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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

**HIGHLIGHT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER
2022**

- Total revenue was approximately RMB360.71 million, including revenue of approximately RMB317.76 million and other revenue of approximately RMB42.95 million, representing an increase of approximately 13.18% as compared with last year.
- Profit for the year and net profit margin were approximately RMB52.49 million and 16.52%, respectively.
- Profit before taxation amounted to approximately RMB69.28 million, representing a decrease of approximately 49.52% as compared with last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB42.58 million, representing a decrease of approximately 48.07% as compared with last year.
- The payment of final dividends of RMB0.035 per Share for the year ended 31 December 2022 is recommended by the Board.

The board (the “**Board**”) of directors (the “**Directors**”) 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**”) is pleased to announce the audited annual results for the year ended 31 December 2022 of the Company and its subsidiaries (collectively, the “**Group**”), along with comparative figures from the year ended 31 December 2021, which should be read in conjunction with the following management discussion and analysis.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2022

(Expressed in RMB'000)

	<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Guarantee fee income		207,138	231,420
Guarantee cost		(8,999)	(38,254)
Net guarantee fee income		198,139	193,166
Interest income		118,478	104,901
Interest expenses		(24,555)	(26,154)
Net interest income		93,923	78,747
Service fee from consulting services		25,700	38,159
Revenue	<i>3</i>	317,762	310,072
Other revenue	<i>4</i>	42,946	8,631
Share of losses of associates		(9,928)	(3,022)
Provisions charged for guarantee losses		(24,496)	(10,249)
Impairment losses	<i>5(a)</i>	(117,549)	(42,937)
Operating expenses		(139,453)	(125,245)
Profit before taxation		69,282	137,250
Income tax	<i>6</i>	(16,791)	(40,897)
Profit for the year		52,491	96,353
Attributable to:			
Equity shareholders of the Company		42,582	81,987
Non-controlling interests		9,909	14,366
Profit for the year		52,491	96,353
Earnings per share			
Basic and diluted (RMB per share)	<i>7</i>	0.03	0.05

<i>Note</i>	2022 RMB'000	2021 <i>RMB'000</i>
Profit for the year	52,491	96,353
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
Equity investment at fair value through other comprehensive income-net movement in fair value reserve (non-recycling)	(3,439)	6,903
Income tax arises from financial assets measured at FVOCI	860	(1,726)
Other comprehensive income for the year	(2,579)	5,177
Total comprehensive income for the year	49,912	101,530
Attributable to:		
Equity shareholders of the Company	40,003	87,164
Non-controlling interests	9,909	14,366
Total comprehensive income for the year	49,912	101,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

(Expressed in RMB'000)

	Note	At 31 December 2022 RMB'000	At 31 December 2021 RMB'000
Assets			
Cash and bank deposits	8	1,085,492	1,084,457
Pledged deposits		329,782	561,557
Trade and other receivables	9	1,023,217	734,595
Loans and advances to customers	10	713,145	618,342
Factoring receivables		179,659	174,408
Financial assets measured at FVOCI	11	76,163	73,002
Financial assets measured at FVPL	12	40,943	31,094
Receivable investments	13	26,151	28,512
Interests in associates		28,719	37,889
Fixed assets		26,403	20,866
Investment property		6,248	6,637
Intangible assets		5,935	4,238
Goodwill		419	419
Deferred tax assets		128,862	69,049
Total assets		3,671,138	3,445,065
Liabilities			
Interest-bearing borrowings	14	162,872	69,415
Liabilities from guarantees	15	300,769	240,169
Customer pledged deposits	16(a)	71,260	250,934
Accruals and other payables	16(b)	140,327	104,215
Debt securities issued	17	510,838	268,710
Other financial instruments	18	113,173	111,332
Financial liabilities measured at FVPL	19	1,818	16,384
Lease liabilities		18,965	15,046
Deferred tax liabilities		156	74
Total liabilities		1,320,178	1,076,279
NET ASSETS		2,350,960	2,368,786
CAPITAL AND RESERVES			
Share capital	20	1,560,793	1,560,793
Reserves		504,573	540,902
Total equity attributable to equity shareholders of the Company		2,065,366	2,101,695
Non-controlling interests		285,594	267,091
TOTAL EQUITY		2,350,960	2,368,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB'000 unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

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

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

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

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

None of these amendments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this financial report.

The Group has not applied any new standard of interpretation that is not yet effective for the current accounting period.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Fixed assets: determining the lease term.

(b) Sources of estimation uncertainty

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

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

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

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

No impairment loss is recognised on equity investments.

(ii) *Impairment of non-financial assets*

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

(c) *Depreciation and amortisation*

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

(d) Provisions for guarantee losses

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

(e) Deferred tax assets

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

(f) Measurement of fair values

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

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

(g) Judgement on the degree of control of investment

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

Where the Group acts as a service provider of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to direct investment income or loss and service fees earned as the asset service agency, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

3 REVENUE AND SEGMENT REPORTING

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Guarantee fee income		
Financing guarantee fee income	156,949	183,421
Performance guarantee fee income	<u>50,189</u>	<u>47,999</u>
Subtotal	<u>207,138</u>	<u>231,420</u>
Guarantee cost		
Re-guarantee expenses	(2,330)	(1,207)
Risk management service expense	<u>(6,669)</u>	<u>(37,047)</u>
Subtotal	<u>(8,999)</u>	<u>(38,254)</u>
Net guarantee fee income	<u>198,139</u>	<u>193,166</u>
Interest income		
— Loans and advances to customers	73,551	60,619
— Factoring service	20,480	18,845
— Cash at banks and pledged bank deposits	14,119	14,199
— Trade and other receivables	7,949	11,238
— Interest income on other financial instruments	<u>2,379</u>	<u>—</u>
Subtotal	<u>118,478</u>	<u>104,901</u>
Interest expenses		
— Debt securities issued	(15,048)	(9,750)
— Interest-bearing borrowings	(6,887)	(6,070)
— Interest expenses from other financial instruments	—	(8,829)
— Others	<u>(2,620)</u>	<u>(1,505)</u>
Subtotal	<u>(24,555)</u>	<u>(26,154)</u>
Net interest income	<u>93,923</u>	<u>78,747</u>
Service fee from consulting services	<u>25,700</u>	<u>38,159</u>
Revenue	<u>317,762</u>	<u>310,072</u>

4 OTHER REVENUE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grant	28,192	15,311
Foreign exchange gains/(losses)	9,650	(4,320)
Investment income from financial assets measured at FVPL	2,880	6,554
Investment income of receivable investments	1,459	3,481
Profit and loss from fair value changes	(3,894)	(13,835)
Others	4,659	1,440
	<u>42,946</u>	<u>8,631</u>

5 PROFIT BEFORE TAXATION

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

(a) Impairment and provision charged

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Receivables for default guarantee payments	9(b)(i)	56,615	22,332
Receivables from guarantee customers	9(b)(ii)	2,641	(2,928)
Loans and advances to customers	10(f)	26,683	20,376
Factoring receivables		29,935	9,531
Receivable investments		1,050	—
Others		625	(6,374)
		<u>117,549</u>	<u>42,937</u>

(b) Staff costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages, bonuses and other benefits	75,716	73,379
Contributions to retirement schemes	7,236	6,750
	<u>82,952</u>	<u>80,129</u>

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

(c) Other items

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gains on disposal of long-term assets	2,391	33
Depreciation and amortization	11,024	9,751
Auditors' remuneration		
— annual audit	2,180	2,130
— others	683	683

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
Provision for PRC income tax for the year	75,860	50,394
Deferred tax		
Origination and reversal of temporary differences	(58,871)	(9,497)
Under-provision in previous year		
Over-provision in previous year	(198)	—
Income tax expense	<u>16,791</u>	<u>40,897</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before taxation	69,282	137,250
Notional tax on profit before taxation, calculated at 25%	17,321	34,313
Tax effect of subsidiary using different taxation rate	(637)	323
Tax effect of non-deductible expenses	277	4,295
Over-provision in previous year	(198)	—
Others	28	1,966
Actual income tax expense	<u>16,791</u>	<u>40,897</u>

- (i) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Company and the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.
- (ii) The provision for Hong Kong Profits Tax for 2022 is calculated at 7.5%. Join-Share Financial Holdings Co., Limited located in Hong Kong is subject to Hong Kong Profits Tax at the statutory tax rate of 7.5% during 2022 and 2021.

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022	2021
Profit attributable to the equity shareholders of the Company (<i>RMB'000</i>)	42,582	81,987
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share (<i>'000</i>)	1,560,793	1,560,793
Basic earnings per share (<i>RMB per share</i>)	<u>0.03</u>	<u>0.05</u>

(b) Weighted average number of ordinary shares

	2022	2021
Issued ordinary shares at 1 January (<i>'000</i>)	1,560,793	1,560,793
Weighted average number of new issue (<i>'000</i>)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December (<i>'000</i>)	<u>1,560,793</u>	<u>1,560,793</u>

(c) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021, and therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND BANK DEPOSITS

Cash and cash equivalents comprise:

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Cash in hand	24	24
Cash at banks	<u>844,600</u>	<u>782,417</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	844,624	782,441
Term deposits with banks	11,050	82,242
Restricted bank deposits	<u>226,350</u>	<u>217,352</u>
Accrued interest	1,082,024 <u>3,468</u>	1,082,035 <u>2,422</u>
	<u>1,085,492</u>	<u>1,084,457</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 mainly represent certificates of deposit pledged for customers to obtain bank loans. As at 31 December 2022, the Group's demand deposits restricted for use due to judicial freeze amounted to RMB6,902,000 (31 December 2021: RMB6,902,000).

For the purpose of the consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

9 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Receivables for default guarantee payments	(i)/9(a)(i)	474,459	305,500
Less: Allowance for doubtful debts	9(b)(i)	<u>(127,754)</u>	<u>(78,491)</u>
		----- 346,705	----- 227,009
Receivables from guarantee customers	(ii)/9(a)(ii)	182,742	195,844
Less: Allowance for doubtful debts	9(b)(ii)	<u>(48,200)</u>	<u>(45,559)</u>
		----- 134,542	----- 150,285
Interest receivables		9,375	9,428
Less: Allowance for interest receivables		<u>(2,473)</u>	<u>(2,280)</u>
		----- 6,902	----- 7,148
Prepayment for investment	(v)	210,000	—
Prepayment to a related party		92,600	79,027
Loan to related parties	(iv)	67,260	71,060
Trade debtors	9(a)(iii)	47,488	69,085
Receivables from debt purchased	(iii)	54,574	51,454
Receivables from a related party		—	10,000
Other receivables		<u>5,756</u>	<u>13,547</u>
		----- 477,678	----- 294,173
Repossessed assets	(vi)	29,896	29,268
Deposits and prepayments		<u>27,494</u>	<u>26,712</u>
		----- 57,390	----- 55,980
		<u>1,023,217</u>	<u>734,595</u>

As at 31 December 2022, receivables from other receivables, deposits and prepayments and repossessed assets expected to be recovered or recognized as expense after more than one year is RMB34.4 million (31 December 2021: RMB32.30 million). All of the remaining trade and other receivables are expected to be recovered or recognized as expense within one year.

- (i) During the year ended 31 December 2022 the Group disposed of receivables for default guarantee payments amounted to RMB2,333,000 (2021: RMB2,000,000) with no allowances for doubtful debts (2021: RMB nil), without recourse to other parties at considerations (including considerations of overdue interests and penalty interests) amounted to RMB700,000 (2021: RMB2,200,000).

- (ii) During the year ended 31 December 2022 the Group disposed of receivables from guarantee customers amounted to RMB5,593,000 (2021: RMB6,195,000) with no allowances for doubtful debts (2021: RMB nil), without recourse to other parties at considerations (including considerations of overdue interests and penalty interests) amounted to RMB5,193,000 (2021: RMB6,197,000).
- (iii) On 28 December 2018, the Group entered into a debt purchase contract with Guangdong Joint-Share Holding Co., Ltd. such that the Group purchased the creditor's right and relevant interests, amounting to RMB41,874,000, of Foshan Zhongsheng Properties Co., Ltd. at a price of RMB42,094,000. The Group is entitled to receive interest on the principal of RMB26,000,000 at a fixed interest rate of 12% per annum.
- (iv) The interest on the loan to related parties is 8% per annum.
- (v) In 2022, the Group entered into a shareholders' agreement with Guangdong Utrust Financing Guarantee Group Co., Ltd. (Guangdong Utrust) and Foshan High-Tech Industry Investment Development Company Limited, to establish a joint venture, Guangdong Zhongying Shengda Finance Guarantee Company Limited (the "New Company") with a registered capital of RMB300,000,000. As of 31 December, 2022, the Company paid a capital contribution of RMB210,000,000, accounting for 70.00% of the capital contribution of the New Company. The New Company was formally established on 3 February, 2023.
- (vi) In 2022, the Group entered into an agreement to transfer a group of repossessed assets amounted to RMB9,004,800 to a third party irrevocably for RMB9,004,800, which has been received in advance. As of the date of this announcement, the transfer procedures of this group of repossessed assets have not been completed. Please see Note 16(b)(ii).

(a) Ageing analysis:

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

(i) Receivables for default guarantee payments

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	188,646	108,262
Over 1 year but less than 2 years	103,372	54,320
Over 2 years but less than 3 years	52,879	91,117
Over 3 years but less than 5 years	87,636	10,573
Over 5 years	41,926	41,228
Subtotal	474,459	305,500
Less: Allowance for doubtful debts	(127,754)	(78,491)
	<u>346,705</u>	<u>227,009</u>

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

(ii) Receivables from guarantee customers

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	22,841	26,942
Over 1 year but less than 2 years	26,391	52,198
Over 2 years but less than 3 years	27,198	9,288
Over 3 years but less than 5 years	28,498	66,424
Over 5 years	77,814	40,992
	<hr/>	<hr/>
Subtotal	182,742	195,844
Less: Allowance for doubtful debts	(48,200)	(45,559)
	<hr/>	<hr/>
	134,542	150,285
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The ageing of receivables from guarantee customers is from the date of payment.

(iii) Trade debtors

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 year	32,829	66,746
Over 1 year but less than 2 years	14,769	982
Over 2 years but less than 3 years	286	1,357
Over 3 years	67	—
	<hr/>	<hr/>
Subtotal	47,951	69,085
Less: Allowance for doubtful debts	(463)	—
	<hr/>	<hr/>
	47,488	69,085
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The ageing of receivables from guarantee customers is from the date of payment.

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

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

The movement in the allowance for receivables for default guarantee payments and receivables from guarantee customers during the years ended 31 December 2022 and 2021, are as follows:

(i) Receivables for default guarantee payments

		At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
As at 1 January		78,491	65,149
Impairment losses recognised in the consolidated statement of profit or loss	<i>5(a)</i>	56,615	22,332
Amounts written off		(7,352)	(10,697)
Amounts recovered		—	1,707
		<u>127,754</u>	<u>78,491</u>
As at 31 December		<u>127,754</u>	<u>78,491</u>

(ii) Receivables from guarantee customers

	2022			
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit-impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022	—	8,267	37,292	45,559
Transfer to lifetime ECL credit-impaired	—	(8,267)	8,267	—
Net re-measurement of loss allowance	—	—	203	203
Receivables from guarantee customers newly originated	—	739	1,699	2,438
	<u>—</u>	<u>739</u>	<u>47,461</u>	<u>48,200</u>
As at 31 December 2022	<u>—</u>	<u>739</u>	<u>47,461</u>	<u>48,200</u>

	2011			Total <i>RMB'000</i>
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit-impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	
As at 1 January 2021	—	9,277	46,323	55,600
Transfer to lifetime ECL credit-impaired	—	(3,980)	3,980	—
Net re-measurement of loss allowance	—	(895)	(6,575)	(7,470)
Receivables from guarantee customers newly originated	—	3,865	677	4,542
Uncollectible amounts write-off	—	—	(7,113)	(7,113)
As at 31 December 2021	<u>—</u>	<u>8,267</u>	<u>37,292</u>	<u>45,559</u>

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Entrusted loans	231,418	234,918
Micro-lending	<u>550,739</u>	<u>434,654</u>
Gross loans and advances to customers	782,157	669,572
Accrued interest	5,800	5,232
Total allowances for impairment losses	<u>(74,812)</u>	<u>(56,462)</u>
Net loans and advances to customers	<u>713,145</u>	<u>618,342</u>

(b) Analysed by industry sector

	At 31 December 2022		At 31 December 2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Service sector	370,869	48%	296,293	44%
Wholesale and retail	301,036	38%	267,229	40%
Manufacturing	110,252	14%	103,050	15%
Others	—	0%	3,000	1%
Gross loans and advances to customers	<u>782,157</u>	<u>100%</u>	<u>669,572</u>	<u>100%</u>

(c) **Analysed by type of collateral**

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Secured loans	434,393	222,902
Unsecured loans	35,208	78,112
Others	<u>312,556</u>	<u>368,558</u>
Gross loans and advances to customers	<u><u>782,157</u></u>	<u><u>669,572</u></u>

- Secured loans: Secured loans refer to the loan and advances which are secured by collateral that meets the following standards: (i) such collateral has been registered with the relevant governmental authorities; (ii) the market value of such collateral can be easily observed; and (iii) the Group has priorities over other beneficiaries on such collateral. Such collateral mainly includes real estates and land use rights.
- Unsecured loans: Unsecured loans refer to the loan and advances which are not secured by collateral or counter-guaranteed.
- Others: Others refer to loans and advances guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily observed, or on which the Group does not have priorities over other beneficiaries. Such collateral includes unregistrable real properties, land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests.

(d) **Overdue loans analysed by overdue period**

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Overdue within 3 months (inclusive)	10,596	8,746
Overdue more than 3 months to 6 months (inclusive)	67	—
Overdue more than 6 months to one year (inclusive)	1,268	1,686
Overdue more than one year	<u>105,449</u>	<u>114,250</u>
	<u><u>117,380</u></u>	<u><u>124,682</u></u>

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

	At 31 December 2022			Total <i>RMB'000</i>
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit-impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	
Entrusted loans	127,000	—	104,418	231,418
Micro-lending	522,411	7,780	20,548	550,739
Gross loans and advances to customers	649,411	7,780	124,966	782,157
Less: Allowances for impairment losses	(26,271)	(1,416)	(47,125)	(74,812)
Net loans and advances to customers (excluding accrued interest)	<u>623,140</u>	<u>6,364</u>	<u>77,841</u>	<u>707,345</u>
	At 31 December 2021			
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit-impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Entrusted loans	122,500	—	112,418	234,918
Micro-lending	415,923	—	18,731	434,654
Gross loans and advances to customers	538,423	—	131,149	669,572
Less: Allowances for impairment losses	(19,133)	—	(37,329)	(56,462)
Net loans and advances to customers (excluding accrued interest)	<u>519,290</u>	<u>—</u>	<u>93,820</u>	<u>613,110</u>

(f) **Movements of allowances for impairment losses**

	2022			
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit-impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022	19,133	—	37,329	56,462
Transfer to lifetime ECL not credit-impaired	(54)	54	—	—
Transfer to lifetime ECL credit-impaired	(166)	—	166	—
Net re-measurement of loss allowance	(18,627)	124	16,164	(2,339)
Loans and advances newly originated	25,985	1,238	1,799	29,022
Write-offs	—	—	(8,333)	(8,333)
As at 31 December 2022	<u>26,271</u>	<u>1,416</u>	<u>47,125</u>	<u>74,812</u>
	2021			
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit-impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	13,755	55	24,276	38,086
Transfer to lifetime ECL credit-impaired	(67)	(55)	122	—
Net re-measurement of loss allowance	(13,248)	—	8,901	(4,347)
Loans and advances newly originated	18,693	—	6,030	24,723
Write-offs	—	—	(2,000)	(2,000)
As at 31 December 2021	<u>19,133</u>	<u>—</u>	<u>37,329</u>	<u>56,462</u>

11 FINANCIAL ASSETS MEASURED AT FVOCI

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Unlisted equity investments	<u>76,163</u>	<u>73,002</u>

12 FINANCIAL ASSETS MEASURED AT FVPL

		At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Convertible bonds	<i>(i)</i>	24,928	25,024
Unlisted equity investments		12,975	6,070
Redemption option arising from unlisted equity investments	<i>(ii)</i>	<u>3,040</u>	<u>—</u>
		<u>40,943</u>	<u>31,094</u>

- (i) The Group has waived its rights to convert the above bonds for common stocks in the issuing companies.
- (ii) The Group has redemption option for part of the unlisted equity investments. Such redemption option is usually provided by the beneficial shareholders of the investees (“repurchase obligor”). Under certain conditions, the Group has the right to require the repurchase obligor to repurchase the Group’s interest in investees. The repurchase value is the aggregate amount of the Group’s initial investment cost and the agreed gain over the investment period. The Group measures the financial assets arising from this repurchase right at fair value.

13 RECEIVABLE INVESTMENTS

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Bonds	25,000	25,000
Trust products	7,000	7,000
Wealth management products	<u>—</u>	<u>1,460</u>
Subtotal	32,000	33,460
Accrued interest	1,364	1,215
Less: Allowances for impairment losses	<u>(7,213)</u>	<u>(6,163)</u>
	<u>26,151</u>	<u>28,512</u>

14 INTEREST-BEARING BORROWINGS

The interest-bearing borrowings were due for repayment as follows:

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Interest-bearing borrowings		
— Due for repayment within 1 year	<u>162,872</u>	<u>69,415</u>
Total	<u><u>162,872</u></u>	<u><u>69,415</u></u>

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

	<i>Note</i>	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Bank loans			
— Unsecured		102,700	69,300
— Pledged	(i)	30,000	—
Other loans		<u>30,000</u>	<u>—</u>
Accrued interest payable		162,700	69,300
		<u>172</u>	<u>115</u>
		<u><u>162,872</u></u>	<u><u>69,415</u></u>

- (i) The pledged loan is secured by factoring receivables of the Group amounting to RMB20,000,000.
- (ii) At 31 December 2022, loans bear interest at a range from 3.80% to 11.00% (2021: 3.92% to 7.50%) per annum and are guaranteed.

15 LIABILITIES FROM GUARANTEES

		At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Deferred income		200,979	164,875
Provisions for guarantee issued	<i>2(d)</i>	<u>99,790</u>	<u>75,294</u>
		<u>300,769</u>	<u>240,169</u>

Provisions for guarantee issued

		At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
As at 1 January		75,294	65,045
Charge for the year		<u>24,496</u>	<u>10,249</u>
As at 31 December		<u>99,790</u>	<u>75,294</u>

16 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

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

According to Interim Measures for the Administration of Financing Guarantee Companies (《融資性擔保公司管理暫行辦法》), jointly formulated and issued by China Banking Regulatory Commission (currently known as China Banking and Insurance Regulatory Commission), the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, the People's Bank of China and the State Administration for Industry and Commerce (currently known as State Administration for Market Regulation) on 8 March 2010, and the Notice of Inter-ministries Joint Meeting of Financing Guarantee Business Supervision Concerning the Regulation of the Management of Customer Deposits by Financing Guarantee Institutions (《融資性擔保業務監管部際聯席會議關於規範融資性擔保機構客戶擔保保證金管理的通知》) promulgated by the Inter-ministerial Joint Meeting of Financing Guarantee Business Supervision on 15 April 2012, if a financing guarantee company accepts customer pledged deposits from its guarantee customers, the outstanding customer pledged deposits should be kept in a restricted account under tripartite custody. For those cooperated banks agreeing to coordinate, the Group has kept part of the received customer pledged deposits in a restricted bank account under tripartite custody.

(b) Accruals and other payables

		At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Accrued staff cost		38,330	35,842
Income tax payable		51,684	10,394
Accounts payable	<i>(i)</i>	10,606	9,058
Advance receipts for transferring repossessed assets	<i>(ii)</i>	9,005	—
Payable to customers		8,870	3,677
Contract liabilities	<i>(iii)</i>	4,213	9,928
Dividends payable		4,018	4,043
Withholding income tax		3,543	446
Consulting service expense payable		2,907	6,463
Notes payable		—	6,000
Others		7,151	18,364
		<u>140,327</u>	<u>104,215</u>
Total		<u>140,327</u>	<u>104,215</u>

(i) As of 31 December 2022, the ageing of accounts payable (based on the invoice date) amounting to RMB4.98 million (31 December 2021: RMB4.52 million) was within 1 year (inclusive), RMB5.20 million (31 December 2021: RMB3.46 million) were over 1 year but within 3 years and the rest were over 3 years.

(ii) In 2022, the Group entered into an agreement to transfer a group of repossessed assets amounted to RMB9,004,800 to a third party irrevocably for RMB9,004,800, which has been received in advance. As of the date of this announcement, the transfer procedures of this group of repossessed assets have not been completed. Please see Note 9(vi).

(iii) Contract liabilities

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Guarantee service and financing consultation service	<u>4,213</u>	<u>9,928</u>

Payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a prepayment before the render of services of consulting service, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the prepayment. The amount of the prepayment, if any, was negotiated on a case by case basis with customers, where the Group generally receives a 100% prepayment on the acceptance of financing related consultation requests before work commences.

All contract liabilities are expected to be recognised as income within one year.

17 DEBT SECURITIES ISSUED

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Corporate Bonds — Par Value	500,000	260,000
Corporate Bonds — Interest Adjustment	(1,597)	(891)
Corporate Bonds — Accrued Interest	<u>12,435</u>	<u>9,601</u>
	<u>510,838</u>	<u>268,710</u>

Fixed rate corporate bonds with nominal value RMB260,000,000 and a term of five years were issued on 18 March 2021, whose coupon rate is 4.60% per annum. Fixed rate corporate bonds with nominal value RMB240,000,000 and a term of five years were issued on 22 August 2022, whose coupon rate is 3.50% per annum. The Group has an option to adjust the coupon rate for the remaining duration at the end of the third year. After the Group announces whether to adjust the coupon rate, the investors have an option to redeem all or part of the debts held at the nominal amounts.

As of 31 December 2022, the fair value of corporate bonds amounted to RMB497,860,000 (31 December 2021: RMB264,485,000).

18 OTHER FINANCIAL INSTRUMENTS

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Other financial instruments	<u>113,173</u>	<u>111,332</u>

In September 2021, the Company entered into additional shareholders' agreements with the nominal shareholders of Zhongshan Join-Share ("2021 Shareholders' Agreements"). According to the 2021 Shareholders' Agreements, Zhongshan Health acquired 5% equity interests of Zhongshan Join-Share each from the Company and one of the other nominal shareholders at a consideration of RMB10,702,000 for each of them, respectively. Subsequent to the above share acquisitions, Zhongshan Health holds 43% equity interest of Zhongshan Join-Share and enjoys a disproportionate return of its capital contribution with a minimum of 6% per annum depending on the level of Zhongshan Join-Share's actual profitability each year. Zhongshan Join-Share is obligated to distribute all of its distributable profits to its shareholders each year, whereas if it does not generate sufficient profits to distribute the minimum return to Zhongshan Health, the Company shall complement the difference to Zhongshan Health. However, Zhongshan Health's capital contribution is redeemable in full or by part by the Company upon occurrence of contingent events which result in Zhongshan Join-Share's guarantee default rate over 5% in three consecutive years or Zhongshan Join-Share's net asset balance as at any balance sheet date falling below 80% of its paid-in capital. The redemption price shall equal Zhongshan Join-Share's net asset per share on the date of redemption. In the event the Company does not exercise the repurchase upon the occurrence of the relevant contingent events, Zhongshan Health has a right to liquidate Zhongshan Join-Share, where the Group shall inevitably deliver cash or financial assets to all other nominal shareholders of Zhongshan Join-Share at a price equal to Zhongshan Join-Share's net asset available for distribution per share on the date of its liquidation.

In September 2022, the Company entered into a new shareholders' agreements with the nominal shareholders of Yunfu Guarantee ("2022 Shareholders' Agreements"). According to the 2022 Shareholders' Agreements, Guangdong Utrust invested RMB10,000,000 in Yunfu Guarantee as a new nominal shareholder and enjoyed a capital contribution return of 2% per annum. If the profits distributed by Yunfu Guarantee cannot meet the 2% capital contribution return requirements of Guangdong Utrust, the Company shall complement the difference to Guangdong Utrust. At the same time, if the operating conditions of Yunfu Guarantee do not meet certain criteria mentioned in 2022 Shareholders' Agreement, Guangdong Utrust has the right to require the Company to repurchase all of its capital contribution at a redemption price of RMB10,000,000. Therefore, if the repurchase event arises, the Company shall inevitably deliver cash or financial assets to Guangdong Utrust.

In conclusion, the above two obligations recognized financial liabilities in the consolidated financial statements of the Group, which are accounted as other financial instruments.

19 FINANCIAL LIABILITIES MEASURED AT FVPL

	At 31 December 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Financial liabilities arising from interests in jointly controlled Trust Plans	<u>1,818</u>	<u>16,384</u>

During the year ended 31 December 2021, the Company and a third party group (“Third Party”) entered into a series of contractual agreements related to certain designated collective fund trust plans (“Trust Plans”). Under these arrangements, the Company participates in the results with respect to the underlying investments and guarantees losses in excess of those absorbed by the Third Party. The Trust Plans are funded by designated investors. The underlying investments in the Trust Plans mainly include debts to corporate borrowers with pledged notes receivables.

The Company has determined that it shares joint control with the Third Party over the Trust Plans in relation to such matters as review and approval of the underlying investments, and management of defaults. In addition, the Company has determined that its returns from the interests in these Trust Plans are not substantially the same as an ordinary share interest and as such has accounted for these interests as financial liabilities.

Details of the Group’s interest in the Trust Plans, which is accounted for as financial liabilities in the consolidated financial statements, are as follows:

Names of ventures	Notes	Form of business structure	Date and place of incorporation/ establishment	Proportion of ownership interest As at 31 December 2022					Principal activities
				Registered capital unaudited	Paid-in capital unaudited	Group’s effective interest	Held by the Company	Held by a subsidiary	
Yuecai Trust • Huijinkeji 129-1 Collective Fund Trust Plan (“Yuecai Trust Huijinkeji 129-1”) (“粵財信託•慧金科技129-1號集合資金信託計劃”)	(i)	Trust plan	June 2021 the PRC	RMB 134,100,000	RMB 134,100,000	50%	50%	0%	Investment
Yunnan Trust Qingquan 48 Collective Fund Trust Plan (“Yunnan Trust Qingquan 48”) (“雲南信託-清泉48號單一資金信託計劃”)	(ii)	Trust plan	January 2021 the PRC	RMB 50,000,000	RMB 50,000,000	50%	50%	0%	Investment
Yunnan Trust Qingquan 37 Collective Fund Trust Plan (“Yunnan Trust Qingquan 37”) (“雲南信託-清泉37號單一資金信託計劃”)	(iii)	Trust plan	March 2021 the PRC	RMB 161,000,000	RMB 161,000,000	50%	50%	0%	Investment

- (i) The underlying loans of Yuecai Trust • Huijinkeji 129-1 Collective Fund matured in June 2022. After negotiation with the trust investors, the Group is not required to perform the guarantee obligation for a certain grace period.
- (ii) The underlying loans of the Yunnan Trust Qingquan 48 Collective Fund Trust Plan matured in January 2022. After negotiation with the trust investors, the Group is not required to perform the guarantee obligation for a certain grace period.

- (iii) Part of the underlying loan of the Yunnan Trust Qingquan 37 Collective Fund Trust Plan matured in September 2022, which is amounted to RMB58,139,000. As the borrowers of the underlying loans were unable to repay the principal and interest as expected, the Group fulfilled its obligation of default guarantee payments to the Trust Plan in September 2022 according to the relevant guarantee contract. Subsequently, the Group irrevocably assigned part of defaulted guarantee payments amounted to RMB37,289,000 arising from the above matter to Foshan Properties Management Co., Ltd. for a total consideration of RMB32,000,000. As at 31 December 2022, The Group recovered part of the amount from the debtors, and the balance of the default guarantee payment arising from the above matter was RMB16,048,000.

Summarised financial information of the Trust Plans, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

Aggregate information of individually immaterial jointly controlled Trust Plans:

	31 December 2022 RMB'000	31 December 2021 RMB'000
Aggregate carrying amount of individually immaterial jointly controlled Trust Plans in the consolidated financial statements	<u>1,818</u>	<u>16,384</u>
Aggregate amounts of the Group's share of profit of these controlled Trust Plans in the consolidated financial statements:		
Losses from operation and total comprehensive income	<u>6,843</u>	<u>16,384</u>

As of 31 December 2022, the Company's maximum potential loss in relation to the financial guarantees issued the Trust Plans amounted to RMB109,057,000 (31 December 2021: RMB338,427,000), which would be recognised if the underlying investments of the Trust Plans default completely.

20 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Surplus reserve <i>RMB'000</i>	General reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2020	<u>1,560,793</u>	<u>133,773</u>	<u>127,936</u>	<u>128,070</u>	<u>136,762</u>	<u>2,087,334</u>
Changes in equity for 2021:						
Profit for the year	—	—	—	—	80,492	80,492
Total comprehensive income	—	—	—	—	80,492	80,492
Issue of ordinary shares	—	—	—	—	—	—
Appropriation to surplus reserve	—	—	8,049	—	(8,049)	—
Appropriation to general reserve	—	—	—	8,049	(8,049)	—
Dividends approved in respect of the previous year	—	—	—	—	(93,830)	(93,830)
Balance at 31 December 2021	<u>1,560,793</u>	<u>133,773</u>	<u>135,985</u>	<u>136,119</u>	<u>107,326</u>	<u>2,073,996</u>
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Surplus reserve <i>RMB'000</i>	General reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2021	<u>1,560,793</u>	<u>133,773</u>	<u>135,985</u>	<u>136,119</u>	<u>107,326</u>	<u>2,073,996</u>
Changes in equity for 2022:						
Profit for the year	—	—	—	—	47,990	47,990
Total comprehensive income	—	—	—	—	47,990	47,990
Issue of ordinary shares	—	—	—	—	—	—
Appropriation to surplus reserve	—	—	4,799	—	(4,799)	—
Appropriation to general reserve	—	—	—	4,799	(4,799)	—
Dividends approved in respect of the previous year	—	—	—	—	(78,041)	(78,041)
Balance at 31 December 2022	<u>1,560,793</u>	<u>133,773</u>	<u>140,784</u>	<u>140,918</u>	<u>67,677</u>	<u>2,043,945</u>

(b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 27 March 2023, the proposed dividends appropriations for the year ended 31 December 2022 are as follows:

- Cash dividends of RMB54,627,744.05 (2021: RMB78,039,634) to all shareholders representing RMB0.035 (2021: RMB0.050) per share before tax.

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

21 GUARANTEES ISSUED

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

	31 December 2022 RMB'000	31 December 2021 RMB'000
Performance guarantee	5,893,316	6,171,385
Financing guarantee	4,356,958	4,036,231
Litigation guarantee	31,411	13,092
	<hr/>	<hr/>
Subtotal	10,281,685	10,220,708
Less: Customer pledged deposits	(73,328)	(253,002)
	<hr/>	<hr/>
Total	<u>10,208,357</u>	<u>9,967,706</u>

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

22 COMMITMENTS AND CONTINGENT LIABILITIES

Litigations and disputes

Since 2021, a group of individual investors initiated arbitrations against the Company in respect of their overdue lendings which were guaranteed by the Company. As at the date of this announcement, except for one arbitration requesting the Company to fulfill its guarantee obligation of RMB4,106,000 was pending ruling outcome, the other arbitrations have been ruled and the claimants have applied for the enforcement of arbitral awards via the Foshan Intermediate People's Court requesting the Company to fulfill its guarantee obligations with an aggregate amount of RMB4,929,000. The Company's guarantee obligations mentioned above cover the principals and interests related to the investors' overdue lendings.

Based on legal advice, the Company denies any liabilities in relation to the above-mentioned arbitrations and has applied to the court to set aside the arbitration awards. The Board of Directors does not believe it is probable that the court will find against them. Accordingly, as at 31 December 2022 and 2021, no provision has been made in respect of these claims.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2022, the global economic development had encountered great difficulties due to the complex and severe international situation and intensified geopolitical conflicts. Under this backdrop, the Chinese government determined a new balance between pandemic prevention and control and economic and social development to boost market confidence in order to promote employment recovery, domestic demand recovery and maintenance of price stability. As policies continue to be implemented, the PRC economy has demonstrated greater resilience and potential to achieve a general rebound. According to the latest data published by the National Bureau of Statistics, the Gross Domestic Products reached RMB121.0207 trillion for the whole year of 2022, representing an increase of 3.0% compared to that of the previous year calculated based on the same market prices. The solid growth in GDP has shown the strong resilience of the PRC economy and the stable increase in China's comprehensive national strength and international influence. Amidst the ever-shifting global economic landscape, China's foreign trade has reached a new record high, exceeding the RMB40 trillion for the first time. According to customs statistics, the total value of China's trade in goods import and export was RMB42.07 trillion in 2022, representing an increase of 7.7% over 2021. The total value of China's import and export continued to grow steadily from the high base in 2021, maintaining the status of the world's top goods trading country for six consecutive years.

SMEs are an essential part of the real economy, an important support for China's economic resilience and employment resilience, concerning the overall situation of economic and social development. Affected by the serious incidence of the COVID-19 pandemic in many places, business production and people's life have been hit harder, and SMEs have been affected to a greater extent than large enterprises. On 18 January, the China SMEs Development Association released data showing that in December, the SMEs development index (SMEDI) was 87.9, representing a decrease of 0.2 points from previous month. After being flat for two months, it decreased for two consecutive months, the lowest in the recent two years. It is expected that with the release of the pandemic prevention and control measures, the order of social production and life is expected to be gradually restored and the confidence in the development of SMEs will be significantly improved.

In recent years, the Group has developed a unique management model in the national financing guarantee industry to improve the service system for SMEs, help alleviate the difficulties of SMEs and facilitate their stable and healthy development. In April 2020, in accordance with the notice of four supporting systems under the Regulation on the Supervision and Administration of Financing Guarantee Companies (No. 1 [2018] of the China Banking and Insurance Regulatory Commission), the Group has complied with industry regulatory requirements in terms of its various business indicators and obtained the business license of financing guarantee business which has been reviewed, approved and renewed by Guangdong Financial Supervisory Authority. In 2022, the Group's total annual revenue amounted to RMB360.71 million.

Mr. Wu Liejin, the chairman of the Board, represented that the Group will continue to focus on its principal business of guarantee, practice the original mission of financial services for the real economy, grasp the development opportunities brought by the national industrial policies, continuously increase its support to real economy, improve operational efficiency, enhance the comprehensive competitive advantages and contribute its financial strength to the development of SMEs and the whole industry.

Business Review

The business of the Group mainly consists of two segments, namely the guarantee business and the SMEs lendings.

Guarantee Business

The Group provides guarantees on behalf of SMEs and individual business proprietors to guarantee their repayment of loans or performance of their contractual obligations. Among which, regarding the financing guarantee business, the Group and the creditors such as banking financial institutions agree that, in case that the warrantee fails to perform its financing debts owed to the creditors, the Group as guarantor shall bear the guarantee liabilities as agreed in the agreement in accordance with laws. The Group mainly provides the following products and services:

Financing guarantee

Indirect financing guarantee

Direct financing guarantee

Non-financing guarantee

Litigation preservation guarantee

Engineering guarantee letters and other performance guarantee letters

As at 31 December 2022, the Group's total outstanding guarantee was approximately RMB10,208.36 million (31 December 2021: RMB9,967.71 million). For the year ended 31 December 2022, the net guarantee fee income was approximately RMB198.14 million, which remains relatively stable as compared to approximately RMB193.17 million for the year ended 31 December 2021.

SMEs Lendings

The Group provides loans and advances to customers comprising entrusted loans and micro-lending.

- (a) **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. The Group usually provides entrusted loans of relatively large amount ranging from approximately RMB1.00 million to approximately RMB35.00 million through banks, and is not subject to geographical restriction. 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. For the year ended 31 December 2022, the monthly fixed interest rate charged by the Group for entrusted loans ranged from 0.5% (inclusive) to 1.8% (inclusive) (for the year ended 31 December 2021: 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 2022, the balance of the Group's entrusted loans was approximately RMB231.42 million (31 December 2021:

RMB234.92 million). The top five customers of such business in terms of remaining balance represent approximately 65.48% of the total remaining balance of entrusted loans as at 31 December 2022 and their respective terms were as follows:

Borrower	Cooperative institutions	Loan amount (RMB'000)	Loan balance as at 31 December 2022 (RMB'000)	Loan interest rate (month, %)	Loan term	Type of guarantee
Company A	Bank a	35,000	35,000	1.217	3 November 2022 to 26 April 2023	Warranty
Company B	Bank a	35,000	30,761.7	1.8	17 October 2014 to 17 April 2015	Warranty and collateral guarantee
Company C	Bank a	31,790	31,284.5	1.6	8 July 2015 to 8 January 2016	Warranty and collateral guarantee
Company D	Bank a	29,000	29,000	1.45	8 December 2015 to 8 December 2016	Warranty and collateral guarantee
Company E	Bank b	25,500	25,500	0.5	20 July 2022 to 20 July 2023	Warranty
Total		<u>156,290</u>	<u>151,546.2</u>			

(b) **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 decentralised resource distribution”. The amount of loans and repayment term must be determined with reference to factors such as the income, overall liabilities, assets 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. Due to regulatory limits, the amount of micro-lending that the Group may provide is up to RMB15 million. For the year ended 31 December 2022, the monthly fixed interest rate charged by the Group for micro-lending ranged from 0.55% (inclusive) to 1.7% (inclusive) (for the year ended 31 December 2021: 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 2022, the balance of the Group’s micro-lending was approximately RMB550.74 million (31 December 2021: RMB434.65 million). The top five customers of such business in terms of remaining balance represent approximately 13.11% of remaining balance of total micro-lending as at 31 December 2022 and their respective terms were as follows:

Borrower	Loan amount (RMB'000)	Loan balance as at 31 December 2022 (RMB'000)	Loan interest rate (month, %)	Loan term	Type of guarantee
Company A	15,000	15,000	1.25	19 August 2022 to 18 February 2023	Collateral guarantee
Company B	15,000	15,000	1	24 October 2022 to 23 October 2023	Warranty
Individual C	15,000	15,000	1.25	22 August 2022 to 21 March 2023	Warranty
Individual D	15,000	15,000	1.25	30 August 2022 to 29 April 2023	Warranty
Company E	12,200	12,200	0.7	22 December 2022 to 21 December 2023	Warranty
Total	72,200	72,200			

For the year ended 31 December 2022, the Group's net interest income was approximately RMB93.92 million, representing an increase of approximately 19.26% as compared to approximately RMB78.75 million for the year ended 31 December 2021.

Internal Control

The Group had put in place the following internal control policies and procedures to manage the risks of its businesses:

(1) For its **guarantee business**:

- (a) For financing guarantee business, upon receiving approval, the business department will arrange for the execution of the transaction documents with the customers and the guarantors. If any registrable collateral is provided, the Company will register its security interest in such collateral with the relevant governmental authorities first. The risk control department inspects the contract execution, the implementation of counter-guarantee measures and supplemental matters under the requirements of the approval documents. Once these steps are completed, the Company's letter of guarantee becomes effective or the bank will be notified to release the loans to the borrowers.

The Company's post-transaction inspection procedures are launched upon engaging in the guarantee business. Through its post-transaction inspection procedures, the Company aims to identify any potential repayment difficulties of its customers ahead of the guarantee due date and to take appropriate precautionary measures. The project manager, as the project supervisor, visits customers regularly to understand the customers' profile in all aspects, including daily production or operation, financial status, credit, actual use of proceeds, changes in the counter-guarantee measures, changes in the condition or value of collateral, and any other material advance change on the borrowers, their ultimate beneficial owners or counter-guarantors. He/she will also enquire online public information of the guarantee customers through third party service providers to obtain public monitoring data.

- (b) The Company has established certain measures and procedures in order to monitor the quality of its customers and assets in respect of its financing guarantee business, which include regular post-transaction supervision, special post-transaction supervision, risk screening, procedures for storing collateral and classification of risk profiles, and the relevant details are set out below:
- (i) Regular post-transaction supervision. The project supervisor regularly monitors and assesses the project conditions and risk conditions, predicts and evaluates risks according to the supervision plan, and reports to relevant departments. The Company conducts such supervision once every half month, every month, every two months, every three months or every six months depending on the risk profile of the project.
 - (ii) Special post-transaction supervision. A special post-transaction supervisor, in addition to the project supervisor, will be introduced for post-transaction supervision when necessary, generally for: (1) projects with certain operational risks; (ii) the first time guarantee projects; (3) projects with high cumulative balance of guarantee liabilities; or (4) projects with certain industry risks. The special post-transaction supervisor is generally the Company's risk control manager, an officer responsible for collection and recovery, or the head of the business department or the risk control department. The Company conducts a special post-transaction supervision every month.
 - (iii) Risk screening. According to the macro-economy and the change in market environment, the Company formulates business guidelines and opinion on risks by classification of industry from time to time with an aim to promote healthy business development and risk control. The Company conducts risk screening by adopting stricter, higher standard and more specific risk supervision or special risk investigation on companies that are in industries with greater risks or easily affected by the macro economy, or the projects for which material counter-guarantee is in abnormal condition. The risk management department and the business department develop project due date guidance based on the customers' performance and the Company's guiding opinions on such customers before maturity of each project. If there is material abnormal matter affecting repayment during the post-transaction supervision, the project supervisor should report to the business department head and the risk management department in a timely manner, and the risk management department will adjust the supervision frequency and risk category, and arrange a special post-transaction supervisor's on-site supervision or hold a risk project seminar to discuss solutions.

- (iv) Management procedures for collateral. Collaterals include both tangible and intangible assets. Normally there is no storage requirement for intangible assets. For tangible assets, subject to conditions including project risks, characteristics of the customer's business and mortgage rate, the Company may adopt different measures, such as entering into and registering a mortgage, performing regular on-site inspections and conducting regular supervision through a third party designated by the Company. For real estate that has undergone mortgage registration, the Company will occasionally arrange an asset appraisal manager to conduct appraisals, check the market price of real estate of the same type through real estate websites, or check the status of the mortgage real estate with the registration department.
 - (v) Risk profile classification. The Company conducts post-transaction risk management review and classifies guarantees or loans in five risk profiles. The Company classifies its customer's risk profile as "normal," "special-attention," "substandard," "suspicious" or "loss" based upon the customer's financial condition, profitability, repayment capability, repayment record, willingness to repay, counter-guarantee conditions and other relevant material adverse incidents. Based on such risk profile classification, the Company adjusted the project's supervision grade and the corresponding frequency of review, adopt differentiated risk management and control strategies and enhance supervision on "special-attention" projects with a focus on collections from "substandard," "suspicious" or "loss" projects.
- (c) The Company initiates its collection and recovery process if it assesses, that projects have great hidden risks or risk exposure. In the case of a customer default under its guarantee business, the Company 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. The Company's collection efforts generally involve its collection and recovery department and its legal department. Its collection and recovery process primarily involves the following steps and procedures:
- (i) the Company will commence its collection process by calling the customer after the default is occurred. After that, the Company will attempt to collect the default payment on-site at the customer's business address and residential address;

- (ii) in most cases where a customer defaults, the Company will work with the customer to develop alternative repayment plans to and urge the customer to fulfil its 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 the Company is not aware of enforcement actions being taken by other creditors; and
- (iii) the Company usually enforces its rights to collateral when it determines that the customer's business prospects or the value of the collateral have deteriorated, when the customer does not indicate any intentions to make repayments or when actions taken by other creditors may compromise the Company's rights. The Company will negotiate on disposal of the collateral with customers to recover its losses with the proceeds from the disposal of such collateral. In addition, the Company may call upon the guarantees or counter-guarantees provided by the customers and other guarantors or counter-guarantors. The Company may initiate legal or arbitration proceedings against a customer if there is any dispute over the Company's right to the collateral or other assurance measures. The Company generally seeks a court order enforcing the guarantee agreement and the right of sale in relation to pledged or mortgaged collateral.

(2) For its **entrusted loan business**:

- (a) 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 of the Company (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 or general meeting.

- (b) 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.
- (c) 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 fulfil 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.

(3) For its **micro-lending business**:

- (a) 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.
- (b) 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.
- (c) 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 instalments 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.
- (d) 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:

- (i) 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
- (ii) 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 favourable judgement, 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.

Major business activities undertaken by the group during the year

During the year ended 31 December 2022, with an aim to strengthen the Group's overall market position, the Group has undertaken the major business activities as follows:

1. Foshan Micro Credit has been given an “AAA+” rating, ranking 10th among nearly 400 peers in Guangdong Province, which will have a positive impact on Foshan Micro Credit in terms of financing channels, financing leverage, regulatory measures, innovative business and others. In addition, Foshan Micro Credit was also awarded the title of “the A-Level Team of Financial Development Innovation in 2021” in Chancheng District, Foshan, Guangdong Province.
2. On 27 April 2022, to enhance the Company's development in financing guarantee business in the PRC, the Company, Foshan Hi-Tech Industries Investment Development Company Limited* (佛山高新技術產業投資發展有限公司) (“**Foshan Hi-Tech**”) and Guangdong Yuecai Financing Guarantee Group Co., Ltd.* (廣東粵財融資擔保集團有限公司) (“**GD Yuecai**”) entered into a shareholding investment cooperation agreement in relation to formation of a joint venture (the “**New Subsidiary**”), pursuant to which the Company, Foshan Hi-Tech and GD Yuecai have contributed RMB210 million, RMB60 million and RMB30 million to such New Subsidiary by 26 July 2022, 28 July 2022 and 27 July 2022, respectively. Pursuant to such shareholding investment cooperation agreement, the Company will grant a put option to GD Yuecai and provide a guaranteed return subject to the terms and conditions therein. As at the date of this announcement, the New Subsidiary has obtained approval from Guangdong Financial Supervisory Authority* (廣東省地方金融監督管理局) and Foshan Administration for Market Regulation (佛山市市場監督管理局), and is duly incorporated. For further details, please refer to the announcements of the Company dated 27 April 2022, 1 August 2022, 1 November 2022, 3 January 2023 and 6 February 2023, respectively.

3. As one of the major business of the Company is providing financing guarantee service, pursuant to Measures for the Administration of the Asset Proportions of Financing Guarantee Companies (《融資擔保公司資產比例管理辦法》), it is stipulated that level III assets of the Company shall not exceed 30% of the total assets of the Company after deducting the receivables for default payments (扣除應收代償款). As at 31 January 2022, the level III assets of the Company mainly comprised long-term equity investment, bonds, entrusted loans and other receivables amounted to approximately 26.16% of the total assets of the Company after deducting the receivables for default payments (扣除應收代償款). Since most of the equity investment and equity assets are categorised as level III assets, the Company is restrained by the 30% asset limitation requirement to utilise the proceeds from the Listing, the Investors Subscription, the Placing (as respectively defined in the circular of the Company dated 1 June 2022 (the “**2022 June Circular**”)) and issue of bonds to equity investment. Accordingly, on 27 April 2022, the Board resolved to propose to (i) adjust its internal group structure (the “**Group Restructuring**”) as detailed in the 2022 June Circular; and (ii) change the use of unutilised proceeds from the Listing, the Investors Subscription and the Placing as detailed in the 2022 June Circular, subject to the approval the shareholders of the Company (the “**Shareholders**”). Relevant resolutions were passed by the Shareholders at the extraordinary general meeting, domestic shareholders’ class meeting and H shareholders’ class meeting of the Company, held on 22 June 2022. As at the date of this announcement, the Company obtained the approval from the relevant PRC regulatory authorities, such as the consent from Guangdong Financial Supervisory Authority* (廣東省地方金融監督管理局) for establishment of the New Subsidiary conducting financing guarantee business, the consent from Foshan Finance Department* (佛山市金融工作局) for the change of shareholder of Foshan Micro Credit, and the approval from the competent authority to deregister the Company’s business licence of financing guarantee business. For further details, please refer to the announcements of the Company dated 27 April 2022, 22 June 2022 and 1 August 2022 and, the 2022 June Circular.
4. On 17 August 2022, the Company (as guarantor) and Guangdong Tengyue Construction Engineering Co., Ltd.* (廣東騰越建築工程有限公司) (“**GD Tengyue**”) (as warrantee) entered into the maximum guarantee service agreement, pursuant to which the Company agrees to provide the guarantee for the maximum guarantee limit of RMB400 million. The services fee for each individual provision of guarantee by the Company shall be agreed under separate guarantee service agreement to be entered into between the Company and GD Tengyue, but in any event shall not exceed 8% of the guaranteed amount per annum. For further details, please refer to the announcement of the Company dated 17 August 2022.
5. On 18 August 2022, 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) (“**Zhongshan Join-Share**”) (as guarantor), a subsidiary of the Company, and Zhongshan Shenye

Wansheng Investment Co., Ltd.* (中山市深業萬勝投資有限公司) (“**Shenye Wansheng**”) (as warrantee) entered into the guarantee service agreements, pursuant to which Zhongshan Join-Share agrees to provide the guarantees to Shenye Wansheng regarding the construction projects. The total guarantee amount is approximately RMB208.0 million. Shenye Wansheng shall pay a total service fees of approximately RMB2.07 million to Zhongshan Join-Share in relation to the provision of the guarantees. The term of the guarantees is ranging from 16 to 33 months upon execution of the respective letter of guarantees. For further details, please refer to the announcement of the Company dated 18 August 2022.

6. On 22 August 2022, the Company successfully issued “2022 Corporate Bonds (Tranche 1) publicly issued by Guangdong Join-Share Financing Guarantee Investment Co., Ltd.* to Professional Investors”, whose issuing size is RMB240 million with the coupon rate of 3.5% and duration of not more than 5 years.
7. On 26 September 2022, Yunfu Rongda Asset Operations Company Limited* (雲浮市融達資產經營有限公司), the Company, Guangdong Wenshi Investment Company Limited* (廣東溫氏投資有限公司), GD Yuecai and Yunfu Puhui Financing Guarantee Co., Ltd.* (雲浮市普惠融資擔保股份有限公司) (“**Yunfu Puhui**”) entered into the capital contribution agreement, pursuant to which Yunfu Puhui agreed to issue a total of 10 million new shares (the “**New Issue**”) to GD Yuecai (representing approximately 7.143% of issued shares of Yunfu Puhui immediately after the New Issue) in consideration of capital contribution by GD Yuecai in the total amount of RMB10 million (the “**Capital Contribution**”) to Yunfu Puhui. Notwithstanding that the number of shares in Yunfu Puhui held by the Company will remain unchanged, the shareholdings of the Company in Yunfu Puhui will decrease from approximately 53.85% to 50.00% immediately after the New Issue and the Capital Contribution. For further details, please refer to the announcement of the Company dated 26 September 2022.
8. On 7 December 2022, the Company (as guarantor) and Country Garden Real Estate Group Co., Ltd.* (“**Country Garden Real Estate Group**”) (as warrantee) entered into the guarantee agreement, pursuant to which the Company agrees to provide the guarantee for the corporate bonds. The services fee for provision of guarantee by the Company shall be 2.3% of the guaranteed amount per annum. For further details, please refer to the announcement of the Company dated 8 December 2022.
9. On 22 December 2022, the Company (as guarantor) and Pacific Construction Group Co., Ltd.* (太平洋建設集團有限公司) (“**Pacific Construction**”) (as warrantee) entered into the maximum guarantee service agreement, pursuant to which the Company and its subsidiaries shall provide the guarantee for the maximum guarantee limit of RMB400 million. The service fee for each individual provision of guarantee by the Group company shall be agreed under separate guarantee service agreement to be

entered into between the Group company and Pacific Construction, but in any event shall not exceed 8% of the guaranteed amount per annum. For further details, please refer to the announcement of the Company dated 22 December 2022.

Financial review

Net Guarantee Fee Income

The Group's total guarantee fee income decreased by approximately RMB24.28 million, or approximately 10.49%, from approximately RMB231.42 million for 2021 to approximately RMB207.14 million for 2022. Such decrease was mainly due to (i) the Group's increased efforts in expanding its policies fund projects (State Financing Guarantee Fund & Foshan Financing Guarantee Fund) and formulating concessionary measures to reduce fees and concessions for SMEs, "Three Rurals" and individual business proprietors, which caused the income from finance guarantee fees decreased by approximately RMB26.47 million or approximately 14.43% from approximately RMB183.42 million for 2021 to approximately RMB156.95 million for 2022; (ii) the structure adjustments of financing guarantee business with the guideline of "Supporting SMEs and three rurals, servicing SMEs" and fund projects with low interest rates after the Group (Guangdong Join-Share Financing Guarantee Investment Co., Ltd., Zhongshan Join-Share Technology Financing Guarantee Investment Co., Ltd., Yunfu Puhui Financing Guarantee Co., Ltd.) was selected to the "Guangdong Province Government Financial Guarantee Institutions", and the percentage of insured policies funds was approximately 40% for 2022; and (iii) the retail guarantee business in collaboration between the Group and well-known financial platforms in the PRC which played an active role in serving SMEs and resident consumption after being launched in 2018 but rapidly decreased in line with the regulatory constriction that leading to a relatively large fluctuation in guarantee income for 2022.

Net Interest Income

The Group's net interest income increased to approximately RMB93.92 million for 2022, as compared with approximately RMB78.75 million for 2021, which was a combined effect of factors set out below.

- interest income from entrusted loan business increased by approximately RMB2.85 million or approximately 25.09% from approximately RMB11.36 million for 2021 to approximately RMB14.21 million for 2022, which was mainly attributable to the newly added entrusted loans cooperative banks.
- interest income from micro-lending business increased by approximately RMB10.08 million or approximately 20.46% from approximately RMB49.26 million in 2021 to approximately RMB59.34 million for 2022, which was mainly attributable to the significant increase in the release of micro-lending on a year-on-year basis with an increase in average daily balance of loans of RMB80.00 million.

- interest income from the factoring business increased by approximately RMB1.63 million or approximately 8.65% from approximately RMB18.85 million for 2021 to approximately RMB20.48 million for 2022, which was mainly attributable to the Group’s expansion of factoring business during the year.
- interest income from cash at banks and pledged bank remained stable at approximately RMB14.12 million for 2022, as compared with approximately RMB14.20 million for 2021.

Service Fee from Consulting Services

The Group’s service fee from consulting services decreased significantly by approximately RMB12.46 million, or approximately 32.65%, from approximately RMB38.16 million for 2021 to approximately RMB25.70 million for 2022, primarily due to the decrease of the scale of the Group’s consulting services.

Other Revenue

The Group’s other revenue increased significantly by approximately RMB34.32 million, or approximately 397.68%, from approximately RMB8.63 million for 2021 to approximately RMB42.95 million in 2022, primary because (i) income from government grants increased by approximately RMB12.88 million or approximately 84.13% from approximately RMB15.31 million for 2021 to approximately RMB28.19 million for 2022; and (ii) foreign exchange gains increased by approximately RMB13.97 million or approximately 323.38% from foreign exchange losses of approximately RMB4.32 million for 2021 to foreign exchange gains of approximately RMB9.65 million for 2022.

Share of (losses)/gains of associates

The Group recorded share of losses of associates of approximately RMB9.93 million for 2022 as compared with the share of losses of associates of approximately RMB3.02 million for 2021, which was primarily attributable to the increase of losses of the Company as a result of the cessation of interest capitalization and the increase of the relevant borrowing fees due to the completion of “Join-Share International Financing Center (中盈盛達國際金融中心)” built by an associate of the Company.

Provisions Charged for Guarantee Losses

Provisions charged for guarantee losses primarily reflect the management’s estimate on the adequacy of provisions for the Group’s guarantee business. Provisions charged for guarantee losses increased significantly by approximately RMB14.25 million, or approximately 139.02%, from approximately RMB10.25 million for 2021 to approximately RMB24.50 million for 2022, primarily due to an increase of approximately RMB240.65 million of the balance of outstanding guarantee from approximately RMB9,967.71 million as at 31 December 2021 to approximately RMB10,208.36 million as at 31 December 2022.

Impairment Losses

Impairment losses mainly include impairment and provision charged for (i) default guarantee receivables which reflect the net amount of the default guarantee that are unable to be recovered; (ii) receivables from guarantee customers which reflect the net capital portfolio that is unable to be recovered for the financing solutions provided by the Group to its customers; (iii) loans and advances to customers which reflect the net amount of loans and advances to the customers primarily in the entrusted loan and micro-lending businesses that are unable to be recovered; and (iv) factoring receivables which mainly reflect the net amount of factoring financing services provided to customers that are unable to be recovered. The Group's impairment losses increased by approximately RMB74.61 million, or approximately 173.75%, from approximately RMB42.94 million for 2021 to approximately RMB117.55 million for 2022, primary due to (i) the increase in the impairment loss of receivables from default guarantee customers from approximately RMB22.33 million in 2021 to approximately RMB56.62 million in 2022; and (ii) the increase in impairment loss of receivables from guarantee customers from the write-back of approximately RMB2.93 million for 2021 to approximately RMB2.64 million for 2022; and (iii) the increase in the impairment loss of factoring receivables from approximately RMB9.53 million for 2021 to approximately RMB29.94 million for 2022.

Operating Expenses

The Group's operating expenses increased by approximately RMB14.20 million, or approximately 11.34%, from approximately RMB125.25 million for 2021 to approximately RMB139.45 million for 2022, mainly because (i) the increase in the office expenses from approximately RMB4.39 million in 2021 to approximately RMB5.16 million in 2022; (ii) the increase in the depreciation and amortisation expenses from approximately RMB9.75 million in 2021 to approximately RMB11.02 million in 2022; and (iii) the increase in the operating expenses from approximately RMB3.89 million in 2021 to approximately RMB10.63 million in 2022.

Profit before Taxation

As a result of the foregoing, the Group's profit before taxation decreased by approximately RMB67.97 million, or approximately 49.52%, from approximately RMB137.25 million for 2021 to approximately RMB69.28 million for 2022. The Group's profit before taxation accounted for approximately 44.26% and approximately 21.80% of the Group's revenue for 2021 and 2022, respectively.

Income Tax

Income tax decreased by approximately RMB24.11 million, or approximately 58.95%, from approximately RMB40.90 million for 2021 to approximately RMB16.79 million for 2022.

Profit for the Year

As a result of the foregoing, the Group's profit for the year decreased by approximately RMB43.86 million, or approximately 45.52%, from approximately RMB96.35 million for 2021 to approximately RMB52.49 million for 2022, and the Group's net profit margin decreased from approximately 31.07% for 2021 to approximately 16.52% for 2022.

Capital Expenditure

The Group's capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipment, office decorations and purchase of software. For 2022, the Group's capital expenditures amounted to approximately RMB8.39 million (2021: RMB4.70 million), which was primarily related to purchase of business operating system.

Capital Commitments and Contingent Liabilities

As at 31 December 2022, the Group's outstanding capital commitments relating to (i) the total maximum guarantee issued to customers for its guarantee business amounted to approximately RMB10,208.36 million (31 December 2021: RMB9,967.71 million); and (ii) the Group's leases of office premises amounted to approximately RMB18.97 million (31 December 2021: RMB15.05 million).

Since October 2021, a number of individual investors initiated an arbitration against the Group in respect of their overdue lending to a third party which was guaranteed by the Group. As at 31 December 2022, the arbitration award required the Group to fulfill the guarantee obligation of the aforesaid overdue lending with principals and interests amounted to a total of RMB9.04 million. The Group has applied for revocation of such arbitration award. The management of the Group considered the guarantee liability is within the ordinary and usual course of business of the Group. Save as aforesaid, the Group did not have other contingent liabilities as at 31 December 2022.

Charge on Assets

As at 31 December 2022, the Group pledged its accounts receivables of approximately RMB20 million to the bank to secure bank loans.

Prospects and future developments in the business of the group

(1) Development trend of the industry

The central bank has strengthened financial support to assist the healthy development of SMEs

SMEs are the new forces of economic development, the main channels of employment and the important sources of innovation, as well as the essential part of the real economy. In 2022, in order to comprehensively implement the spirit of the 19th National Congress of the Communist Party of China and all previous plenary sessions of the 19th session of Central Committee of the Communist Party of China and the guiding principles of the Central Economic Work Conference, China issued and advanced a series of policies and measures to address problems faced by enterprises.

On 6 April 2022, the General Office of the China Banking and Insurance Regulatory Commission issued the “Notice of Further Strengthening Financial Support for the Development of Micro and Small Enterprises in 2022 (《關於2022年進一步強化金融支持小微企業發展工作的通知》)”, which requires to increase the medium and long-term credit grant to SMEs in advanced manufacturing and strategic emerging industries, and actively address the medium and long-term capital needs of SMEs in traditional industries in terms of equipment update, technological transformation and green transformation and development. With the support of policies, inclusive loans to SMEs witnessed a rapid growth for five consecutive years. At the end of 2022, the balance of inclusive micro-loans was more than RMB23 trillion, with an average annual growth rate of approximately 25% in the past five years, much higher than that of other countries, and loan interest rate also continued to decline.

Since 2022, the COVID-19 pandemic continued to resurge globally, and the domestic pandemic has spread in many places, which has great impact on the production and operation of many SMEs. In order to support the development of the real economy and to facilitate the stable reduction in comprehensive financing costs, the People’s Bank of China decided to reduce the deposit reserve ratio of financial institutions by 0.25 percentage points on 25 April 2022 (excluding financial institutions that have implemented a 5% deposit reserve ratio). In addition, in order to increase support for SMEs and “Three Rurals”, for urban commercial banks without inter-provincial operation and rural commercial banks with a deposit reserve ratio higher than 5%, the deposit reserve ratio is additionally lowered by 0.25 percentage points on the basis of 0.25 percentage points reduced, which will constantly increase the support to the SMEs.

With frequently favorable policies coming out, financing guarantee industry is expected to continue to improve

In addition to the central bank's increasing financial support, national ministries and commissions have also issued a series of policies and measures to alleviate difficulties and facilitate stable and healthy development of SMEs. On 16 May 2022, the Ministry of Finance issued the "Notice of Maximising the Guiding Role of Fiscal Policies and Providing Financial Support for the Alleviation of Difficulties and Development of Market Participants" (《關於發揮財政政策引導作用支持金融助力市場主體紓困發展的通知》), which sets out works in six aspects, including maximising the credit enhancement role of governmental financing guarantee institutions and increasing interest discounts on guaranteed loans for business start-ups, with a view to enhance the guiding role of fiscal policies, and to leverage financial resources to better support the alleviation of difficulties and development of market participants.

On 31 May 2022, the State Council issued the "Package of Policies and Measures to Solidly Stabilise the Economy (《紮實穩住經濟的一攬子政策措施》)", and introduced 33 measures in six aspects. Such package of policies and measures are required to be effective as soon as possible and be implemented in a timely manner, with a view to exerting a greater policy effect on stabilising the economy and alleviating difficulties of enterprises as soon as possible. Such package of policies and measures has a total of 14 articles and 24 points to support the development of SMEs, with strong pertinence, wide coverage, and high synergy, which can address problems such as insufficient cash flow, high debt and interest repayment pressure, and continuing unfavorable market condition.

On 11 January 2023, the State Council promoted the office of the leading group for the development of SMEs to issue Certain Measures to Assist SMEs to Stabilise Growth, Adjust Structure and Strengthen Capacity (《助力中小微企業穩增長調結構強能力若干措施》), which put forward 15 specific measures to further promote steady growth and expectations, focused on promoting SMEs to adjust structure and strengthen capability. The above measures include strengthening policy implementation and support, increasing financial support for SMEs, effectively expanding market demand, increasing the cultivation of specialized and sophisticated enterprises that produce new and unique products, promoting the transformation of scientific and technological achievements and digital transformation of SMEs, and increasing direct financing support for quality SMEs.

On 30 January 2023, the Ministry of Finance held an online press conference on fiscal revenue and expenditure for 2022. The Ministry of Finance represented that it should comprehensively consider the financial affordability and the need to help enterprises to alleviate their difficulties, further improve the measures on tax cut and fee reduction based on the actual situation on the basis of the implementation of the policies introduced earlier, strengthen the support for SMEs, individual business proprietors and struggling industries, promote the transformation and upgrading of enterprises and enhance their innovation capabilities, and increase vitality and power for enterprises.

The Board believes that, against the backdrop of continued policy support, China's financing guarantee industry will develop in the direction of professionalism and commercialization, and the ever-improving financing ecology will provide favorable conditions for the sustainable and healthy development of compliant, professional and diversified financing guarantee companies.

China's financing guarantee industry will continue to improve its function of capital service and expand the coverage of SMEs, while continuously improve its financial innovation and technology application capabilities to solve the financing problems of the real economy, especially SMEs, and enable full release of the source of innovation of SMEs and stimulation of economic vitality of SMEs.

(2) Development strategies of the Group

In 2022, China achieved positive results in efficiently coordinating pandemic prevention and control and economic and social development, which stabilised the macroeconomic market. The total economic volume has continued to expand, and the quality of development has steadily improved. In 2023, The economy of China will follow the general keynote of “prioritising stability while pursuing progress” (穩字當頭、穩中求進). As the pandemic prevention and control enters a new stage, various policies are continuously implemented and detailed, the order of production and life is expected to recover rapidly, and the endogenous forces for economy growth will continue to strengthen and provide strong support for the high-quality development of China's economy. In 2023, the Group intends to adopt the following measures:

1. **Promoting the landing and operation of new guarantee companies.** In accordance with the requirements of the provincial and municipal regulatory authorities, we will continue to promote the adjustment of the top-level structure of the Group, focusing on promoting the expansion of the new guarantee subsidiary and the transition of financing guarantee business with the parent.

2. **Innovating the fund projects cooperation mode and vigorously promoting fund projects.** At present, the Company and the bank have reached a consensus on the new cooperation model, which will be piloted next year, which is expected to become a new growth point for the Company's business scale.
3. **Strengthening compliance construction and improving the system management level.** We will carry system sorting work for the whole business sector to ensure that the business system complies with regulatory requirements and improve the regulatory rating level of the entire business chain.

Guangdong Join-Share(Stock Code: 01543.HK), which founded in May 2003 as the earliest financing guarantee institution in Foshan, pioneered the model of "mixed ownership of financing guarantee", and became the first domestic company listed on the Main Board of Hong Kong Stock Exchange with financing guarantee as its main business in 2015. With scientific governance structure, stable business model, complete risk control system and excellent corporate culture, Guangdong Join-Share has formed a national brand possessing independent innovation in the guarantee industry, by maintaining its foothold in Guangdong with its business coverage across the country. At present, the annual business volume of Guangdong Join-Share amounts to RMB20 billion or RMB30 billion, and over the past 20 years, it has served more than 15,000 enterprises in total with an accumulated service amount of more than RMB150 billion, with branches in Guangzhou, Dongguan, Zhongshan, Zhaoqing, Yunfu and Hefei, Anhui, etc.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Capital Structure

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

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

Foreign Exchange Risks

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

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

Liquidity and Capital Resources

The Group's liquidity and capital requirements primarily relate to capital investments in the registered capital of its operating subsidiaries, granting micro-lending and entrusted loans, making default payments, maintaining security deposits at banks and other working capital requirements. It has in the past funded its working capital and other capital requirements primarily by equity contributions from Shareholders, cash flows from operations and banks and other borrowings.

As at 31 December 2022, the Group's cash and bank deposits was approximately RMB1,085.49 million.

Indebtedness

As at 31 December 2022, the Group's interest-bearing borrowings amounted to approximately RMB162.87 million which are repayable within one year bearing interest at a range of from 3.80% to 11.00% per annum and are guaranteed.

As at 31 December 2022, the Group has debt securities issued of approximately RMB500.00 million, which was the face value of the Tranche 1 Corporate Bonds with a coupon rate of 4.60% and 3.50%.

In addition, as at 31 December 2022, the Group had other financial instruments of approximately RMB113.17 million, financial liabilities measured at FVPL of approximately RMB1.82 million and lease liabilities of approximately RMB18.97 million.

The gearing ratios of the Group as at 31 December 2022 and 31 December 2021 were 35.96% and 31.24%, respectively, which was calculated by dividing total liabilities by total assets. Such increase in gearing ratio was mainly attributable to the issue of corporate bonds (tranche 1).

Off-Balance Sheet Arrangements

The Group enters into guarantee contracts with off-balance-sheet risk in the ordinary course of its business. The contract amount reflects the extent of the Group's involvement in the financing guarantee business and represents its maximum exposure to credit loss. As at 31 December 2022, the Group's outstanding guarantee totaled approximately RMB10,208.36 million. Save as disclosed above, the Group had no other off-balance-sheet arrangements as at 31 December 2022.

Significant Investments

Save as disclosed under the paragraphs headed "Major business activities undertaken by the Group during the year" in this Management Discussion and Analysis, the Group had no significant investments for the year ended 31 December 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed under the paragraphs headed "Major business activities undertaken by the Group during the year" in this Management Discussion and Analysis, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2022.

Future Plans for Material Investments or Capital Assets

The Group had no specific plan for material investments or capital assets as at 31 December 2022.

EVENTS AFTER REPORTING PERIOD

As at 3 February 2023, the Company established Guangdong Join-Share Financing Guarantee Co., Limited* (廣東中盈盛達融資擔保有限公司) as a joint venture with GD Yuecai and Foshan Hi-Tech with a registered capital of RMB300 million, of which the Company contributed RMB210 million (capital contribution ratio of 70.00%), GD Yuecai contributed RMB30 million (capital contribution ratio of 10.00%) and Foshan Hi-Tech contributed RMB60 million (capital contribution ratio of 20.00%). Save as the disclosed above, from 31 December 2022 up to the date of this announcement, the Group did not have any other significant events.

HUMAN RESOURCES

The total number of staff within the Group as at 31 December 2022 was 307 (31 December 2021: 309). As at 31 December 2022, the number of staff holding a bachelor's degree or above was 264, accounting for 86% of its total number of staff; and the number of staff holding a junior college degree or below was 43, accounting for 14% of its total number of staff. The Directors believe that employees' quality is the most important factor in sustaining the development and growth of the Group and in raising its profitability. The Group offers a base salary with bonuses based on its employees' performance and benefits and allowances to all its employees as an incentive. For the year ended 31 December 2022, the Group incurred staff costs (including salaries, wages, bonuses and other benefits and contributions to retirement schemes) of approximately RMB82.95 million. The Group also offers trainings to its new employees once a year. The Directors believe that both the performance-based salary and staff training play an important role in recruiting and retaining talent as well as enhancing employee loyalty.

The Group is required to participate in pension schemes organised by the respective local governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has complied with the relevant requirements during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Rules the ("**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at the date of this announcement, the Audit Committee comprises five members, namely, Mr. Wu Xiangneng (Chairman), Mr. Leung Hon Man, Mr. Wang Bo, Mr. Li Shen Hua and Mr. Luo Zhenqing, three of whom are independent non-executive Directors. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2022. The Audit Committee has also reviewed with the management and the Company's auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of its Shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2022, except that Mr. Wu Liejin, an executive Director, has been performing the roles as the Chairman and the President, which deviates from provision C.2.1 of the CG Code, the Company had complied with the code provisions set out in the CG Code. The Board believes that vesting the roles of both Chairman and President in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board, which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the Directors and supervisors of the Company. Having made specific enquiry with the Directors and supervisors of the Company, they have confirmed their compliance with the relevant standards stipulated in the Model Code during the year ended 31 December 2022.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.035 (before considering any tax effect) per each domestic share (the “**Domestic Share(s)**”) and H share (the “**H Share(s)**”) of the Company (Collectively, the “**Share(s)**”) for the year ended 31 December 2022, amounting to, in aggregate, RMB54,627,744.05 (the “**2022 Final Dividend**”). No Shareholder has waived or agreed to waive the 2022 Final Dividend.

According to the articles of association of the Company, dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of the H Shares will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate of which will be calculated in accordance with the related national regulations on foreign exchange control. The 2022 Final Dividend will be subject to approval by Shareholders at the forthcoming 2022 annual general meeting (the “**AGM**”) and is expected to be paid on or about Friday, 28 July 2023.

Pursuant to the PRC Individual Income Tax Law 《(中華人民共和國個人所得稅法)》, the Implementation Regulations of the PRC Individual Income Tax Law 《(中華人民共和國個人所得稅法實施條例)》, the Administrative Measures of the State Administration of Taxation on Tax Convention Treatment for Non-resident Taxpayers (No. 35 of the Announcement of the State Administration of Taxation for 2019) 《(國家稅務總局非居民納稅人享受協定待遇管理辦法)》 (國家稅務總局公告2019年第35號), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《(國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》 (國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the dividend to be distributed to them. However, the individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H Shares in the distribution of the dividend accordingly.

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

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

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

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 6 June 2023. The notice of the AGM will be published and dispatched to Shareholders in the manner as stipulated under the Listing Rules when appropriate.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from Thursday, 1 June 2023 to Tuesday, 6 June 2023, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Tuesday, 6 June 2023 or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's office in the PRC at Room 4101-4110, Block 1, Join-Share International Financing Center, No. 31 Fuhua Road, Dongping Community, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Wednesday, 31 May 2023.

In order to determine the Shareholders entitled to the 2022 Final Dividend, the register of members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, both days inclusive, during which no transfer of Shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Thursday, 15 June 2023 are entitled to the 2022 Final Dividend. In order to qualify for receiving the 2022 Final Dividend which is still subject to approval of the Shareholders at the AGM, all properly completed transfer documents accompanied with relevant Share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's office in the PRC at Room 4101-4110, Block 1, Join-Share International Financing Center, No. 31 Fuhua Road, Dongping Community, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on Friday, 9 June 2023.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 will be despatched to the Shareholders and made available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.join-share.com) in April 2023.

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

Foshan, the PRC, 27 March 2023

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

* *for identification purpose only*