) Increase the rights and privileges of other types of Shares;
- (k) The restructuring plan of our Company may constitute different types of Shareholders to assume responsibilities disproportionately; or
- (l) Amend or abolish clauses stipulated in our Articles of Association.

Whether or not the affected classified Shareholders have voting rights at the general meeting, in the event of matters described above from (b) through (h), (k) and (l), they have voting rights at the classified Shareholders' meeting, but the Shareholders that have interests at stake (as defined in our Articles of Association) shall have no voting rights at the classified Shareholders' meeting.

The resolution of the classified Shareholders' meeting shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the classified Shareholders' meeting.

When convening a classified Shareholders' meeting, our Company shall send a written notice at least 45 days (excluding the date of the meeting) before the proposed date of the classified Shareholders' meeting to inform all registered holders of the classified Shares on matters to be deliberated at the meeting, as well as the date and venue of the meeting. Shareholders planning to attend the meeting shall send our Company a written reply concerning attendance at the meeting 20 days before the meeting.

In the event that the number of shares with voting power represented by Shareholders planning to attend the meeting accounts for more than one half of the total number of said classified Shares with voting power at the meeting, our Company may convene a classified Shareholders' meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated as well as the date and venue of the meeting within five days in the form of an announcement or other forms stipulated in our Articles of Association and our Company may convene a classified Shareholders' meeting once the announcement or other forms of notice stipulated in our Articles of Association is delivered.

The notice of the classified Shareholders' meeting needs only to be sent to the Shareholders who have the right to vote at the meeting.

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Insofar as possible, any classified Shareholders' meeting shall be held in accordance with the same procedures as those of the general Shareholders' meeting, and any clause that relates to the procedures for convening the general Shareholders' meeting in the Articles of Association shall apply to any classified Shareholders' meeting.

Apart from the holders of other classified Shares, the holders of Domestic Shares and the holders of overseas listed foreign Shares are considered as different classified Shareholders.

The special procedures for voting by classified Shareholders shall not apply under the following circumstances:

- (a) Upon the approval by a special resolution at the general meeting, our Company either separately or concurrently issues Domestic Shares and overseas-listed foreign shares once every 12 months, and the number of those shares to be issued shall not account for more than 20% of each of its outstanding shares;
- (b) The plan to issue Domestic Shares and overseas-listed foreign Shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authority of the State Council; or
- (c) Upon the approval by the securities regulatory authorities of the State Council, the unlisted Shares held by our Shareholders become listed or traded on an overseas stock exchange.

4 SPECIAL RESOLUTIONS TO BE PASSED BY A TWO-THIRDS MAJORITY OF VOTE

The resolutions of the Shareholders' meeting are categorized as ordinary resolutions and special resolutions.

An ordinary resolution can be adopted by a simple majority of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies) attending the general Shareholders' meeting.

5 VOTING RIGHTS (GENERALLY ON A POLL AND RIGHT TO DEMAND A POLL)

The ordinary Shareholders have the right to attend or appoint a proxy to attend and vote at the general Shareholders' meeting. When voting at the general shareholders' meeting, the shareholder (or proxy) may exercise his or her voting rights in accordance with the number of shares with voting power held with each share representing one vote.

When voting at a general meeting, Shareholders (including their proxies) who are entitled to two or more votes are not required to vote against or in favor with their total number of votes.

When the number of dissenting votes equals the number of supporting votes, the chairman of the meeting is entitled to one additional vote.

6 GENERAL MEETINGS

The general meetings are divided into annual general meetings and extraordinary general meetings. General meetings are called by the Board of Directors. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

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7 ACCOUNTING AND AUDITS

(a) Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to the PRC laws, administrative regulations, as well as accounting standards developed by the competent department in charge of finance under the State Council.

The Board of Directors shall submit the financial reports of our Company, as required by the laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual general meetings.

Apart from the PRC accounting standards for business enterprises and regulations, the financial reports of our Company shall also conform to international accounting standards and the accounting standards of overseas jurisdiction in which the Shares are listed. In the event of any material discrepancy between the financial reports prepared in accordance with the two accounting standards, such discrepancy must be provided in the notes to the financial reports. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two financial reports, whichever is lower, shall prevail.

Our Company shall make its financial reports available for inspection by the Shareholders 20 days before the annual general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report.

Our Company shall send the aforesaid reports to each of the holders of overseas-listed foreign Shares by the manner as stipulated in the Articles of Association of our Company or by postage-paid mail at least 21 days before the annual general meeting is convened and the recipient's address shall be the address as shown in the register of Shareholders.

Our Company's interim results or financial information published or disclosed by our Company shall at the same time be prepared in accordance with PRC accounting standards, regulations, international accounting standards as well as the accounting standards of the overseas jurisdiction in which the Shares are listed.

Our Company must publish the financial reports twice in each fiscal year. Interim financial reports shall be published within 60 days following the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days following the end of each fiscal year. Whereas there are separate provisions by the overseas securities regulatory authorities in which the Shares are listed, those provisions shall prevail.

The Company shall not keep any accounting books other than those specified by law.

(b) Appointment and Dismissal of Accountants

Our Company shall appoint an accounting firm with independent qualifications that meets appropriate requirements of the state to be responsible for auditing its annual report and reviewing its other financial reports.

The term of the accounting firm appointed by our Company shall start at the close of the annual general meeting and continue until the close of the next annual general meeting.

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Without prejudice to the right of the accounting firm to claim for compensation (if any) for being dismissed and replaced, the Shareholders may replace the accounting firm through an ordinary resolution at the general meeting prior to the expiration of the term of any accounting firm notwithstanding the terms and conditions of the contract howsoever entered into between our Company and the accounting firm.

Remuneration of the accounting firm and the manner in which the remuneration is determined shall be decided on by the Shareholders at the general meeting. The remuneration of the accounting firm appointed by the Board of Directors shall be confirmed by the Board of Directors.

Appointment, dismissal/replacement or termination of the contract of the accounting firm by our Company is subject to the resolution of the Shareholders at the general meeting and shall be filed with the securities regulatory authority of the State Council.

Before dismissing, reappointing, replacing or terminating the contract with the accounting firm, our Company shall send a notice to the accounting firm in advance notifying it of the matters relating to the dismissal, reappointment, replacement or contract termination, and the accounting firm shall be entitled to attend the general meeting and make a statement.

In the event that the accounting firm requests to resign, it shall declare to the general meeting whether our Company is affected by any improprieties.

The accounting firm shall resign by sending a written resignation notice to our Company's legal address. The notice shall take effect on the date of delivery to that address or on the date specified in the notice, whichever is later.

The notice shall include the following statements:

- (i) Its resignation does not include any statement that should be disclosed to the Shareholders or creditors of our Company; or
- (ii) Any statement that should be disclosed.

Within 14 days of receipt of the notice mentioned above, our Company shall send the copy of the notice to related competent authority. If the notice includes statements mentioned in (ii) of the preceding paragraph, our Company shall retain a copy thereof for perusal by the Shareholders and deliver such copy in accordance with Articles of Association or send a copy of the above-mentioned statements to Shareholders of overseas-listed foreign shares in accordance with the addresses registered on the register of Shareholders by postage-prepaid mail.

In the event that the resignation notice of the accounting firm includes any statement that should be disclosed to the Shareholders or creditors, the accounting firm may request the Board of Directors to convene an extraordinary general meeting to hear its explanations regarding the resignation.

8 NOTIFICATION AND AGENDA OF GENERAL MEETINGS

The general meeting is the authorized organ of our Company that can perform duties and exercise powers in accordance with the law.

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Apart from special circumstances such as where our Company is in crisis, without the approval of a special resolution of the general meeting, our Company shall not enter into a contract with any person other than the Directors, Supervisors and senior management that would make a person responsible for the management of all or part of the main business of our Company.

Under any of the following circumstances, the Board of Directors shall convene an extraordinary general meeting within two months:

- (a) The number of Directors is less than the number specified in the PRC Company Law or less than two thirds of the number required in the Articles of Association;
- (b) The uncovered losses of our Company reach one-third of its total paid-in share capital;
- (c) The Shareholders separately or jointly holding 10% or more voting power request to convene an extraordinary general meeting in writing;
- (d) The Board of Directors considers it necessary or the Supervisory Committee proposes to convene an extraordinary general meeting; or
- (e) Any other circumstances stipulated in laws, administrative regulations, regulations of the competent authorities or the Articles of Association.

When convening a general meeting, our Company shall send a written notice to inform all registered Shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting 45 days before it is convened (excluding the date of meeting). Shareholders planning to attend shall send to our Company a written reply to that effect 20 days before the meeting is held.

At our Company's general meeting, the Shareholders jointly holding 3% or more Shares with voting power are entitled to submit written proposals to our Company.

Our Company shall calculate the number of Shares with voting power represented by the Shareholders planning to attend the general Shareholders' meeting in accordance with the written replies received 20 days before the meeting is convened. In the event that the number of Shares with voting power represented by the Shareholders planning to attend reaches more than one half of our total number of Shares with voting power, our Company may convene the general Shareholders' meeting. If this number is not reached, our Company shall again inform the Shareholders of the matters to be deliberated and the date and venue of the meeting within five days in the form of an announcement or other forms stipulated in our Articles of Association before the general meeting may be convened.

The notice of the general meeting shall be in writing and meet the following requirements:

- (a) Specified venue, date and time of the meeting;
- (b) Specified matters to be deliberated at the meeting;
- (c) Provision to the Shareholders of the detailed information and contract and the materials and explanations about the cause and consequence necessary for the Shareholders to make sound decisions about the matters to be deliberated. This principle includes, but is not limited to, the provision of the detailed terms and contract(s), if any, of the proposed transaction(s) and proper explanations about related causes and effects when our Company proposes merger/s, redemption of shares, restructuring of stock capital or other restructuring;

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- (d) In the event that any of the Directors, Supervisors, president or other senior management has material interests at stake in matters to be deliberated, the nature and extent of the interests at stake shall be disclosed. If the matters to be deliberated affect any Director, Supervisor, president or other senior management as a Shareholder in a manner different from how they affect other Shareholders of the same type, the difference shall be explained;
- (e) Inclusion of the full text of any special resolution to be proposed for adoption at the meeting;
- (f) A clear explanation that the Shareholder is entitled to attend and vote at the general Shareholders' meeting, or to appoint one or more entrusted representative to attend and vote at the meeting on his or her behalf and that such may not necessarily be Shareholders;
- (g) Specified delivery time and place of the power of attorney for proxy voting of the meeting; and
- (h) Name and Telephone Numbers of permanent contact for meeting affairs.

The notice of the general meeting and circular of the Company shall be sent in announcement, person or by postage-paid mail, to the holders of H Shares in accordance with the relevant provisions of the Listing Rules regardless of whether such Shareholders have the right to vote at the general meeting, and each recipient's address shall be according to the address indicated on the register of Shareholders. For holders of Domestic Shares, the notice of our general meeting may be given in the form of an announcement.

This announcement shall be published in one or more newspapers designated by the securities governing authority of the State Council within a period of 45 to 50 days before the meeting is convened. Once the announcement is made, all holders of Domestic Shares shall be deemed to have received the notice of our general meeting.

For holders of overseas-listed foreign shares, the announcement of our general meeting may be published in one or more newspapers designated by the Stock Exchange, at least including one Chinese and one English publication accessible via websites designated by our company or the Stock Exchange. Once the announcement is made, all holders of overseas-listed foreign shares shall be deemed to have received the notice of our general meeting.

The Shareholders who wish to convene an extraordinary general meeting or classified Shareholders' meeting shall be in accordance with the following procedures:

- (a) Shareholders who separately or jointly hold 10% or more of the Shares carrying voting rights may request the Board to convene an extraordinary general meeting or classified Shareholders' meeting by signing a written requirement or several copies with the same format and to illustrate the subject of the meetings. The Board shall convene an extraordinary general meeting or classified Shareholders' meeting as soon as practicable upon receipt of the foresaid written requirement. The aforesaid number of share holdings is calculated as of the date of the submission of the written requirement by the Shareholders.
- (b) In the event that the Board cannot or fails to perform its duty to convene a meeting, the Supervisory Committee shall convene and chair the meeting in time; if the Supervisory Committee fails to convene and chair the meeting, the Shareholders who separately or jointly hold more than 10% of the Shares of our Company within more than 90 consecutive days may convene and chair by themselves.

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If the Shareholders call and convene a meeting by themselves since the Board cannot convene a meeting in accordance with the foresaid requirement, the expenses reasonably arising therefrom shall be borne by our Company and deducted from the amounts due to the Directors as a result of loss of office.

Shareholders who separately or jointly hold more than 3% of the Shares of our Company may submit a temporary proposal to the Board in writing within 10 days from the convening of the general Shareholders' meeting; the Board shall notify other Shareholders within two days of receipt of the proposal and submit this temporary proposal to the general meeting for consideration. The contents of the temporary proposal shall fall into the category of the terms of reference of the general meeting and it shall have an explicit subject and specific resolutions.

Apart from aforesaid matters, the convener shall not amend the proposals stated in the notice of the general meeting or add new proposals upon issuance of the announcement on the notice of the general meeting.

The general meeting shall be convened by the Board and chaired by the chairman; if the chairman is unable to or fails to perform his duties, the general meeting shall be chaired by a director co-elected by more than half of the directors. If the Board is unable to or fails to perform its duty to convene the general meeting, the Supervisory Committee shall convene and chair the meeting in time; if the Supervisory Committee is unable to or fails to perform its duty to convene the general meeting, the Shareholders who separately or jointly hold more than 10% of our Company's shares within more than 90 consecutive days may convene and chair the meeting by themselves, and the present Shareholders may elect the chairman. If the Shareholders are unable to elect the chairman due to any reason, the shareholder (including his proxy) presented at the meeting who hold the shares carrying the maximum voting rights shall act as the chairman of the meeting.

The following matters shall be approved by the general meeting through ordinary resolutions:

- (a) Work report of the Board of Directors and Supervisory Committee;
- (b) Plans of earnings distribution and loss recovery schemes drafted by the Board of Directors;
- (c) Appointment or dismissal, remuneration and payment methods of the members of the Board of Directors and those members of Supervisory Committee not appointed to the committee as staff representatives;
- (d) Annual budget/final account report, balance sheet, income and other financial statements of our Company; and
- (e) Other matters in addition to those approved by special resolution stipulated in the laws, administrative regulations or the Articles of Association.

The following matters shall be approved by special resolution at the general meeting:

- (a) Increase or decrease of our Company's share capital and issue of any type of shares, warrants and other similar securities;
- (b) Issue of bond;
- (c) Division, merger, dissolution and liquidation of our Company and the change of form of our Company;

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- (d) Amendment of the Articles of Association; and
- (e) Other matters as required by the laws, administrative regulations or the Articles of Association, and as approved by ordinary resolution of the general meeting which are believed could materially affect our Company and need to be approved by special resolution.

9 SHARE TRANSFERS

All fully paid up overseas-listed foreign shares listed in Hong Kong shall be exempted from any restriction on the right of transfer (except when permitted by the Stock Exchange) and shall also be exempted from all liens pursuant to the Articles of Association.

However, unless the overseas-listed foreign Shares listed in Hong Kong meet the following conditions, the Board of Director may refuse to recognize any transfer document without giving a reason:

- (a) The transfers and other documents relating to or affecting the title to any registered securities shall be registered and the fee paid to the Company shall be in accordance with the Listing Rules;
- (b) The transfer documents only involve H Shares;
- (c) The stamp duty chargeable on the transfer documents has been paid;
- (d) The relevant Share certificate, and upon the reasonable request of the Board of Directors, any evidence in relation to the right of the transferor to transfer the Shares has been submitted;
- (e) If the Shares are to be transferred to joint holders, the number of the joint holders shall not exceed four; and
- (f) Our Company does not have any lien on the relevant Shares.

If our Company refuses to register the share transfer, the Board of Directors shall deliver to the transferor and the transferee a notice of refusal to register within two months from the formal application.

No change may be made to the information in the register of Shareholders as a result of the share transfer within 30 days before the general meeting is convened or within five days prior to the record date on which our Company has decided to distribute dividends.

10 RIGHTS OF OUR COMPANY TO REPURCHASE OUR OUTSTANDING ISSUED SHARES

Under any of the following circumstances, our Company may repurchase our outstanding issued Shares pursuant to the requirements of the laws, administrative rules and regulations and the Articles of Association:

- (a) Cancellation of the shares to reduce our Company's share capital;
- (b) Merger with other companies which hold our Shares;
- (c) Granting Shares to our staff as incentives;

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- (d) Repurchase our Shares from the Shareholders who vote against any resolutions passed at the general meeting in relation to the merger and division of our Company; or
- (e) Other circumstances as required by the laws and administrative regulations and as approved by the competent authorities of the PRC.

In the event our Company repurchases the Shares for reasons stated in (a) through (c) of the preceding paragraph, the relevant resolutions must be passed at the general meeting. If our Company repurchase the Shares according to the provision of the preceding paragraph under the circumstances set forth in (a), the shares repurchased must be cancelled within ten days following the date on which they are repurchased. In the event of the circumstances set forth in (b) and (d) the Shares repurchased must be transferred or cancelled within six months.

In the event that our Company repurchases the Shares pursuant to the provisions of (c) in the preceding paragraph, the Shares repurchased may not exceed 5% of the total issued Shares. The fund used for such repurchase must be paid from the after-tax net profit of our Company and the Shares repurchased must be transferred to the staff within one year.

Our Company may repurchase the Shares in any of the following ways:

- (a) Making a general offer to all Shareholders on a pro-rata basis;
- (b) Repurchasing the Shares through on the stock exchange through public trading;
- (c) Repurchasing the Shares by an agreement off the stock exchange;
- (d) In other ways approved by the competent authorities of the PRC.

Where our Company repurchases the Shares by an agreement off the stock exchange, it shall obtain prior approval at the general meeting pursuant to the Articles of Association. Likewise, subject to the prior approval of the general meeting, our Company may dissolve or change the contract signed in the aforesaid manner or waive any of its rights in the contract. As for the redeemable Shares that our Company is entitled to repurchase, if they are not repurchased in the market or by bidding, the price may not exceed a certain maximum limit. If the Shares are repurchased by bidding, a proposal to bid must be made to all Shareholders on equal terms. Any contract entered into in connection with a proposed share repurchase may include, but is not limited to, an agreement of consents to undertake the obligation to repurchase the Shares and obtain the rights to repurchase them.

Our Company shall not transfer any contract or any rights in the contract in relation to the share repurchase.

Unless our Company has entered into the liquidation process, we must comply with the following provisions for the repurchase of issued Shares:

- (a) Where our Company repurchases the Shares at book value, the funds shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new Shares to buy back the old Shares;

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- (b) Where our Company repurchases the Shares at a premium to the book value, the portion of funds equivalent to book value shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new Shares made for the purpose of repurchase of Shares; while the portion of funds higher than book value shall be dealt with in the following manner:
 - (i) Where the Shares repurchased were issued at book value, the funds shall be deducted from the book balance of our distributable earnings;
 - (ii) Where the Shares repurchased were issued at a premium to the book value, the funds shall be deducted from the book balance of our distributable earnings and the proceeds obtained from the issue of new Shares made for the purpose of repurchase of Shares. However, the amount deducted from the proceeds obtained from the issue of new Shares shall not exceed the total premium amount obtained when the Shares repurchased were issued or the amount (including the premium amount of the issue of new shares) in our capital reserve account when the Shares are repurchased.
- (c) The funds paid by our Company for the following purposes shall be deducted from our distributable earnings:
 - (iii) To obtain the right to repurchase the Shares;
 - (iv) To modify any contract to repurchase the Shares;
 - (v) To release any obligation of our Company under the share repurchase contract.
- (d) After the total book value of the cancelled Shares is deducted from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable earnings for paying up the book value portion of the Shares repurchased shall be credited to our capital reserve account.

11 DIVIDEND AND DISTRIBUTION METHODS

Our Company may distribute dividends by way of cash, shares or other methods permitted by laws, administrative regulations, rules of regulatory authorities or regulatory rules of listing place. When our Company pays cash dividends and other funds to the holders of Domestic Shares, payment shall be made in Renminbi.

When our Company pays cash dividends and other funds to holders of overseas listed foreign Shares, payment shall be denominated in Renminbi and paid in Hong Kong dollars. The foreign exchange required by our Company to pay cash dividends and other funds to holders of overseas listed foreign Shares shall be handled in accordance with the relevant regulations of SAFE.

Our Company shall appoint, on behalf of holders of overseas listed foreign Shares, receiving agents to receive dividends and other payable funds that are distributed with respect to our overseas listed foreign Shares and the receiving agent shall be a trust company registered under the Trustee Ordinance.

The receiving agents appointed by our Company shall comply with the relevant laws or the rules of the securities exchange where the Shares are listed.

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12 SHAREHOLDER PROXIES

Any shareholder who is entitled to attend and vote at our general meeting has the right to appoint one or more persons (who may not necessarily be Shareholders) as his or her shareholder proxy to attend and vote at the meeting in his or her place. Pursuant to the authorization of the Shareholder, the proxy may exercise the following rights:

- (a) Speak for the Shareholder at the general meeting;
- (b) Demand a poll individually or with others;
- (c) Exercise the right to vote by a show of hands or a poll, but the shareholder proxy may only exercise the right to vote by a poll when more than one proxy is appointed.

The shareholder proxy appointment shall be in writing and shall be signed by the appointor or a person duly authorized in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by the Director or a duly authorized agent. The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time at which the resolution is adopted. If the power of attorney is signed by another person authorized by the appointor by means of power of attorney or other instrument of authorization, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney appointing the entrusted representative at our residential address or other location designated at the notice convening the meeting.

Where the appointor is a legal person, a power of attorney may be signed by its duly authorized person to authorize its legal representative or any person authorized by resolutions of its board of directors or other governing body to attend our general meeting as a representative.

Any form sent by the Directors to the Shareholder for appointing a shareholder proxy shall allow the Shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify that the shareholder proxy may vote at his or her own discretion if the Shareholder does not provide instructions.

The votes of the shareholder proxy given pursuant to the terms of an instrument of proxy shall remain valid notwithstanding the previous death, loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that our Company does not receive written notice concerning such matters before the related meeting is convened.

13 REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

Pursuant to the understanding reached and agreement entered into between the competent authority in charge of securities under the State Council and the overseas securities regulatory authority, our Company may keep overseas a register of the holders of the overseas listed foreign Shares and entrust an overseas entity to manage it. The original register of the holders of H Shares shall be kept in Hong Kong.

Our Company shall keep a copy of the register of the holders of the overseas listed foreign Shares at our residential address. The overseas entrusted entity shall at all times maintain consistency between the original and copy of the register of the holders of the overseas listed foreign Shares.

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In case of inconsistency between the original and copy of the register of the holders of the overseas listed foreign Shares, the original shall prevail.

Our Company must keep a complete register of Shareholders. The register of Shareholders shall include the following:

- (a) Register of Shareholders kept at our residential address other than those specified in (b) and (c);
- (b) Register of the holders of our overseas listed foreign Shares kept at the location of the stock exchange where such Shares are listed;
- (c) Register of Shareholders kept in other locations according to the decision of the Board of Directors as required for the listing of the Shares.

Different parts of the Shareholders' register shall not overlap. The transfer of Shares registered in a certain part of the register of Shareholders shall not be registered elsewhere in the register of Shareholders as long as the Shares remain registered. Any alteration or rectification to any part of the register of Shareholders shall be made in accordance with the laws in the place where such part of the register of Shareholders is maintained.

No change of the register of Shareholders as a result of share transfer shall be made within 30 days before the general Shareholders' meeting is convened or within five days prior to the record date on which our Company decides to pay dividends.

When our Company convenes a general meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of equities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the Shareholders whose names appear on the register of Shareholders shall be the Shareholders.

Any person who objects to the register of Shareholders and requests to register his or her name in the register of Shareholders or to remove his or her name from the register of Shareholders may apply to the court with jurisdiction to amend the register of Shareholders.

The Shareholders are entitled to obtain certain information, including but not limited to:

- (a) The Articles of Association upon payment of a fee;
- (b) The right to inspect and copy the following after paying a reasonable fee:
 - (i) All parts of the register of Shareholders;
 - (ii) Personal information of the Directors, Supervisors and senior management;
 - (iii) Status of the share capital of our Company;
 - (iv) counterfoil of bonds of our Company;
 - (v) latest audited financial statements of our Company and report of Board of Directors, Auditors and Board of Supervisors;
 - (vi) special resolutions of our Company;

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- (vii) quantity and book value of securities repurchased by our Company since the previous accounting year, and report on the total amount, maximum and minimum prices paid for every securities repurchased, which shall be subdivided with respect to domestic and foreign shares;
- (viii) latest annual return submitted to industrial and commercial administrative departments or other competent departments on file (if applicable);
- (ix) Minutes of the general meeting, resolutions of the Board of Directors' meeting, resolutions of the supervisory committee' meeting.

Whenever a Shareholder proposes to inspect the relevant information as described above or requests materials, he or she shall provide our Company with written documents certifying the type and number of the Shares held and our Company shall provide the relevant information and materials in accordance with the requirements of the Shareholder after verifying his or her identity.

14 QUORUM OF GENERAL MEETINGS

If the number of Shares carrying voting rights represented by the Shareholders intending to attend the meeting reaches one half of the total number of Shares carrying voting rights, our Company may convene the general meeting. If the number of a class of Shares carrying voting rights represented by the Shareholders intending to attend the meeting exceeds one half of the total number of such class of Shares, our Company may convene a classified Shareholders' meeting. If the aforesaid quorums are not achieved, the Company should again notify its Shareholders, by public announcement, of the meeting agenda, meeting time and place. Having announced publicly, the Company can convene the general meeting, or the classified Shareholders' meeting.

15 RESTRICTIONS ON RIGHTS OF THE CONTROLLING SHAREHOLDERS

Apart from the obligations required in laws, administrative regulations or the listing rules of the stock exchange on which the Shares are listed, the Controlling Shareholder shall not make any decision that is detrimental to the interest of all or part of the Shareholders on the following issues by exercising his or her Shareholder voting rights:

- (a) Releasing the Directors and Supervisors from the responsibility of acting honestly in the best interest of our Company;
- (b) Permitting the Directors and Supervisors (for their own or others' interests) to deprive our Company of assets in any form, including, but not limited to, any opportunity that is beneficial to our Company;
- (c) Permitting the Directors and Supervisors (for their own or others' interests) to deprive the Shareholders of their personal rights and interests, including, but not limited to, any dividend distribution or voting right, but excluding the restructuring of our Company approved at the general meeting pursuant to the Articles of Association.

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16 COMPANY LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

- (a) The general meeting passes a resolution to dissolve our Company;
- (b) Our Company needs to be dissolved for the purpose of merger or division;
- (c) Our Company is declared legally bankrupt as a result of failure to pay debts as they fall due;
- (d) The business license is revoked, or our Company is ordered to close or be eliminated according to applicable law;
- (e) Where our Company encounters significant difficulties in business and management, continuous survival may be significantly detrimental to the interests of the Shareholders, and the difficulties may not be overcome through other means, Shareholders who hold more than 10% of the Shares carrying voting rights may request the court to dissolve our Company.

Where our Company is dissolved due to the provisions set forth in (a), (d) and (e) above, the liquidation team shall be established within 15 days and the personnel comprising the liquidation team shall be determined by the Board of Directors or the general Shareholders' meeting. In the event the liquidation team is not established during such period, the creditors can request the people's court to appoint relevant personnel to establish the liquidation team for liquidation. In the event that our Company is dissolved in accordance with the provisions set forth in (c) above, the people's court shall organize the Shareholders, related agencies and professionals to form the liquidation team pursuant to relevant provisions of the law.

Our Company shall obtain the approval from the relevant regulatory authority in the event that our Company is dissolved due to division, merger or other reason as provided in the Articles of Association. The relevant regulatory authority shall supervise the liquidation process.

If the Board of Directors decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board of Directors shall state in the notice of the general meeting convened for this purpose that the Board of Directors has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the start of liquidation.

After the resolution to liquidate our Company is passed by the general meeting, the powers and duties of the Board of Directors shall terminate immediately.

In accordance with the instructions of the general meeting, the liquidation team shall at least once a year report at the general meeting on the income and expenditure of the liquidation team, progress of the business and liquidation of our Company, and submit a final report at the general meeting upon completion of liquidation.

Within ten days of the establishment of the liquidation team, the creditors shall be notified and an announcement shall be published in newspaper within 60 days. The creditors shall declare their claims to the liquidation team within 30 days of the date on which the notice is received or 45 days of the date of announcement if the notice is not received. The liquidation team shall carry out registration of the creditors' claims.

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The liquidation team shall exercise the following powers during the liquidation period:

- (a) Take stock of our Company's assets and prepare a balance sheet and a list of assets respectively;
- (b) Notify or publish an announcement to all creditors;
- (c) Deal with and liquidate any pending business associated with our Company;
- (d) Pay off all outstanding taxes, including taxes incurred in connection with liquidation;
- (e) Settle claims and debts;
- (f) Dispose of the remaining assets of our Company after paying up all the debts; and
- (g) Represent our Company in any civil litigation proceedings.

After taking stock of the assets of our Company and preparing the balance sheet and list of properties, the liquidation team shall draw up a liquidation scheme and submit it to the general meeting or the people's court for recognition.

In the event of liquidation in connection with dissolution of the Company and the liquidation team finds that, after taking stock of our Company's assets and preparing the balance sheet and list of assets, that the assets are insufficient to pay the debts, it shall immediately apply to the court to declare bankruptcy.

After our Company is declared insolvent by a ruling of the court, the liquidation team shall turn over matters regarding the liquidation to the court. Upon completion of liquidation of our Company, the liquidation team shall prepare a liquidation report, income and expenditure report and financial record during the liquidation period, which, after being verified by a China-registered accountant, shall be submitted to our general meeting or the people's court for recognition.

Within 30 days of the date of approval by the Shareholders' meeting or people's court, the liquidation team shall submit the relevant documents to the company registration authority and apply for cancellation of our registration and publish an announcement on our termination.

17 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

(a) General Provisions

Our Company is a permanently existing joint stock limited liability company.

Our Company may invest in other limited liability companies or joint stock limited liability companies, provided that the liabilities of our Company to be invested in are limited to the amount of its capital contribution.

The Articles of Association is binding on our Company, the Shareholders, Directors, Supervisors and senior management. These Shareholders, Directors, Supervisors and Senior Management may assert their rights in connection with the affairs of our Company based on the Articles of Association. Pursuant to the Articles of Association, Shareholders may sue Shareholders, Shareholders may sue the Directors, Supervisors and senior management, Shareholders may sue our Company, and our Company may sue Shareholders, Directors, Supervisors and senior management.

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(b) Our Company may increase share capital by the following means:

- (i) Issue new Shares to specified or unspecified investors;
- (ii) Place new Shares with existing Shareholders;
- (iii) Give new Shares to existing Shareholders;
- (iv) Convert the reserve funds into share capital;
- (v) Other means approved by the laws, administrative regulations and securities regulatory authority of the State Council.

Upon approval to increase our Company's share capital according to the provisions of the Articles of Association, the matter shall be dealt with in accordance with the procedures of related laws and administrative regulations of the PRC government.

Subject to compliance with related laws and administrative rules and regulations of the State, our Company may decrease our registered share capital in line with the provisions of the Articles of Association.

If our Company decreases our registered capital, we must prepare a balance sheet and a list of properties.

After our Company's reduction in capital, our registered capital may not be less than the statutory minimum amount.

(c) Shareholders

The Shareholders are persons lawfully holding the Shares and whose names (titles) are already listed in the register of Shareholders. Each Share of the same type has the same rights.

Shares issued by our Company to overseas investors and subscribed to in foreign currencies are known as foreign Shares. Foreign Shares that are listed overseas are known as overseas listed foreign Shares. Overseas investors refer to investors in other countries, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan who subscribe to the Shares issued by our Company. Domestic Shareholders refer to investors within the territory of the PRC that subscribe to the Shares issued by our Company. The rights of our ordinary Shareholders are as follows:

- (i) To receive distribution of dividends and other forms of benefits according to the number of Shares they held;
- (ii) To participate in or appoint a shareholder proxy to participate in and exercise voting rights at the Shareholders' meeting;
- (iii) To supervise and manage our business and operational activities, provide suggestions or submit queries;
- (iv) To transfer the shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

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- (v) To obtain relevant information according to the provisions of the Articles of Association;
- (vi) To participate in the distribution of the remaining assets of our Company according to the number of shares held upon our termination or liquidation;
- (vii) Other rights conferred by laws, administrative regulations and the Articles of Association.

When any person is interested directly or indirectly in the shares of our Company, our Company shall not freeze or otherwise impair any of the rights attaching to any share by reason only that the person has failed to disclose his interests to our Company.

Our Company shall adopt the registered method for the Shares.

The Share certificates are signed by the chairman of the Board of Directors. Where the stock exchange on which the Shares are listed requires our other senior management to sign the Share certificates, they shall also be signed by other such personnel. The Share certificates shall become effective after being affixed with the stamp of our Company (including our securities stamp) or print-stamped. Affixing our Company stamp or our securities stamp to the Share certificates is subject to the authorization of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management may also be printed on the Share certificates.

If any person whose name appears in the register of Shareholders or requests to register his or her name in the register of Shareholders loses his or her Share certificates (that is, "original Share certificates"), he or she may apply to our Company to reissue new Share certificates for those Shares.

In the event the holder of Domestic Shares applies to our Company for a reissue after losing the Share certificates, the matter shall be dealt with pursuant to related provisions of the PRC Company Law.

In the event a holder of overseas listed foreign Shares applies to our Company for reissue after losing the Share certificates, the matter shall be dealt with pursuant to the laws and rules of the stock exchange where the original register of holders of the overseas listed foreign Shares is kept, or other related provisions. If a holder of H Shares loses Share certificates and applies for a replacement issue, the Share certificates shall be issued in compliance with the following requirements:

- (i) The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of Share certificates, as well as a statement that nobody else may request to be registered as a Shareholder with respect to the pertinent Shares.
- (ii) Before deciding to issue new Share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the Shareholder with respect to the Shares.
- (iii) If our Company decides to issue new Share certificates to the applicant, we shall publish an announcement in a newspaper designated by the Board of Directors indicating that we plan to reissue new Share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days.
- (iv) Before publishing the announcement indicating that we plan to re-issue new Share certificates, our Company shall submit a copy of the announcement to be published to the securities

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exchange on which the Shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days. If the application for reissue of new Share certificates is not approved by the registered Shareholders of the related Shares, our Company shall mail the copy of the announcement to be published to the Shareholders.

- (v) In the event that nobody raises any objection to the reissue of new Share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (iii) and (iv) above, the new Share certificates may be reissued according to the application.
- (vi) When re-issuing new Share certificates, our Company shall immediately cancel the original Share certificates and register the cancellation and replacement issue on the register of Shareholders.
- (vii) All expenses incurred by our Company from the cancellation of the original Share certificates and replacement issue of the new Share certificates shall be borne by the applicant. Before the applicant has provided reasonable security, our Company shall have the right to refuse to take any action.

(d) Untraceable Shareholders

Our Company is entitled to reclaim without payment the Shares of a untraceable Shareholder under the circumstances indicated below and sell them to any other persons:

- (i) Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period;
- (ii) Upon expiration of the 12-year period, our Company publishes an announcement in a newspaper, indicating our intention to sell the Shares and notifies the Stock Exchange of such intention.

(e) Regulations on the Powers of the Board of Directors and Convening the Board of Directors' Meetings

The Board of Directors is responsible to the general meeting and exercises the following powers:

- (i) To convene the general meeting and report on work to the general meeting;
- (ii) Implement the resolutions of the general meeting;
- (iii) Determine our business and investment plans;
- (iv) Devise our annual financial budget and closing account plans;
- (v) Devise our earnings distribution and loss offset plans;
- (vi) Formulate the policy for plans for increasing or decreasing our registered capital, the issuance of corporate bonds or other securities, as well as the listing or the repurchase of the stock of our Company;
- (vii) Formulate plans for corporate merger, separation, changing the form and dissolution of our Company;

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- (viii) Formulate the plans of material acquisition or disposal;
- (ix) Determine such matters as our external investment, purchase/sale of assets, asset pledge, entrusting wealth management and connected transaction within the scope authorized by the general meeting;
- (x) Review the matters on external guarantees provided by our Company pursuant to the laws and regulations as well as this Articles of Association;
- (xi) Decide on the setup of our Company's internal management organization;
- (xii) Appoint or dismiss the president of our Company; based on the nomination of the president, appoint or dismiss our vice president and the chief financial officer, and determine their remuneration; appoint or dismiss the secretary of the Board of Directors, and determine their remuneration;
- (xiii) Make the modification plan to this Articles of Association;
- (xiv) Set our basic management systems;
- (xv) Manage the disclosure of company information;
- (xvi) Other powers and duties authorized by the laws, administrative regulations, regulations of the competent authorities and this Articles of Association as well as the general Shareholders' meeting.

All of the above resolutions shall be passed by a simple majority of votes of the Board of Directors, except for those set out in (vi), (vii), (viii) (ix), (x) and (xiii) above and otherwise specified in laws, administrative regulations and the Articles of Association shall be passed by more than a two-thirds majority of votes of the Directors.

Meetings of the Board of Directors shall be convened at least four times a year and be called by the chairman of the Board of Directors, and a notice of at least 14 days shall be sent to all Directors before the meeting is convened.

The chairman of the Board of Directors shall convene and preside over a special meeting of the Board of Directors within ten days since receiving the proposal in case of the occurrence of any one of the following events:

- (i) when the Shareholders representing over 10% of voting rights make a proposal;
- (ii) when the chairman of the Board of Directors deems a special meeting necessary;
- (iii) when over one third of Directors make a proposal;
- (iv) when the board of supervisors makes a proposal;
- (v) when the president makes a proposal.

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Notice of the special meeting of the Board of Directors and meeting documents shall be served to all directors five days before the meeting is convened in written form, including personal service, email, fax and so on.

The Directors shall attend the Board of Directors meeting in person. In the event that Directors are unable to attend the meeting for some reason, the Directors may appoint in writing other directors to attend the Board of Directors meeting. The proxy letter shall specify the proxy's name, entrusted matters, authority domain and the valid term, and shall be affixed with the signature or seal of the consignor. The director who attends the meeting on behalf of another director shall exercise the right of the director within the scope of authorization. If any director fails to attend the meeting of the Board of Directors or entrusts a proxy to be present on his/her behalf, such director shall be deemed to have waived his/her voting rights at that meeting.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including Directors that appoint in writing other Directors to attend the Board of Directors in their place pursuant to the provisions of the Articles of Association) before the Board of Directors meeting can be convened. Each Director has one vote. Resolutions made by the Board of Directors must be approved by more than one-half of the Directors' votes.

Apart from certain exceptions specified in Note 1 of Appendix 3 to the Listing Rules or those permitted by the Stock Exchange, a director shall abstain from voting on passing of any contract or arrangement in which he/she himself/herself or any of his/her associates (as defined in the Listing Rules) is materially interested or any resolution proposed at a board meeting; such director shall not be counted in the quorum of the relevant meeting. Where the number of the directors who can vote on this matter is less than three, such issue shall be submitted to the general Shareholders' meeting for voting. If a substantial shareholder (holding 10% or more shares) or a director has a material conflict of interest in a matter to be considered by the Board of Directors, the matter would be dealt with by way of the meeting of the Board of Directors (rather than the written resolution). In addition, the independent non-executive Directors who do not have material interest in such matter should attend the meeting.

(f) Independent Non-executive Director

The Board of Directors includes three independent non-executive Directors. The independent non-executive Directors shall carry out responsibilities in accordance with appropriate requirements of the laws, administrative rules and regulations, as well as the Listing Rules.

(g) Secretary of the Board of Directors

The secretary of the Board of Directors must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

(h) Supervisory Committee

Our Company shall set up a Supervisory Committee.

The Supervisory Committee consists of six Supervisors and includes one chairman. The Supervisors serve three-year terms and may be re-elected. The chairman of the Supervisory Committee shall be elected and dismissed by more than a two-thirds vote of the members of the Supervisory Committee.

At least one third of the members of the Supervisory Committee shall be the Supervisors assumed by the staff representatives. The Supervisors assumed by non-staff representatives shall be elected and

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dismissed by the general meeting. The Supervisors assumed by the staff representatives shall be elected and dismissed through the staff representatives meetings, staff meetings or through other forms of democratic election.

The Directors and senior management shall not also serve as Supervisors.

The Supervisory Committee shall convene at least two regular meetings every year. Where it is deemed necessary by the chairman of the Supervisory Committee or where other supervisors propose, the chairman shall convene extraordinary meetings of the Supervisory Committee. The chairman shall convene meetings of the Supervisory Committee. Notices and other documents of regular meeting shall be delivered to all supervisors ten days before the meetings in written form, including personal service, email, fax and so on. Notices and other documents in relation to extraordinary meetings of the Supervisory Committee shall be delivered five days before the meetings in written form, including personal service, email, fax and so on.

The Supervisory Committee lawfully exercises the following powers:

- (i) examine the financial conditions of our Company;
- (ii) supervise the Directors and senior management to ensure that they do not, in performing their duties to our Company, act in contravention of any laws, administrative regulations or the Articles of Association, and to put forward suggestions for dismissing any directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general meetings;
- (iii) require the Directors and senior management to take corrective measures when their actions are detrimental to our interests;
- (iv) verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;
- (v) submit proposals at the general meetings;
- (vi) propose to convene an extraordinary general meeting, where the Board of Directors fails to perform the duties in relation to convening or presiding over the general Shareholders' meeting as required by the PRC Company Law, to convene and preside over the general Shareholders' meeting;
- (vii) propose to convene special meetings of the Board of Directors;
- (viii) represent our Company in negotiating with or in bringing actions against the Directors and senior management;
- (ix) investigate any abnormalities relating to the operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist it in its work, the expenses for which shall be borne by our Company;
- (x) report regularly to the general meetings in relation to the performance of the duties of the Directors and senior management;

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SUMMARY OF ARTICLES OF ASSOCIATION

(xi) other powers and duties stipulated in the Articles of Association.

The Supervisors may attend the Board meeting or the meeting of the senior management as observers, query or provide suggestions on the resolutions of the Board meeting.

(i) President

Our Company includes one president, nominated, appointed or dismissed by the Board of Directors. The president is responsible to the Board of Directors and exercises the following powers:

- (i) take charge of the production and operational management of our Company, to organize the enforcement of resolutions of the Board of Directors and report to the Board of Directors on work;
- (ii) organize the implementation of the annual operation plans and investment schemes of our Company;
- (iii) formulate the structure scheme of the internal management agency of our Company;
- (iv) formulate the structure scheme of the branch of our Company;
- (v) formulate the substantial management system of our Company;
- (vi) formulate the detailed rules of our Company;
- (vii) propose to the Board of Directors the appointment or dismissal of the vice president, chief financial officer or other senior management of our Company;
- (viii) appoint or dismiss other management except those who shall be appointed or dismissed by the Board of Directors;
- (ix) determine the salaries, benefits, rewards and disciplinary measures for the staff of our Company, and to determine the appointment and dismissal of the staff of our Company;
- (x) propose to convene special meetings of the Board of Directors;
- (xi) other responsibilities authorized by the Articles of Association and the Board of Directors.

(j) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the earnings to our statutory reserve. When the total amount of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If our statutory reserve is insufficient to offset our losses incurred during the previous year, the earnings generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth in the preceding paragraph.

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SUMMARY OF ARTICLES OF ASSOCIATION

After allocation to the statutory reserve from the after-tax earnings of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general meeting.

After offsetting the losses and allocating to the reserve, all remaining earnings may be distributed to the Shareholders based on the proportion of respective shareholdings upon obtaining the approval from general meeting.

Our statutory reserves must be used only for offsetting our losses, expanding the scale of business and operations or for conversion into capital to increase our capital, but the capital reserve shall not be used to offset our losses.

(k) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

- (i) Whenever any disputes or claims occur between holders of the overseas listed foreign shares and our Company, holders of the overseas listed foreign shares and our Company's Directors, Supervisors or senior management, or holders of the overseas listed foreign shares and holders of domestic shares regarding the rights or obligations relating to the affairs of our Company conferred or imposed by the Articles of Association, the PRC Company Law or any other relevant laws and administrative regulations, such disputes or claims shall be submitted by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is submitted to arbitration, the entire claim or the dispute as a whole must be submitted to arbitration, and any parties who have a cause of action based on the same facts giving rise to the dispute or the claim or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a shareholder of our Company, a director, a supervisor or senior management. Disputes in relation to the definition of Shareholders and disputes in relation to the Shareholders' register need not be resolved by arbitration;

- (ii) A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the claimant.

If a claimant elects for arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre;

- (iii) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in paragraph (i), unless otherwise provided in the laws and administrative regulations;
- (iv) The award of an arbitration body shall be final and binding on all parties.

APPENDIX V

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our predecessor Foshan Yingda was established in the PRC as a limited liability company on May 23, 2003 and was converted to a joint stock limited company under the Company Law with effect from March 12, 2009. Our Company has established a place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 3, 2015. Mr. Wong Yat Tung has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix IV to this document. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix III to this document.

2. Changes in the share capital of our Company

On the date of our incorporation on May 23, 2003, our registered capital was RMB55 million, which has been fully paid up. The following sets out the changes in our share capital since the date of our incorporation:

- (a) in May 2004, our registered capital was increased from RMB55 million to RMB103 million. The increased registered capital was contributed by 5 then existing Shareholders and 6 then new Shareholders;
- (b) in July 2005, our registered capital was increased from RMB103 million to RMB156 million. The increased registered capital was contributed by 12 new Shareholders;
- (c) in October 2006, our registered capital was increased from RMB156 million to RMB200 million. The increased registered capital was contributed by 5 then existing Shareholders and 7 then new Shareholders;
- (d) in March 2007, our registered capital was increased from RMB200 million to RMB205.13 million. The increased registered capital was contributed as to RMB2.68 million by Mr. Wu Liejin and as to RMB2.45 million by crediting our capital reserve as registered capital;
- (e) in June 2008, our registered capital was increased from RMB205.13 million to RMB232 million. The increased registered capital was contributed by 13 then existing Shareholders;
- (f) at the time of our establishment as a joint stock limited liability company on March 12, 2009, our initial registered capital was RMB232 million, divided into 232 million Domestic Shares with a nominal value of RMB1.00 each, all of which were fully paid up;
- (g) in May 2009, our registered capital was increased from RMB232 million to RMB300 million. The increased registered capital was contributed by 12 then new Shareholders;
- (h) in December 2010, our registered capital was increased from RMB300 million to RMB405 million. Capital reserves of RMB54 million and return on equity of RMB51 million was credited as registered capital, 105 million shares were further issued to the then existing Shareholders on a pro-rata basis;

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- (i) in August 2011, our registered capital was increased from RMB405 million to RMB522 million. The increased registered capital was contributed by 31 then existing Shareholders;
- (j) in November 2012, our registered capital was increased from RMB522 million to RMB645 million. The increased registered capital was contributed by 8 then existing Shareholders and 7 then new Shareholders;
- (k) in December 2013, our registered capital was increased from RMB645 million to RMB709.5 million. The increased registered capital was due to crediting our capital reserves of RMB64.5 million as registered capital on a pro-rata basis;
- (l) in December 2013, our registered capital was increased from RMB709.5 million to RMB800 million. The increased registered capital was contributed by 14 then existing Shareholders and 2 then new Shareholders.

Upon completion of the [REDACTED], our registered capital will be increased to RMB[REDACTED], made up of [REDACTED] and [REDACTED] fully paid up or credited as fully paid up, representing approximately [REDACTED]% and [REDACTED]% of our registered capital, respectively. Save as aforesaid, there has been no alteration in our share capital since our establishment.

3. Restriction of Share Repurchase

For details of the restrictions on the share repurchase by our Company, please refer to "Summary of Articles of Association" in Appendix IV to this document.

4. The Company's extraordinary general meeting held on April 8, 2015

At an extraordinary general meeting of our Company held on April 8, 2015, among other things, the following resolutions were passed by the Shareholders:

- (a) the issue by the Company of the H Shares with a nominal value of RMB1.00 each and such H Shares to be listed on the Stock Exchange;
- (b) subject to the completion of the [REDACTED], the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (c) authorizing the Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

5. Corporate Reorganization

We underwent the Corporate Reorganization, details of which are set out in "History, Reorganization and Corporate Structure." As confirmed by King & Wood Mallesons, our PRC legal advisors, we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Corporate Reorganization.

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6. Changes in the registered capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountant's Report, the text of which is set out in Appendix I to this document. Save for the subsidiaries mentioned in Appendix I to this document, our Company has no other subsidiaries.

The following alteration in the registered capital of our subsidiaries has taken place within the two years immediately preceding the date of this document:

<u>Name of subsidiary</u>	<u>Date of change</u>	<u>Registered capital before change</u>	<u>Registered Capital after change</u>
Foshan Micro Credit	June 27, 2014	RMB150,000,000	RMB200,000,000

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

- (a) a capital increase agreement dated December 12, 2013 entered into between Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司) as subscriber and the Company regarding the subscription of 8 million new shares of the Company at a consideration of RMB11.04 million;
- (b) a capital increase agreement dated December 12, 2013 entered into between Zhang Yubing (張玉冰) as subscriber and the Company regarding the subscription of 4,711,120 new shares of the Company at a consideration of RMB6,501,345.6;
- (c) a capital increase agreement dated December 13, 2013 entered into between Huang Desheng (黃德勝) as subscriber and the Company regarding the subscription of 741,200 new shares of the Company at a consideration of RMB1,022,856;
- (d) a capital increase agreement dated December 13, 2013 entered into between Foshan Huixi Construction Hardware Products Co., Ltd. (佛山市匯禧建築五金製品有限公司) as subscriber and the Company regarding the subscription of 741,200 new shares of the Company at a consideration of RMB1,022,856;
- (e) a capital increase agreement dated December 13, 2013 entered into between Li Shenhua (李深華) as subscriber and the Company regarding the subscription of 3 million new shares of the Company at a consideration of RMB4.14 million;
- (f) a capital increase agreement dated December 14, 2013 entered into between Foshan Venture Growth Investment Centre L.P. (佛山創業成長投資中心(有限合夥)) as subscriber and the Company regarding the subscription of 11,958,000 new shares of the Company at a consideration of RMB16,502,040;

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- (g) a capital increase agreement dated December 14, 2013 entered into between Zhou Weijie (周偉杰) as subscriber and the Company regarding the subscription of 4,804,000 new shares of the Company at a consideration of RMB6,629,520;
- (h) a capital increase agreement dated December 14, 2013 entered into between Wu Liejin (吳列進) as subscriber and the Company regarding the subscription of 10,878,640 new shares of the Company at a consideration of RMB15,012,523.2;
- (i) a capital increase agreement dated December 15, 2013 entered into between Guo Tao (郭濤) as subscriber and the Company regarding the subscription of 2.5 million new shares of the Company at a consideration of RMB3.45 million;
- (j) a capital increase agreement dated December 15, 2013 entered into between Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司) as subscriber and the Company regarding the subscription of 9,850,320 new shares of the Company at a consideration of RMB13,593,441.6;
- (k) a capital increase agreement dated December 16, 2013 entered into between Foshan Xincheng Investment Development Co., Ltd. (佛山新城投資發展有限公司) as subscriber and the Company regarding the subscription of 3.92 million new shares of the Company at a consideration of RMB5,409,600;
- (l) a capital increase agreement dated December 16, 2013 entered into between Huang Guoshen (黃國深) as subscriber and the Company regarding the subscription of 4,711,120 new shares of the Company at a consideration of RMB6,501,345.6;
- (m) a capital increase agreement dated December 18, 2013 entered into between Ye Shangying (葉尚英) as subscriber and the Company regarding the subscription of 2.5 million new shares of the Company at a consideration of RMB3.45 million;
- (n) an equity transfer contract dated June 6, 2014 entered into between the Company as transferor and He Xuming (何旭明) as transferee regarding the transfer of 32% of equity interest of Foshan Pawn at a consideration of RMB4.32 million;
- (o) an equity transfer contract dated June 6, 2014 entered into between the Company as transferor and Foshan Yuantong Adhesive Industrial Co., Ltd. (佛山市元通膠粘實業有限公司) as transferee regarding the transfer of 48% of equity interest of Foshan Pawn at a consideration of RMB6.48 million;
- (p) an equity transfer contract dated June 7, 2014 entered into between the Company as transferor and Join-Share Holding as transferee regarding the transfer of 6.67% of equity interest of Foshan Angel Small and Medium-sized Enterprises Financing Service Center Co., Ltd. (佛山天使中小企業融資服務中心有限公司) at a consideration of RMB200,000;
- (q) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and the Company regarding its capital contribution of RMB6 million to Foshan Micro Credit;
- (r) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Cen Yanzhen (岑燕珍) regarding her capital contribution of RMB5 million to Foshan Micro Credit;

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- (s) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Foshan City Faenza Sanitary Ware Co., Ltd. (佛山市法恩潔具有限公司) regarding its capital contribution of RMB4.5 million to Foshan Micro Credit;
- (t) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Guangzhou Shaxi International Hotel Supplies City Co., Ltd. (廣州沙溪國際酒店用品城有限公司) regarding its capital contribution of RMB15 million to Foshan Micro Credit;
- (u) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Jia Feng (賈鋒) regarding his capital contribution of RMB4 million to Foshan Micro Credit;
- (v) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Guangdong Jinyitao Ceramics Co., Ltd. (廣東金意陶陶瓷有限公司) regarding its capital contribution of RMB4.5 million to Foshan Micro Credit;
- (w) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Foshan Jinyuan Zhidi Real Property Co., Ltd. (佛山金源置地房地產有限公司) regarding its capital contribution of RMB5 million to Foshan Micro Credit;
- (x) a capital increase agreement dated June 10, 2014 entered into between Foshan Micro Credit and Xu Zhifen (許志芬) regarding her capital contribution of RMB6 million to Foshan Micro Credit;
- (y) an equity transfer contract dated June 13, 2014 entered into between Foshan Consultancy as transferor and Liao Zhihua (廖志華) as transferee regarding the transfer of 7.5% of equity interest of Guangdong Shuntou Fortune Investment Co., Ltd. (廣東順投財富投資有限公司) at a consideration of RMB3.45 million;
- (z) an equity transfer contract dated June 18, 2014 entered into between Lin Xiaozhen (林小珍) as transferor and the Company as transferee regarding the transfer of 15% of equity interest of Foshan Join-Share Industrial Investment at a consideration of RMB948,600;
- (aa) an equity transfer agreement dated June 18, 2014 entered into between the Company as transferor and Guangdong Yinda Financing Guarantee Investment Group Co., Ltd. (廣東銀達融資擔保投資集團有限公司) as transferee regarding the transfer of 3% of equity interest of Zhongshan Yinda Financing Guarantee Investment Co., Ltd. (中山銀達融資擔保投資有限公司) at a consideration of RMB6.96 million;
- (bb) a concert party agreement dated June 20, 2014 entered into among the Company, Guangzhou Shaxi International Hotel Supplies City Co., Ltd. (廣州沙溪國際酒店用品城有限公司), Foshan City Faenza Sanitary Ware Co., Ltd. (佛山市法恩潔具有限公司), Foshan Jinyuan Zhidi Real Property Co., Ltd. (佛山金源置地房地產有限公司), Guangdong Jinyitao Ceramics Co., Ltd. (廣東金意陶陶瓷有限公司), Foshan Haoyingke Trading Co., Ltd. (佛山市浩盈科貿易有限公司), Foshan Zhonggewei Electronic Co., Ltd. (佛山市中格威電子有限公司), Xu Zhifen (許志芬), Cen Yanzhen (岑燕珍), Xiao Hua (蕭華), Liao Cuiyan (廖翠顏) and Jia Feng (賈鋒) regarding the concert party arrangements on the control of Foshan Micro Credit;

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- (cc) an equity transfer agreement dated June 25, 2014 entered into between the Company as transferor and Join-Share Holding as transferee regarding the transfer of 51% of equity interest of Join-Share Fund Management at a consideration of RMB5.1 million;
- (dd) an equity transfer agreement dated June 25, 2014 entered into between the Company as transferor and Join-Share Holding as transferee regarding the transfer of 60% of equity interest of Shenzhen Linghang at a consideration of RMB26,914,524;
- (ee) an equity transfer agreement dated June 27, 2014 entered into between Qiu Bo (邱波) as transferor and the Company as transferee regarding the transfer of 6% of equity interest of Foshan Micro Credit at a consideration of RMB13.2 million;
- (ff) an equity transfer agreement dated June 27, 2014 entered into between Foshan Nanhai Xiqiao Hengjian Concrete Co., Ltd. (佛山市南海區西樵恒建混凝土有限公司) as transferor and the Company as transferee regarding the transfer of 6% of equity interest of Foshan Micro Credit at a consideration of RMB13.2 million;
- (gg) a concert party agreement dated September 9, 2014 entered into between Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. (中山市健康科技產業基地發展有限公司) and the Company regarding the concert party arrangements on the control of Zhongshan Join-Share;
- (hh) a shareholders' cooperation agreement dated September 9, 2014 and a supplemental agreement dated September 19, 2014 entered into among the Company, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. (中山市健康科技產業基地發展有限公司), Zhongshan Transportation Development Group Co., Ltd. (中山市交通發展集團有限公司) and Zhongshan Changqing New Industry Co., Ltd. (中山市長青新產業有限公司) regarding the set-up of Zhongshan Join-Share and the rights among the parties to such agreements;
- (ii) an equity transfer agreement dated November 25, 2014 between Anhui Join-Share as transferor and Hefei Tianzhi Electronic Safety Control Co., Ltd. (合肥天智電子安全控制有限公司) as transferee regarding the transfer of 17.6991% of equity interest of Anhui Hangshi Pawn Co., Ltd. (安徽省夯實典當有限公司) at a consideration of RMB2.3 million;
- (jj) [REDACTED]
- (kk) [REDACTED]
- (ll) [REDACTED]
- (mm) the Hong Kong Underwriting Agreement.

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2. Intellectual Property Rights of Our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	4816228	36	Our Company	PRC	March 7, 2009	March 6, 2019
	7408558	36	Our Company	PRC	October 28, 2010	October 27, 2020
	6739116	36	Our Company	PRC	March 7, 2011	March 6, 2021
(A)	303006288	36	Our Company	Hong Kong	May 23, 2014	May 22, 2024
(B)						

(b) Domain name

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Domain name	Name of Registered Proprietor	Date of Registration	Expiry Date
join-share.com	Our Company	August 16, 2005	August 16, 2016
join-share.net	Our Company	April 7, 2015	April 7, 2016

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following completion of the [REDACTED], the interests or short positions of Directors, Supervisors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to

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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 which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to our Company once the H Shares are listed will be as follows:

Interest in Shares of our Company

Name	Nature of Interest	Number and class of Shares ⁽¹⁾	Approximate percentage of shareholding in the relevant class of Shares immediately after the completion of the [REDACTED] ⁽²⁾	Approximate percentage of shareholding in the total share capital of the Company immediately after the completion of the [REDACTED]
Mr. Xie Yongdong ⁽⁴⁾ . . .	interest in controlled corporation	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Huang Guoshen	beneficial owner	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Wu Liejin	beneficial owner	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Ms. Wu Yanfen	beneficial owner	[REDACTED] (L)	[REDACTED]%	[REDACTED]%

Note:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) The calculation is based on the total number of [REDACTED] Domestic Shares in issue immediately after the completion of the [REDACTED].
- (3) Mr. Xie Yongdong is the only general partner of Foshan Venture Growth, which is a limited partnership directly holds [REDACTED] Domestic Shares of our Company. As Mr. Xie Yongdong, being the general partner, can solely exercise control over Foshan Venture Growth, he is deemed to be interested in the [REDACTED] Domestic Shares held by Foshan Venture Growth.

(b) Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the [REDACTED], the following persons, (not being the Directors, Supervisors or chief executive of our Company) would have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

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Name of subsidiary	Name of shareholders of other members of our Group	Percentage of interest
Anhui Join-Share	Anhui Chenhui Real Estate Co., Ltd.	[REDACTED]%
	Hefei Haiheng Investment Holding Company	[REDACTED]%
	Foshan Zhongzhixin Furniture Co., Ltd.	[REDACTED]%
Zhongshan Join-Share	Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. ^(Note)	50%
	Zhongshan Transportation Development Group Co., Ltd.	10%

Note: On September 9, 2014, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. entered into a concert party agreement with the Company regarding the concert party arrangements on the control of Zhongshan Join-Share. Please refer to "History, Reorganization and Corporate Structure — Reorganization — 4. Establishment of Zhongshan Join-Share" for details.

2. Further Information about our Directors and Supervisors

(a) Particulars of Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors entered into a service contract with our Company on December 7, 2015. The principal particulars of these service contracts comprise (a) a term of three years commencing from the date on which their respective appointments were approved by our Shareholders; (b) subject to termination in accordance with their respective term; and (c) an arbitration provision. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

(b) Others

- (i) None of the Directors, Supervisors, or any past Directors of any members of our Group has been paid any sum of money for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (ii) There has been no arrangement under which a Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 other than Ms. Gu Lidan, one of our non-executive Directors, who waived the remuneration of RMB42,500 and Mr. Cai Guolin, a former director of our Company, who waived the remuneration of RMB57,500 during the same period.

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- (iii) None of the Directors or Supervisor has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director or a Supervisor, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Agency Fees or Commissions Received

Save as disclosed in this document, none of the Directors, Supervisors or any of the persons whose names are listed under "Other Information — Consents of Experts" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Directors' and Supervisors' Remuneration

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the aggregate amount of salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) granted by us to our Directors and Supervisors were approximately RMB4,619,000, RMB4,730,000, RMB4,677,000 and RMB1,036,000, respectively.

Under the current arrangements, our Directors and Supervisors will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending December 31, 2015 under arrangement in force as of the date of this document which is expected to be approximately RMB4.5 million in aggregate.

5. Related Party Transactions

During the two years preceding the date of this document, we have engaged in the material related party transactions as described in Note 32 to the financial information in the Accountants' Report set out in Appendix I to this document.

6. Personal Guarantees

As of the Latest Practicable Date, our Directors and Supervisors other than Mr. Wu Liejin and Mr. Xie Yongdong have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us. Details of the personal guarantee provided by Mr. Wu Liejin and Mr. Xie Yongdong are set out in "Connected Transactions — Continuing Connected Transactions".

7. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors, Supervisors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our H Shares are listed;
- (b) none of our Directors or Supervisors nor any of the parties listed in "Other Information — Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange;
- (d) none of our Directors or Supervisors nor any of the parties listed in "Other Information — Consents of Experts" in this Appendix, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (e) save for the Underwriting Agreements, none of the parties listed in "Other Information — Consents of Experts" in this Appendix:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group;
- (f) none of the Directors, Supervisors, their respective associates or Shareholders of our Company (who is interested in more than 5% of the issued share capital of our Company) has any interests in any of our top five suppliers and top five customers; and
- (g) none of the Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business.

D. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

2. Litigation

We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against us that may have a material adverse effect on our business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, (i) the H Shares to be issued pursuant to the [REDACTED]; and (ii) the H Shares to be converted from state-owned Shares which are to be held by NSSF.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK\$3 million and are payable by our Company.

4. Preliminary Expenses

Our Company has not incurred any preliminary expenses.

5. Promoters

The promoters of our Company are set out below:

No.	Name of promoters
1.	Guangdong Jinfa Steel Trading Co., Ltd. (廣東進發鋼鐵實業有限公司)
2.	Hang Guoshen (黃國深)
3.	Zhang Yubing (張玉冰)
4.	Shanghai Luodun Investment Consulting Co., Ltd. (上海羅頓投資諮詢有限公司)
5.	Wu Yanfen (吳艷芬)
6.	Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司)
7.	Meng Caiqiong (麥彩瓊)

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STATUTORY AND GENERAL INFORMATION

8. Foshan Lijia Weiyu Co., Ltd. (佛山市立家衛浴有限公司)
9. Liu Guanghong (劉廣洪)
10. Foshan Venture Growth
11. Zhou Weijie (周偉杰)
12. Foshan Lisheng Trading Co., Ltd. (佛山市力繩經貿有限公司)
13. Xie Hanche (謝晨翰)
14. Guangdong Huali Investment Group Co., Ltd. (廣東華立投資集團有限公司)
15. Yuan Shaobin (原紹彬)
16. Guangdong Guangyi Industry Trading Co., Ltd. (廣東廣億工貿有限公司)
17. Guangdong Zhengye Appliance Co., Ltd. (廣東正野電器有限公司)
18. Foshan Nanhai Dongxing Plastic Can Production Co., Ltd (佛山市南海東興塑料制罐有限公司)
19. Long Guoan (龍國安)
20. Yan Haobing (嚴浩冰)
21. Li Qizhao (李啟照)
22. Liang Huizhi (梁慧枝)
23. Foshan Nanhai Zhujiang Power Development Co., Ltd. (佛山市南海珠江電業發展有限公司)
24. Foshan Nanhai Dongfang Plastic Products Co., Ltd. (佛山市南海東方塑料製品有限公司)
25. Jiangmen Kunlun Investment Co., Ltd. (江門市昆侖投資有限公司)
26. Foshan Shiwan Nanxing Construction Machinery Factory (佛山市石灣南興建築機械廠)
27. Hou Demei (侯德妹)
28. Liu Yingdie (劉疊盈)

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Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
China Securities (International) Corporate Finance Company Limited	Licensed to conduct type 1 (Dealing in Securities) and type 6 (Advising on Corporate Finance)
KPMG	Certified Public Accountants
King & Wood Mallesons	PRC legal advisors to our Company

7. Consents of Experts

Each of the experts named in paragraph 6 of this Appendix has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this document the form and context in which it is respectively included.

8. Interests of experts in our Company

None of the persons named in paragraph 7 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Compliance Adviser

The Company has appointed KGI Capital Asia Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

10. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

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12. No Material Adverse Change

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our financial or trading position or prospects since June 30, 2015 (being the date to which the latest audited financial information of the Company were made up).

13. Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are set out as follows:

No.	Name	Address	Number of [REDACTED]
1.....	Foshan Xincheng Investment Development Co., Ltd. (佛山新城投資發展有限公司)	No. 1 Qingji Road, Foshan New Town, Foshan, Guangdong, PRC	[REDACTED]
2.....	Foshan City Chancheng District Development and Construction of Urban Facilities Co., Ltd. (佛山市禪城區城市設施開發建設有限公司)	9/F, Complex Building, No. 25 Wufengsi Road, Chancheng District, Foshan, Guangdong, PRC	[REDACTED]
3.....	Foshan Fuside Infrastructure Investment Co., Ltd. (佛山市富思德基礎設施投資有限公司)	Room 801, Block A, Wealth Building, No 206 Penjiang South Road, Chancheng District, Foshan, Guangdong, PRC	[REDACTED]
4.....	Guangdong Technology Venture Investment Co., Ltd. (廣東省科技創業投資有限公司)	Room 4301, No.17 Zhujiang West Road, Tianhe District, Guangzhou, Guangdong, PRC	[REDACTED]
5.....	Guangdong Silk-Tex Group Co., Ltd. (廣東省絲綢紡織集團有限公司)	No. 198 Dongfeng West Road, Yuexiu District, Guangzhou, Guangdong, PRC	[REDACTED]
6.....	Guangdong Yuecai Venture Investment Co., Ltd. (廣東粵財創業投資有限公司)	Room A, 13/F, Yuecai Building, No. 481 Dongfeng Middle Road, Yuexiu District, Guangzhou, Guangdong, PRC	[REDACTED]

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14. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Our Directors confirm that:
 - (i) Save as disclosed in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2015 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and
 - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.
- (c) Save as disclosed in the document, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.
- (d) All necessary arrangements have been made to enable our H Shares to be admitted into CCASS for clearing and settlement.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) Save as disclosed in the document, our Company has no outstanding convertible debt securities or debentures.
- (g) there is no arrangement under which future dividends are waived or agreed to be waived;
- (h) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

- (i) there is no subsidiary in our Group which is a sino-foreign equity joint venture or which operates as or under a cooperative or contractual joint venture; and
- (j) we currently do not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

15. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption from Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the [REDACTED], [REDACTED] and [REDACTED];
- (b) the written consents referred to in "Statutory and General Information — Other Information — Consents of Experts" in Appendix V to this document;
- (c) a copy of each of the material contracts referred to in "Statutory and General Information — Further Information About Our Business — Summary of Material Contracts" in Appendix V to this document; and
- (d) the statement of particulars of the Selling Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at 39/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. up to and including the date which is 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountant's Report from KPMG, the text of which is set out in Appendix I to this document;
- (c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the two years ended December 31, 2013 and 2014 and the six months ended June 30, 2015;
- (e) the material contracts referred to in "Statutory and General Information — Further Information about Our Business — Summary of Material Contracts" in Appendix V to this document;
- (f) the service contracts, referred to in "Statutory and General Information — Further Information about Our Directors, Supervisors and Substantial Shareholders — Particulars of Directors' and Supervisors' Service Contracts" in Appendix V to this document;
- (g) the legal opinions issued by King & Wood Mallesons, our PRC legal advisors in respect of our Group's business operations and property interests in the PRC;
- (h) the written consents referred to in "Statutory and General Information — Other Information — Consents of Experts" in Appendix V to this document;
- (i) the particulars of the Selling Shareholders; and
- (j) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translation.