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**Join-Share 中盈盛达**

共创 共享 共成长

**Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\***

**廣東中盈盛達融資擔保投資股份有限公司**

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

**(Stock Code: 1543)**

## **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 2021 ANNUAL REPORT**

References are made to the annual report of 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) (the “**Company**”) for the year ended 31 December 2021 (the “**2021 Annual Report**”). Unless otherwise stated herein, capitalised terms used in this announcement shall have the same meaning as those defined in the 2021 Annual Report.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to provide the following additional information regarding the disclosure in the 2021 Annual Report relating to the provision of loans and advances to customers by the Group:

Loans and advances to customers provided by the Group comprise entrusted loans and micro-lending.

## Entrusted loan business

For its entrusted loan business, the Group, operated through the Company, deposits its own funds into intermediary banks, which on-lend the funds to ultimate borrowers selected by the Group and charges fixed interest rate. According to Regulations on the Supervision and Administration of Financing Guarantee Companies promulgated by the State Council of the PRC, financing guarantee companies shall not run self-operated loans or entrusted loans, and hence the Company adopted the business model of lending loans through entrusting banks qualified to operate loan businesses. During the course of entrusted loan business of the Company, related entities including the Company, the bank and the borrowers agree on their respective rights and obligations by way of contract. The Company is in charge of the provision of entrusted loan fund, receipt of entrusted loan interests from borrowers and bearing the credit risks, while the bank is responsible for charging for commission expenses, lending entrusted loans, assisting on the supervision on the usage and recovery of the loans without bearing the credit risks.

In 2021, the monthly fixed interest rate charged by the Group for entrusted loans ranged from 0.5% (inclusive) to 1.8% (inclusive), which was determined by the negotiation with the borrowers according to the borrowers' creditworthiness, loan amount, loan term, type of guarantee and others. As at 31 December 2021, the balance of the Group's entrusted loans was approximately RMB234.92 million. The top five customers of such business in terms of remaining balance represent approximately 66.43% of the total remaining balance of entrusted loans as of the date and their respective terms were as follows:

Borrower	Cooperative institutions	Loan amount (RMB'000)	Loan balance as at the end of 2021 (RMB'000)	Loan interest rate (month, %)	Loan term	Type of guarantee
Company A	Bank a	35,000	35,000	1.25	18 May 2021–16 November 2021	Warranty
Company B	Bank a	31,790	31,285	1.6	8 July 2015–8 January 2016	Collateral guarantee
Company C	Bank a	35,000	30,762	1.8	17 October 2014–17 April 2015	Collateral guarantee
Company D	Bank a	30,000	30,000	1.5	15 September 2021–14 March 2022	Unsecured
Company E	Bank b	29,000	29,000	1.45	8 December 2015–8 December 2016	Warranty
<b>Total</b>		<b>160,790</b>	<b>156,047</b>			

The Group had put in place the following internal control policy and procedures relating to its entrusted loan business:

- i. For the approval of entrusted loans, the project manager is responsible for preparing the project investigation report and collecting, among others, materials in relation to collateral or other guarantee measures, financial related information, and other information about the customers for submission for approval. The legal approval officers of the Company review the investigation report and due diligence documents, mainly including the litigation of the borrowers, project operation plan, etc. The legal approval officers will discuss with the project manager and require him to carry out further on-site investigations or interviews with the borrower/guarantor/collateral when there are doubts in the process of reviewing the project compliance of borrower's subject qualification, ownership of counter-guarantee, litigation information and others, but no relevant information can be found in the investigation report. The legal opinion will be prepared to indicate the risks involved in the transaction and the relevant risks assessment conducted. According to the Articles of Association, the chairman or chairlady of executive committee, which is served by the chairman of the Board, will approve the entrusted loan projects with the balance of loans to individual enterprises of not more than 6% of the net assets of the group company. Any application for entrusted loans over such threshold will be approved by the Board/general meeting.
- ii. For the collection of entrusted loans, post-loan management procedures kicks start once the business commences, with the aim to identify whether there are any potential difficulties for the customers to repay the entrusted loans upon expiry, and take preventive measures when appropriate. As the project supervisor, the project manager visits the customers according to the supervision plan in order to understand the conditions of the customers in all aspects, to assess the project status and risk exposure, including changes in daily production or operation, financial position, credit status, actual use of loans, and guarantee measures, as well as any material adverse changes of the borrowers, de facto controllers, or guarantors (if any), and to search for online public information in relation to the customers and obtain public opinion monitoring data through third-party service providers. Any significant anomalies affecting repayment identified under the supervision shall be reported by the project manager to the head of the business department and the risk management department in a timely manner, and the risk management department will adjust the frequency of supervision and risk level, or organised seminars to discuss corresponding solutions for the risk projects.

- iii. If a project is assessed to have a greater risk potential or is exposed to risk, the Company will initiate the recovery procedures by calling the customer after the default of such customer. The Company will then proceed with the recovery procedures at the business address and residential address of such customer. In most cases of default of customer, if the customer intends to repay the loan and the Company considers that the customer maintains a sound and stable business foundation and the expected cash flow prospect is sufficient to ensure the repayment, and the Company is not aware of any enforcement actions taken by other creditors, the Company will work with such customer to formulate a repayment plan and procure such customer to fulfill such plan. When the Company assesses that there is deterioration of the business prospects of the customer or a drop in value of the collateral, and the customer has no intention to repay the loan or the actions taken by other creditors will damage the rights of the Company, the Company will usually choose to enforce its rights to the collateral. The Company will negotiate with the customer to sell the collateral and recover the proceeds to compensate the loss of the Company. In addition, the Company may require the performance of guarantees provided by the customer and other guarantors. If there is any dispute over the Company's rights to the collateral or other guarantee measures, the Company may take legal proceedings or arbitration procedures against the customer. The Company will normally file an application with the court for an order to enforce the guarantee agreement and the right to sell the pledged or mortgaged collateral.

### **Micro-lending business**

For its micro-lending business, the Group, operated through Foshan Chancheng Join-Share Micro Credit Co., Ltd.\* (“**Foshan Micro Credit**”), provides advances to SMEs, individual business proprietors and individuals in Foshan and charges fixed interest rate. According to relevant regulations, micro-lending business refers to lending business operated by micro-lending companies established subject to the approval from relevant government authorities. Lending business conducted by micro-lending companies must follow the principle of “small loans, and decentralized resource distribution”. The amount of loans and repayment term must be determined with reference to factors such as the income, overall liabilities, asset position and actual demand of the borrowers to ensure the repayment amount may not exceed the borrowers' repayment capacity. The Group operates micro-lending business through its subsidiary Foshan Micro Credit, a limited liability company operating micro-lending business under the approval of the Guangdong Financial Supervisory Authority.

In 2021, the monthly fixed interest rate charged by the Group for micro-lending ranged from 0.65% (inclusive) to 1.7% (inclusive), which was determined by the negotiation with the borrowers according to the borrowers' creditworthiness, loan amount, loan term, type of guarantee and others. As at 31 December 2021, the balance of the Group's micro-lending was approximately RMB434.65 million. The top five customers of such business in terms of remaining balance represent approximately 9.20% of remaining balance of total micro-lending as of the date and their respective terms were as follows:

<b>Borrower</b>	<b>Loan amount</b> <i>(RMB'000)</i>	<b>Loan balance as at the end of 2021</b> <i>(RMB'000)</i>	<b>Loan interest rate</b> <i>(month, %)</i>	<b>Loan term</b>	<b>Type of guarantee</b>
Individual A	8,000	8,000	1.45	26 March 2021– 25 March 2022	Mortgage guarantee
Company B	8,000	8,000	1.6	14 December 2021– 13 March 2022	Warranty
Individual C	8,000	8,000	1.45	30 March 2021– 29 March 2022	Mortgage guarantee
Company D	8,000	8,000	1.45	8 April 2021– 7 April 2022	Warranty
Company E	8,000	8,000	1.25	14 October 2021– 13 October 2022	Warranty
<b>Total</b>	<b>40,000</b>	<b>40,000</b>			

The Group had put in place the following internal control policy and procedures relating to its micro-lending business:

- i. For the approval of all micro-lending loans, the risk management department will review and examine the investigation report on pre-loan investigations and on-site inspections, and review and verify the borrower's family structure, actual income, operating conditions and repayment ability stated in the report. In addition, the risk management department will request for the investigation report on the guarantor and the valuation report of the collateral to ensure the effectiveness and reliability of the guarantee.
- ii. The principal terms and conditions of a loan, such as the principal amount, interest rate, quality and adequacy of the security and collateral (if any) and the term of the loan, are considered and approved during the approval process of a loan application. Loans in an amount of RMB1,000,000 or more shall be approved by the micro-lending review committee and loans in an amount of less than RMB1,000,000 shall be approved by the general manager of the Company. The micro-lending review committee is led by the general manager of the Company and consists of five members with veto rights over loan applications. By strictly

implementing the above-mentioned authorisation mechanism, the Company ensures that the terms and conditions of loans are in line with the credit policy of the Company.

- iii. For micro-lending loans, in general, the borrowers are required to make monthly interest payments on the loan and to repay the principal amount of the loan when it is due, and the Group may sometimes accept monthly installments of payment for partial principal amount plus interest. To ensure timely collection of the micro-lending loans, the account managers will remind the borrowers of their payment obligations in advance of the relevant due date.
- iv. The Group considers all or part of the principal amount of any loan that has been overdue for a month or more to be overdue. When the principal amount of the loan is overdue or the interest on the loan is not repaid as at the end of the relevant month, the account managers will visit the customer to remind him or her of the overdue situation, assess the overdue status and reasons, make a preliminary assessment on the risk level, mitigation measures and the possibility of recovering the loan, and report to the person in charge of the customer service department, the person in charge of the risk management department and the general manager. If the overdue situation does not improve after the visit and lasts for more than 20 days, the account managers, together with the representative of the legal department, the Group will carry out another site visit to remind the defaulting customer of his or her payment obligations. If the overdue situation remains unresolved and lasts for more than 45 days, the Group may arrange on-site meetings with the defaulting customer to negotiate a repayment plan for the overdue amount. If the customer insists on not fulfilling the repayment plan, the risk management department and legal department will initiate the following steps to seek recovery:
  - activate recourse right against the guarantor: If loan repayment is guaranteed by the guarantor, the Group will require the guarantor to repay the principal amount of the loan and accrued interest; or
  - foreclose on collateral: For loans secured by collateral, the Group will initiate foreclosure procedures by filing a petition with the court to attach and preserve the collateral. Upon obtaining a favorable judgment, the Group will file an enforcement petition with the court to realise the value of the collateral through auction or sale and subsequently apply all or part of its value to repay the loan.

The supplementary information disclosed in this announcement does not affect other information contained in the 2021 Annual Report, and all other information of the 2021 Annual Report remain true and accurate.

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

Foshan, the PRC, 25 August 2022

*As of the date of this announcement, the executive Director is Mr. Wu Liejin (Chairman); the non-executive Directors are Mr. Zhang Minming, Mr. Li Shen Hua, Mr. Luo Zhenqing, Mr. Zhao Wei and Mr. Ou Weiming; and the independent non-executive Directors are Mr. Wu Xiangneng, Mr. Leung Hon Man and Mr. Wang Bo.*

\* *For identification purposes only*