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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 2023

HIGHLIGHT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

- Total revenue was approximately RMB388.56 million, including revenue of approximately RMB360.33 million and other revenue of approximately RMB28.23 million, representing an increase of approximately 6.57% as compared with last year.
- Profit for the year and net profit margin were approximately RMB41.86 million and 11.62%, respectively.
- Profit before taxation amounted to approximately RMB75.31 million, representing an increase of approximately 8.70% as compared with last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB38.40 million, representing a decrease of approximately 9.82% as compared with last year.
- The payment of final dividends of RMB0.02 per Share for the year ended 31 December 2023 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 2023 of the Company and its subsidiaries (collectively, the “**Group**”), along with comparative figures from the year ended 31 December 2022, 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 2023

(Expressed in RMB'000)

	<i>Note</i>	2023 RMB'000	2022 <i>RMB'000</i>
Guarantee fee income		250,340	207,138
Guarantee cost		(4,860)	(8,999)
Net guarantee fee income		245,480	198,139
Interest income		131,852	118,478
Interest expenses		(44,452)	(24,555)
Net interest income		87,400	93,923
Service fee and other operating income		27,446	27,065
Revenue	3(a)	360,326	319,127
Other revenue	4	28,228	45,475
Losses from fair value changes		(51,991)	(3,894)
Share of losses of associates		(15,673)	(9,928)
Provisions reversed/(charged) for guarantee	16(a)	43,872	(24,496)
Impairment losses	5(a)	(146,079)	(117,549)
Operating expenses		(143,375)	(139,453)
Profit before taxation		75,308	69,282
Income tax	6(a)	(33,446)	(16,791)
Profit for the year		41,862	52,491
Attributable to:			
Equity shareholders of the Company		38,400	42,582
Non-controlling interests		3,462	9,909
Profit for the year		41,862	52,491
Earnings per share			
Basic and diluted (<i>RMB per share</i>)	7(a)	0.02	0.03

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit for the year	41,862	52,491
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)	(43,513)	(3,439)
Income tax arises from financial assets measured at FVOCI	10,878	860
Other comprehensive income for the year	(32,635)	(2,579)
Total comprehensive income for the year	9,227	49,912
Attributable to:		
Equity shareholders of the Company	5,765	40,003
Non-controlling interests	3,462	9,909
Total comprehensive income for the year	9,227	49,912

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

(Expressed in RMB'000)

		At 31 December 2023	At 31 December 2022
	Note	RMB'000	RMB'000
Assets			
Cash and bank deposits	8	1,222,784	1,085,492
Pledged deposits		261,057	329,782
Trade and other receivables	9	947,335	1,023,217
Loans and advances to customers	10	885,864	713,145
Factoring receivables	11	123,871	179,659
Financial assets measured at FVOCI	12	25,371	76,163
Financial assets measured at FVPL	13	81,689	40,943
Receivable investments	14	26,672	26,151
Interests in associates		18,298	28,719
Fixed assets		19,342	26,403
Investment property		5,859	6,248
Intangible assets		7,953	5,935
Goodwill		419	419
Deferred tax assets		161,724	128,862
Total assets		3,788,238	3,671,138
Liabilities			
Interest-bearing borrowings	15	210,455	162,872
Liabilities from guarantees	16	265,754	300,769
Customer pledged deposits	17(a)	49,491	71,260
Accruals and other payables	17(b)	207,624	140,327
Debt securities issued	18	511,217	510,838
Other financial instruments	19	150,565	113,173
Financial liabilities measured at FVPL	20	23,968	1,818
Lease liabilities		13,125	18,965
Deferred tax liabilities		293	156
Total liabilities		1,432,492	1,320,178
NET ASSETS		2,355,746	2,350,960
CAPITAL AND RESERVES			
Share capital	21	1,560,793	1,560,793
Reserves		455,634	504,573
Total equity attributable to equity shareholders of the Company		2,016,427	2,065,366
Non-controlling interests		339,319	285,594
TOTAL EQUITY		2,355,746	2,350,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in RMB'000 unless otherwise indicated)

1 MATERIAL 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**”) and 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. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to 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 accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 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 new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

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

(a) Revenue

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Guarantee fee income		
Financing guarantee fee income	206,772	156,949
Performance guarantee fee income	<u>43,568</u>	<u>50,189</u>
Subtotal	<u>250,340</u>	<u>207,138</u>
Guarantee cost		
Re-guarantee expenses	(4,074)	(2,330)
Risk management service expense	<u>(786)</u>	<u>(6,669)</u>
Subtotal	<u>(4,860)</u>	<u>(8,999)</u>
Net guarantee fee income	<u>245,480</u>	<u>198,139</u>
Interest income arising from:		
— Loans and advances to customers	86,513	73,551
— Cash at banks and pledged deposits	22,491	14,119
— Factoring service	18,348	20,480
— Trade and other receivables	4,500	7,949
— Interest income from other financial instruments	—	2,379
Subtotal	<u>131,852</u>	<u>118,478</u>
Interest expenses arising from:		
— Debt securities issued	(20,738)	(15,048)
— Interest expenses from other financial instruments	(14,201)	—
— Interest-bearing borrowings	(7,054)	(6,887)
— Others	<u>(2,459)</u>	<u>(2,620)</u>
Subtotal	<u>(44,452)</u>	<u>(24,555)</u>
Net interest income	<u>87,400</u>	<u>93,923</u>
Service fee arising from:		
— Consulting services fee	14,599	20,482
— Supply chain services	<u>12,847</u>	<u>6,583</u>
Subtotal	<u>27,446</u>	<u>27,065</u>
Revenue	<u>360,326</u>	<u>319,127</u>

4 OTHER REVENUE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grant	20,463	28,192
Foreign exchange gains	103	9,650
Investment income from financial assets measured at FVPL	3,038	2,880
Investment income of receivable investments	1,708	1,459
Gains arising from a disposal of an associate	1,042	—
Others	1,874	3,294
	<u>28,228</u>	<u>45,475</u>

5 PROFIT BEFORE TAXATION

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

(a) Impairment and provision charged/(reversed)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Receivables for default guarantee payments	86,206	56,615
Receivables from guarantee customers	12,538	2,641
Loans and advances to customers	24,566	26,683
Factoring receivables	(243)	29,935
Receivable investments	(521)	1,050
Receivables from supply chain business	8,645	—
Trade debtors	5,688	46
Other receivables	9,200	579
	<u>146,079</u>	<u>117,549</u>

(b) Staff costs

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries, wages, bonuses and other benefits	83,716	75,716
Contributions to retirement schemes	7,540	7,236
	<u>91,256</u>	<u>82,952</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) Profit or losses from fair value changes

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fair value changes loss from unlisted equity instruments	2,023	91
Fair value changes loss/(gain) from redemption option arising from unlisted equity instruments	1,484	(3,040)
Fair value changes gain from wealth management products	(139)	—
Fair value changes loss from financial assets arising from interest in jointly controlled Trust Plans	26,473	—
Fair value changes loss from financial liabilities arising from interest in jointly controlled Trust Plans	22,150	6,843
	<u>51,991</u>	<u>3,894</u>
Total	<u>51,991</u>	<u>3,894</u>

(d) Other items

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Depreciation and amortization	12,315	11,024
Auditors' remuneration		
— annual audit	2,270	2,180
— others	720	683
Gains on disposal of long-term assets	33	2,391

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax		
Provision for PRC income tax for the year	55,097	75,860
Deferred tax		
Origination of temporary differences	(21,466)	(58,871)
Over-provision in previous year		
Over-provision in previous year	(185)	(198)
	<u>33,446</u>	<u>16,791</u>
Income tax expense	<u>33,446</u>	<u>16,791</u>

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

	Note	2023 RMB'000	2022 RMB'000
Profit before taxation		<u>75,308</u>	<u>69,282</u>
Notional tax on profit before taxation, calculated at 25%	(i)	18,827	17,321
Tax effect of subsidiary using different taxation rate	(ii)	(88)	(637)
Tax effect of non-deductible expenses		933	277
Over-provision in previous year		(185)	(198)
Tax effect of unused tax losses not recognised		9,767	—
Tax effect of non-deductible interest expenses/ (income) arising from other financial instruments		3,425	(595)
Others		<u>767</u>	<u>623</u>
Actual income tax expense		<u>33,446</u>	<u>16,791</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 2023 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 2023 and 2022.

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:

	2023	2022
Profit attributable to the equity shareholders of the Company (RMB'000)	38,400	42,582
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share ('000)	1,560,793	1,560,793
Basic earnings per share (RMB per share)	<u>0.02</u>	<u>0.03</u>

(b) **Weighted average number of ordinary shares**

	2023	2022
Issued ordinary shares at 1 January ('000)	1,560,793	1,560,793
Weighted average number of new issue ('000)	—	—
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December ('000)	<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 2023 and 2022, and therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND BANK DEPOSITS

(a) **Cash and cash equivalents comprise:**

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Cash in hand	12	24
Cash at banks	<u>833,188</u>	<u>844,600</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	833,200	844,624
Term deposits with banks	192,554	11,050
Restricted bank deposits	<u>192,060</u>	<u>226,350</u>
	1,217,814	1,082,024
Accrued interest	<u>4,970</u>	<u>3,468</u>
	<u>1,222,784</u>	<u>1,085,492</u>

The Group's operation of principle activities 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 and pledged deposits for bank acceptance bill. As at 31 December 2023, there was no bank deposits restricted for use due to judicial freeze (31 December 2022: 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 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Receivables for default guarantee payments	(i)/9(a)(i)	565,243	474,459
Less: Allowance for doubtful debts	9(b)(i)	<u>(200,028)</u>	<u>(127,754)</u>
		----- 365,215	----- 346,705
Receivables from guarantee customers	(ii)/9(a)(ii)	144,955	182,742
Less: Allowance for doubtful debts	9(b)(ii)	<u>(43,950)</u>	<u>(48,200)</u>
		----- 101,005	----- 134,542
Interest receivables		7,916	9,375
Less: Allowance for interest receivables		<u>(4,641)</u>	<u>(2,473)</u>
		----- 3,275	----- 6,902
Receivables from supply chain services	(iii)/9(a)(iii)	169,802	60,658
Less: Allowance for doubtful debts	9(b)(iii)	<u>(8,645)</u>	<u>—</u>
		----- 161,157	----- 60,658
Prepayment to a related party		113,807	92,600
Loan to related parties	(iv)	63,444	67,260
Receivables from debt purchased	(v)	49,227	54,574
Trade debtors	9(a)(iv)	35,644	6,675
Prepayment for investment	(vi)	—	210,000
Other receivables		<u>3,165</u>	<u>5,757</u>
		----- 265,287	----- 436,866
Repossessed assets		39,832	29,896
Deposits and prepayments		<u>11,564</u>	<u>7,648</u>
		----- 51,396	----- 37,544
		<u>947,335</u>	<u>1,023,217</u>

As at 31 December 2023, receivables from deposits and prepayments and repossessed assets expected to be recovered or recognized as expense after more than one year is RMB46.3 million (31 December 2022: RMB34.4 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 2023, the Group disposed of receivables for default guarantee payments amounted to RMB14,066,000 (2022: RMB2,333,000) with no allowances for doubtful debts (2022: RMB nil), without recourse to other parties at considerations (including considerations of overdue interests and penalty interests) amounted to RMB15,202,000 (2022: RMB700,000).
- (ii) During the year ended 31 December 2023, the Group did not dispose of receivables from guarantee customers. During the year ended 31 December 2022, the Group disposed of receivables from guarantee customers amounted to RMB5,593,000 with no allowances for doubtful debts, without recourse to other parties at considerations (including considerations of overdue interests and penalty interests) amounted to RMB5,193,000.
- (iii) As at 31 December 2023, receivables from supply chain services of RMB21.66 million was pledged for the Group's interest-bearing borrowing. Please see Note 15(i).
- (iv) The interest on the loan to related parties is 8% per annum. As at 31 December 2023, the loan to Chuangyuan Supply Chain Technology, one of the Group's associates, is RMB26,000,000 (2022:RMB43,000,000). Due to the excess loss incurred by Chuangyuan Supply Chain Technology, the Group recorded a cumulative loss arising from share of loss of associates amounted to RMB5,560,000 against the loan to Chuangyuan Supply Chain.
- (v) On 28 December 2018, the Group entered into a debt purchase contract with Guangdong Join-Share Holding Co., Ltd. such that the Group purchased the creditor's right and relevant interests, amounting to RMB41,874,000, of Foshan Zhongsheng Properties Co., Ltd. (Foshan Zhongsheng), one of the Group's associates at a price of RMB42,094,000. The Group is entitled to 12% fixed interest on the principal of RMB26,000,000. Due to the excess loss incurred by Foshan Zhongsheng Properties, the Group recorded a accumulated losses arising from the share of loss of associates amounted to RMB5,347,000 against the receivables from debt purchased.
- (vi) 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 (Foshan High-Tech), to establish a subsidiary, Guangdong Zhongying Shengda Finance Guarantee Company Limited (Guangdong Finance Guarantee). Guangdong Finance Guarantee's registered capital is RMB300,000,000, whereas the Company contributes RMB210,000,000, i.e. 70% of the capital. As of 31 December 2022, the Company paid its capital contribution of RMB210,000,000 in advance. Subsequently, Guangdong Finance Guarantee was formally established on 3 February 2023.

(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 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	220,985	188,646
Over 1 year but less than 2 years	134,394	103,372
Over 2 years but less than 3 years	71,173	52,879
Over 3 years but less than 5 years	113,230	87,636
Over 5 years	25,461	41,926
	<hr/>	<hr/>
Subtotal	565,243	474,459
Less: Allowance for doubtful debts	(200,028)	(127,754)
	<hr/>	<hr/>
	365,215	346,705
	<hr/> <hr/>	<hr/> <hr/>

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

(ii) *Receivables from guarantee customers*

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	17,673	22,841
Over 1 year but less than 2 years	22,525	26,391
Over 2 years but less than 3 years	3,459	27,198
Over 3 years but less than 5 years	27,100	28,498
Over 5 years	74,198	77,814
	<hr/>	<hr/>
Subtotal	144,955	182,742
Less: Allowance for doubtful debts	(43,950)	(48,200)
	<hr/>	<hr/>
	101,005	134,542
	<hr/> <hr/>	<hr/> <hr/>

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

(iii) Receivables from supply chain services

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	167,750	45,542
Over 1 year but less than 2 years	—	14,763
Over 2 years but less than 3 years	1,985	286
Over 3 years	67	67
	<hr/>	<hr/>
Subtotal	169,802	60,658
Less: Allowance for doubtful debts	(8,645)	—
	<hr/>	<hr/>
	161,157	60,658
	<hr/> <hr/>	<hr/> <hr/>

The ageing of receivables from supply chain services is from the date of payment.

(iv) Trade debtors

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 year	40,860	7,133
Over 1 year but less than 2 years	—	5
Over 2 years but less than 3 years	5	—
Over 3 years	—	—
	<hr/>	<hr/>
Subtotal	40,865	7,138
Less: Allowance for doubtful debts	(5,221)	(463)
	<hr/>	<hr/>
	35,644	6,675
	<hr/> <hr/>	<hr/> <hr/>

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

(b) Impairment of receivables for default guarantee payments, receivables from guarantee customers and receivables from supply chain services:

Impairment losses in respect of receivables for default guarantee payments and receivables from guarantee customers and receivables from supply chain services 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 2023 and 2022, are as follows:

(i) Receivables for default guarantee payments

	Note	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
As at 1 January		127,754	78,491
Impairment losses recognised in the consolidated statement of profit or loss	5(a)	86,206	56,615
Amounts written off		(13,996)	(7,352)
Amounts recovered		64	—
As at 31 December		<u>200,028</u>	<u>127,754</u>

(ii) Receivables from guarantee customers

	2023			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2023	—	739	47,461	48,200
Transfer to lifetime ECL credit-impaired	—	(739)	739	—
Net re-measurement of loss allowance	—	—	9,586	9,586
Receivables from guarantee customers newly originated	—	2,700	252	2,952
Uncollectible amounts write-off	—	—	(16,788)	(16,788)
As at 31 December 2023	<u>—</u>	<u>2,700</u>	<u>41,250</u>	<u>43,950</u>
	2022			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 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
As at 31 December 2022	<u>—</u>	<u>739</u>	<u>47,461</u>	<u>48,200</u>

(iii) *Receivables from supply chain services*

	2023			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	
As at 1 January 2023	—	—	—	—
Receivables from supply chain services newly originated	1,236	68	7,341	8,645
As at 31 December 2023	<u>1,236</u>	<u>68</u>	<u>7,341</u>	<u>8,645</u>

10 LOANS AND ADVANCES TO CUSTOMERS

(a) *Analysed by nature*

	At 31 December 2023 RMB'000	At 31 December 2022 RMB'000
Entrusted loans	395,566	231,418
Micro-lending	<u>580,305</u>	<u>550,739</u>
Gross loans and advances to customers	975,871	782,157
Accrued interest	6,618	5,800
Total allowances for impairment losses	<u>(96,625)</u>	<u>(74,812)</u>
Net loans and advances to customers	<u>885,864</u>	<u>713,145</u>

(b) *Analysed by industry sector*

	At 31 December 2023		At 31 December 2022	
	RMB'000	%	RMB'000	%
Wholesale and retail	416,446	43%	301,036	38%
Service sector	336,786	34%	370,869	48%
Manufacturing	186,639	19%	110,252	14%
Real Estate and construction	<u>36,000</u>	<u>4%</u>	<u>—</u>	<u>0%</u>
Gross loans and advances to customers	<u>975,871</u>	<u>100%</u>	<u>782,157</u>	<u>100%</u>

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

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Secured loans	522,035	434,393
Unsecured loans	199,710	35,208
Others	<u>254,126</u>	<u>312,556</u>
Gross loans and advances to customers	<u><u>975,871</u></u>	<u><u>782,157</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 and inventories.

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

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Overdue within 1 year (inclusive)	46,464	11,931
Overdue more than 1 year to 2 years (inclusive)	9,960	1,032
Overdue more than 2 year to 3 years (inclusive)	978	—
Overdue more than 3 years	<u>100,266</u>	<u>104,417</u>
	<u><u>157,668</u></u>	<u><u>117,380</u></u>

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

	At 31 December 2023			
	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	280,300	15,000	100,266	395,566
Micro-lending	495,431	27,472	57,402	580,305
Gross loans and advances to customers	775,731	42,472	157,668	975,871
Less: Allowances for impairment losses	(27,864)	(7,687)	(61,074)	(96,625)
Net loans and advances to customers (excluding accrued interest)	<u>747,867</u>	<u>34,785</u>	<u>96,594</u>	<u>879,246</u>
	At 31 December 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>
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>

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

	2023			
	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 2023	26,271	1,416	47,125	74,812
Transfer to lifetime ECL not credit-impaired	(122)	122	—	—
Transfer to lifetime ECL credit-impaired	(1,978)	(109)	2,087	—
Net re-measurement of loss allowance	(24,000)	(589)	5,614	(18,975)
Loans and advances newly originated	27,864	6,847	8,830	43,541
Write-offs	(171)	—	(2,586)	(2,757)
Amounts recovered	—	—	4	4
As at 31 December 2023	<u>27,864</u>	<u>7,687</u>	<u>61,074</u>	<u>96,625</u>

	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)
	<u>26,271</u>	<u>1,416</u>	<u>47,125</u>	<u>74,812</u>
As at 31 December 2022	<u>26,271</u>	<u>1,416</u>	<u>47,125</u>	<u>74,812</u>

11 FACTORING RECEIVABLES

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Factoring receivables	166,397	222,428
Less: Allowances for factoring receivables	<u>(42,526)</u>	<u>(42,769)</u>
	<u>123,871</u>	<u>179,659</u>

12 FINANCIAL ASSETS MEASURED AT FVOCI

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Unlisted equity investments	<u>25,371</u>	<u>76,163</u>

13 FINANCIAL ASSETS MEASURED AT FVPL

		At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Convertible bonds	(i)	24,928	24,928
Wealth management products		22,887	—
Financial assets arising from interest in jointly controlled Trust Plans	(ii)	20,166	—
Unlisted equity investments		12,152	12,975
Redemption option arising from unlisted equity investments	(iii)	<u>1,556</u>	<u>3,040</u>
		<u>81,689</u>	<u>40,943</u>

(i) The Group has waived its rights to convert the above bonds for common stocks in the issuing companies.

(ii) Please see Note 20.

(iii) 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.

14 RECEIVABLE INVESTMENTS

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Bonds	25,000	25,000
Trust products	<u>7,000</u>	<u>7,000</u>
Subtotal	32,000	32,000
Accrued interest	1,364	1,364
Less: Allowances for impairment losses	<u>(6,692)</u>	<u>(7,213)</u>
	<u>26,672</u>	<u>26,151</u>

15 INTEREST-BEARING BORROWINGS

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

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Interest-bearing borrowings		
— Due for repayment within 1 year	<u>210,455</u>	<u>162,872</u>
Total	<u><u>210,455</u></u>	<u><u>162,872</u></u>

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

	<i>Note</i>	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Bank loans			
— Unsecured		159,990	102,700
— Pledged		—	30,000
Other loans	(i)	<u>50,000</u>	<u>30,000</u>
		209,990	162,700
Accrued interest payable		<u>465</u>	<u>172</u>
		<u><u>210,455</u></u>	<u><u>162,872</u></u>

- (i) As at 31 December 2023, RMB20.00 million of other loans is secured by receivables from supply chain business amounting to RMB21.66 million. Please see Note 9(iii).
- (ii) At 31 December 2023, loans bear interest at a range from 3.80% to 10.00% (2022: 3.80% to 11.00%) per annum.

16 LIABILITIES FROM GUARANTEES

	<i>Note</i>	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Deferred income		209,836	200,979
Provisions for guarantee issued	(a)	<u>55,918</u>	<u>99,790</u>
		<u><u>265,754</u></u>	<u><u>300,769</u></u>

(a) Provisions for guarantee issued

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
As at 1 January	99,790	75,294
(Reversal)/charge for the year	<u>(43,872)</u>	<u>24,496</u>
As at 31 December	<u><u>55,918</u></u>	<u><u>99,790</u></u>

17 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 issued by the Group. These deposits are interest-free, and will be returned to customers after the guarantee contracts expire.

(b) Accruals and other payables

	<i>Note</i>	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Notes payable	(i)	60,000	—
Accrued staff cost		46,589	38,330
Income tax payable		34,633	51,684
Advance payments	(ii)	23,645	79
Accounts payable	(iii)	20,479	10,606
Advance receipts for transferring repossessed assets		—	9,005
Payable to customers		7,504	8,870
Contract liabilities	(iv)	2,965	4,213
Withholding income tax		1,518	3,543
Dividends payable		1,452	4,018
Consulting service expense payable		174	2,907
Others		<u>8,665</u>	<u>7,072</u>
Total		<u><u>207,624</u></u>	<u><u>140,327</u></u>

(i) Notes payable are expected to be settled within one year.

(ii) The Group receives advance payments from customers for the supply chain services. As at 31 December 2023, advance payments related to supply chain services amounted to RMB23,645,000 (31 December 2022: RMB 79,000).

- (iii) As of 31 December 2023 and 2022, accounts payable mainly represents the amount due to suppliers related to the Group's supply chain business;

As of 31 December 2023, the ageing of accounts payable (based on the invoice date) amounting to RMB18.36 million (31 December 2022: RMB4.98 million) was within 1 year (inclusive), RMB1.59 million (31 December 2022: RMB5.20 million) were over 1 year but within 3 years and the rest were over 3 years.

(iv) *Contract liabilities*

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Guarantee service and financing consultation service	<u>2,965</u>	<u>4,213</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 financing consultation 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.

18 DEBT SECURITIES ISSUED

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Corporate Bonds — Par Value	500,000	500,000
Corporate Bonds — Interest Adjustment	(1,218)	(1,597)
Corporate Bonds — Accrued Interest	<u>12,435</u>	<u>12,435</u>
	<u>511,217</u>	<u>510,838</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. Another 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 2023, the fair value of corporate bonds amounted to RMB501,260,000 (31 December 2022: RMB497,860,000).

19 OTHER FINANCIAL INSTRUMENTS

	<i>Notes</i>	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Zhongshan Join-Share	(i)	110,063	103,173
Yunfu Guarantee	(ii)	10,000	10,000
Guangdong finance Guarantee	(iii)	30,000	—
		<u>150,063</u>	<u>113,173</u>
Accrued interest		502	—
		<u>150,565</u>	<u>113,173</u>

- (i) In September 2021, the Company entered into a series of shareholders' agreements with the nominal shareholders of Zhongshan Join-Share (“**2021 Shareholders’ Agreements**”), which stipulated the rights and obligations between the shareholders. On March 15, 2023, the equity transaction was completed between Zhongshan Health and Zhongshan Huoju, and Zhongshan Huoju entered into the confirmation letter confirming the acceptance of all the rights and obligations of Zhongshan Health as agreed in the 2021 Shareholders’ Agreement and a concerted action agreement. According to the above agreements, Zhongshan Huoju 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 Huoju, the Company shall complement the difference to Zhongshan Huoju. However, Zhongshan Huoju’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 Huoju 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.
- (ii) In September 2022, the Company entered into a new shareholders’ agreements with the nominal shareholders of Yunfu Guarantee (“**2022 Yunfu Guarantee Shareholders Agreement**”). According to the 2022 Yunfu Guarantee Shareholders Agreement, 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. If the repurchase event arises, the Company shall inevitably deliver cash or financial assets to Guangdong Utrust.

- (iii) In April 2022, the Company entered into a shareholders' agreement with the nominal shareholders of Guangdong Finance Guarantee (“**2022 Guangdong Financing Guarantee Shareholders Agreement**”). On 3 February 2023, Guangdong Finance Guarantee was established. According to the 2022 Guangdong Financing Guarantee Shareholders Agreement, Guangdong Utrust invested RMB30,000,000 in Guangdong Finance Guarantee as a nominal shareholder and enjoyed a capital contribution return of 2% per annum. If the profits distributed by Guangdong Finance 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 Guangdong Finance Guarantee do not meet certain criteria mentioned in the 2022 Guangdong Financing Guarantee Shareholders Agreement, Guangdong Utrust has the right to require the Company to repurchase all of its capital contribution at a redemption price of RMB30,000,000. If the repurchase event arises, the Company shall inevitably deliver cash or financial assets to Guangdong Utrust.

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

20 FINANCIAL LIABILITIES MEASURED AT FVPL

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Financial liabilities arising from interests in jointly controlled Trust Plans	<u>23,968</u>	<u>1,818</u>

During the year ended 31 December 2023, 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	Note	Form of business structure	Date and place of incorporation/ establishment	Proportion of ownership interest As at 31 December 2023					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.

The liability of aggregate carrying amount of individually immaterial jointly controlled Trust Plans in the consolidated financial statements formed by the above (i) and (ii) Trust Plan, which is amounted to RMB23,968,000.

- (iii) As of 31 December 2023, the underlying loan of the Yunnan Trust Qingquan 37 Collective Fund Trust Plan have all matured. 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 and October 2023 according to the relevant guarantee contract, which was amounted to RMB58,139,000 and RMB49,637,000. In 2022, 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. During the year ended 31 December 2023, the Group recovered part of the amount from the debtors, and the balance of the default guarantee payment arising from the above matter was RMB62,758,000 (2022: RMB16,048,000) and the asset of aggregate carrying amount of individually immaterial jointly controlled Trust Plans in the consolidated financial statements is RMB20,166,000.

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 2023 RMB'000	31 December 2022 RMB'000
Asset of aggregate carrying amount of individually immaterial jointly controlled Trust Plans in the consolidated financial statements	20,166	—
Liability of aggregate carrying amount of individually immaterial jointly controlled Trust Plans in the consolidated financial statements	23,968	1,818
Aggregate amounts of the Group's share of profit of these controlled Trust Plans in the consolidated financial statements:		
Loss from operation and total comprehensive income	48,623	6,843

As of 31 December 2023, the Company's maximum potential loss in relation to the financial guarantees issued the Trust Plans amounted to RMB95,224,000 (31 December 2022: RMB109,057,000), which would be recognised if the underlying investments of the Trust Plans default completely.

21 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 2021	1,560,793	133,773	135,985	136,119	107,326	2,073,996
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>
	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 2022	1,560,793	133,773	140,784	140,918	67,677	2,043,945
Changes in equity for 2023:						
Profit for the year	—	—	—	—	71,335	71,335
Total comprehensive income	—	—	—	—	71,335	71,335
Issue of ordinary shares	—	—	—	—	—	—
Appropriation to surplus reserve	—	—	7,603	—	(7,603)	—
Appropriation to general reserve	—	—	—	7,603	(7,603)	—
Dividends approved in respect of the previous year	—	—	—	—	(54,704)	(54,704)
Balance at 31 December 2023	<u>1,560,793</u>	<u>133,773</u>	<u>148,387</u>	<u>148,521</u>	<u>69,102</u>	<u>2,060,576</u>

(b) Dividends

In accordance with the resolution of the Company's board of directors' meeting on 27 March 2024, the proposed dividends appropriations for the year ended 31 December 2023 are as follows:

- Cash dividends of RMB31,215,853.74 (2022: RMB54,627,744.05) to all shareholders representing RMB0.02 (2022: RMB0.035) per share before tax.

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

22 GUARANTEES ISSUED

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Performance guarantee	5,261,559	5,893,316
Financing guarantee	4,576,108	4,356,958
Litigation guarantee	6,501	31,411
	<hr/>	<hr/>
Subtotal	9,844,168	10,281,685
Less: Customer pledged deposits	(51,559)	(73,328)
	<hr/>	<hr/>
Total	9,792,609	10,208,357
	<hr/> <hr/>	<hr/> <hr/>

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

23 COMMITMENTS AND CONTINGENT LIABILITIES

Litigation and disputes

As at 31 December 2023, the Group had no material outstanding litigation or disputes in which the Group was a defendant.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2023, in the face of multiple challenges such as weak global economic recovery, insufficient domestic demand and the combination of cyclical problems and structural issues, China, under the general principle of seeking progress while maintaining stability, focused on expanding domestic demand and promoting high-quality development, and made every effort to stabilize growth, employment and prevent risk, thus rendering the Chinese economy to continue gaining advantages in structural adjustment and transformation and upgrading. As a result, residents' income recovered, consumption potential was unleashed, and investments in infrastructure and manufacturing maintained rapid growth, indicating a sustained recovery and positive momentum. According to data from the National Bureau of Statistics and based on the preliminary calculations, China's gross domestic product (GDP) reached RMB126.0582 trillion in 2023, with a year-on-year growth of 5.2% on the basis of constant prices, representing an increase of 2.2 percentage points compared to 2022 and further consolidating the positive trend. Specifically, the total retail sales of consumer goods amounted to RMB47.1495 trillion, with a year-on-year growth of 7.2%, of which service consumption showed a faster recovery, with service retail sales increasing by 20.0%. Total fixed asset investment (excluding peasant households) reached RMB50.3036 trillion, representing a growth of 3.0% compared to the previous year. Excluding the effect of price factors, the growth rate of retail sales of consumer goods was 6.4%. In terms of different sectors, infrastructure investment increased by 5.9%, manufacturing investment increased by 6.5%, and real estate development investment decreased by 9.6%.

Although China's economy continues to rebound and show positive trends, challenges and difficulties still exist, such as insufficient effective demand, overcapacity in certain industries, weak social expectations, numerous risks and vulnerabilities, and bottlenecks in the domestic circulation, which had a significant impact on the development of SMEs. According to data released by the China Association of Small and Medium Enterprises, the average development index for SMEs in 2023 was 89.2, higher than the 88.4 in 2022. With a focus on the challenges of "difficult to finance" and "expensive to finance" for SMEs, the Group has been committed to giving full play to its professional business advantages and exploring innovative financial service mechanisms and practice to provide the comprehensive investment and financing services to SMEs.

In April 2020, in accordance with the Regulation on the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》) (Order No. 683 of the State Council) and the Administrative Measures for Business License of Financing Guarantee Business (《融資擔保業務經營許可證管理辦法》) (No. 1 [2018] of the China Banking and Insurance Regulatory Commission) and other relevant regulations, the Group has complied with industry regulatory requirements in terms of its various business indicators and obtained the business license of financing guarantee business approved and renewed by Guangdong Financial Supervisory Authority. At 30 December 2022, Guangdong Join-Share Financing Guarantee Co., Ltd.* (廣東中盈盛達融資擔保有限公司), a subsidiary of the Group, also obtained the business license of financing guarantee business approved by Guangdong Financial Supervisory Authority. The healthy development of SMEs is of vital importance to China's stable employment, securing livelihood, and promoting industrial transformation and upgrading. After years of development, the Group has grown into a creditworthy, industry-driven, financially-driven systematic investment and financing service platform for SMEs based in Guangdong and radiating across the country. The Group has a unique management model in the domestic financing guarantee industry, which allows the flow of financial resources to SMEs through establishing supply chain companies to cooperate with banks, so as to effectively address the financing problems faced by the SMEs.

Mr. Wu Liejin, the chairman of the Board (the “**Chairman**”) and the president of the Group (the “**President**”), expressed that we will continue to adhere to the general principle of “Stable yet progressive growth, development co-existing with innovation”, practise the working guideline of “be steady, accurate and quick”, and implement the work style of “early, fast and diligent”. We will make every effort to provide enterprises with financial services in the process of development and provide enterprises with a continuous supply of financial support, so as to facilitate high-quality economic development.

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	Non-financing guarantee
Indirect financing guarantee	Litigation preservation guarantee
Direct financing guarantee	Engineering guarantee letters and other performance guarantee letters

As at 31 December 2023, the Group's total outstanding guarantee was approximately RMB9,792.61 million (31 December 2022: RMB10,208.36 million). For the year ended 31 December 2023, the net guarantee fee income was approximately RMB245.48 million (31 December 2022: RMB198.14 million).

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

* Monthly interest rates for entrusted loans and small loans, top five customer terms excluding overdue items.

loans without bearing the credit risks. For the year ended 31 December 2023, the monthly fixed interest rate charged by the Group for entrusted loans ranged from 0.5% (inclusive) to 1.15% (inclusive) (for the year ended 31 December 2022: from 0.5% (inclusive) to 1.22% (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 2023, the balance of the Group's entrusted loans was approximately RMB395.57 million (31 December 2022: RMB231.42 million). The top five customers of such business in terms of remaining balance represent approximately 35.77% of the total remaining balance of entrusted loans as at 31 December 2023 and their respective terms were as follows:

Borrower	Cooperative institutions	Loan balance		Loan interest rate (month, %)	Loan term	Type of guarantee
		Loan amount (RMB'000)	as at 31 December 2023 (RMB'000)			
Company A	Bank a	33,000	33,000	1.15	2023.10.16–2024.04.16	Collateral guarantee and Warranty
Company B	Bank a	30,000	30,000	0.76	2023.06.21–2024.06.20	Warranty
Company C	Bank b	28,000	28,000	0.9	2023.03.20–2024.03.19	Warranty
Company D	Bank a	25,500	25,500	0.5	2023.08.11–2024.08.11	Warranty
Company C	Bank a	25,000	25,000	0.9	2023.09.06–2024.03.06	Warranty
Total		141,500	141,500			

- (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, asset position and actual demand of the borrowers to ensure the repayment amount may not exceed the borrowers' repayment capacity. The Group operates micro-lending business through its subsidiary Foshan Micro Credit, a limited liability company operating micro-lending business under the approval of the Guangdong Financial Supervisory Authority. Due to regulatory limits, the amount of micro-lending that the Group may provide is up to RMB15.00 million. For the year ended 31 December 2023, the monthly fixed interest rate charged by the Group for micro-lending ranged from 0.55% (inclusive) to 2.0% (inclusive) (for the year ended 31 December 2022: from 0.55% (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 2023, the balance of the Group's micro-lending was approximately RMB580.31 million (31 December 2022: RMB550.74 million). The top five customers of such business in terms of remaining balance represent approximately 12.75% of remaining balance of total micro-lending as at 31 December 2023 and their respective terms were as follows:

Borrower	Loan amount (RMB'000)	Loan balance as at 31 December 2023 (RMB'000)	Loan interest rate (month, %)	Loan term	Type of guarantee
Individual A	15,000	15,000	1.00	2023.12.11-2024.06.10	collateral guarantee
Individual B	15,000	15,000	1.35	2023.12.20-2024.02.19	collateral guarantee
Individual C	15,000	15,000	1.35	2023.12.20-2024.02.19	Warranty
Individual D	15,000	15,000	1.00	2023.12.07-2024.06.06	collateral guarantee
Company E	14,000	14,000	1.60	2023.10.18-2024.04.17	collateral guarantee
Total	74,000	74,000			

For the year ended 31 December 2023, the Group's net interest income was approximately RMB87.40 million, representing a decrease of approximately 6.94% as compared to approximately RMB93.92 million for the year ended 31 December 2022.

Internal Control

The Group had put in place the following internal control policy 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; (2) 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 intention 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 2023, with an aim to strengthen the Group's overall market position, the Group has undertaken the major business activities during the year as follows:

- (1) In January 2023, in response to the requirements of Guangdong Bureau of the CSRC, Provincial Local Financial Regulatory Administration and Guangzhou Local Financial Regulatory Administration on the "State-owned Enterprises Cooperation" model and the pilot financing support for private real estate enterprises, provided a joint and several liability guarantee for the corporate bonds (Phase I (Variety II)) publicly issued by Guangzhou Panyu Agile Real Estate Development Company Limited* (廣州番禺雅居樂房地產開發有限公司) in 2023 to professional investors with a scale of not more than RMB200 million.
- (2) Promoting adjustment of the top-level structure of the Group and establishing a new guarantee subsidiary and a performance guarantee subsidiary. Guangdong Join-Share Financing Guarantee Co., Ltd.* (廣東中盈盛達融資擔保有限公司), the new guarantee subsidiary of the Group, received its business licence in February 2023 and officially commences its business in March 2023. The establishment of the new guarantee subsidiary plays an important part in the Group's adjustment of the top-level structure and future business development, and is also an essential intermediary between the Group and the government of Chancheng district of Foshan in their strategic cooperation. Besides, it is a significant achievement of provincial, municipal and district capital collaboration to improve the financing guarantee system development in Guangdong. The performance guarantee subsidiary, Guangdong Join-Share Performance Guarantee Co., Ltd.* (廣東中盈盛達保證擔保有限公司), received its business licence in May 2023 and officially commenced its business. The establishment of the performance guarantee subsidiary pushed the letter of guarantee business towards professional development in order to improve the efficiency of the letter of guarantee business, reduce the impact of the two reserve provisioning requirements, and perform the guiding function of the letter of guarantee business of other subsidiaries of the Group while operating independently.
- (3) In March 2023, the Group joined hands with the government of Lecong Town to carry out industrial credit risk compensation program of Lecong Town so as to follow the spirit of Foshan financial work conference, play a key role of the financial industry in developing economy and provide more support for the manufacturing industry to be a leader. The program aims at promoting the integrated development of industry and finance to offer loan credit support to qualified enterprises in Lecong Town and boosting the scale development of specialized markets such as steel and plastics with the first amount of RMB10 million by establishing industrial credit risk compensation, building multi-linkage among cities, districts, town and sub-districts, and promoting the collaboration model among government, finance, industry and enterprises. As a quality local financial organization, the Group further prospered the high-quality development of local industries by providing premium financial services through the program to the industry.

- (4) In order to effectively provide premium financial services for SMEs to support the high-quality development of local economy, the Group entered into the Cooperation Agreement on Guarantee Business with Postal Savings Bank of China, Foshan Branch, pursuant to which, the two parties will conduct comprehensive high-quality cooperation on inclusive business, fund projects, supply chain finance business and other business in a way that lays a sound foundation for better serving real economy in future.

Financial Review

Net Guarantee Fee Income

The Group's total guarantee fee income increased by approximately RMB43.20 million, or approximately 20.86%, from approximately RMB207.14 million for 2022 to approximately RMB250.34 million for 2023. Such increase was mainly because of (i) an increase in the Group's outstanding financing guarantee issued from approximately RMB4,356.96 million in 2022 to approximately RMB4,576.11 million in 2023; (ii) the Group's increased efforts in expanding its fund projects (State Financing Guarantee Fund & Foshan Financing Guarantee Fund).

Net Interest Income

The Group's net interest income decreased to approximately RMB87.40 million for 2023, as compared with approximately RMB93.92 million for 2022, which was a combined effect of factors set out below.

- interest income from entrusted loan business increased by approximately RMB11.70 million or approximately 82.34% from approximately RMB14.21 million for 2022 to approximately RMB25.91 million for 2023, which was mainly attributable to the newly added entrusted loans cooperative banks.
- Interest income from micro-lending business remained stable at approximately RMB60.60 million in 2023, as compared with approximately RMB59.34 million for 2022.
- interest income from the factoring business decreased by approximately RMB2.13 million or approximately 10.40% from approximately RMB20.48 million for 2022 to approximately RMB18.35 million for 2023, which was mainly attributable to decrease in balance of factoring receivable.
- Interest income from bank saving and pledged deposit increased by approximately RMB8.37 million or approximately 59.28% from approximately RMB14.12 million in 2022 to approximately RMB22.49 million in 2023, mainly because of the interest income derived from bank savings of the new subsidiary.

Service Fee and other operating income

The Group's consultant service fee and other operating income remained stable at approximately RMB27.45 million in 2023, compared to RMB27.07 million in 2022.

Other Revenue

The Group's other revenue decreased by approximately RMB17.25 million, or approximately 37.93%, from approximately RMB45.48 million for 2022 to approximately RMB28.23 million in 2023, primary because (i) income from government grants decreased by approximately RMB7.73 million or approximately 27.42% from approximately RMB28.19 million for 2022 to approximately RMB20.46 million for 2023; and (ii) foreign exchange gains decreased from approximately RMB9.65 million for 2022 to approximately RMB0.10 million for 2023.

Share of Losses of Associates

The Group recorded share of losses of associates of approximately RMB15.67 million for 2023 as compared with the share of losses of associates of approximately RMB9.93 million for 2022, which was primarily attributable to the losses from Foshan Chuangyuan Supply Chain Technology Co., Ltd.* (佛山市創元供應鏈科技有限公司), an associated company of the Group.

Provisions for Guarantee

Provisions for guarantee primarily reflect the management's estimate on the level of provisions that is adequate to the Group's guarantee business. A provision of RMB24.50 million was charged for guarantee in 2022 and changed to a reversal of RMB43.87 million in 2023, which is mainly due to the vigorous promotion of policy guarantee business in 2023, and the overall risk level is controllable.

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; (iv) factoring receivables which mainly reflect the net amount of factoring financing services provided to customers that are unable to be recovered; and (v) supply chain business receivables which mainly reflect the prepayments of the supply chain business of the Company that are unable to be recovered. The Group's impairment losses increased by approximately RMB28.53 million, or approximately 24.27%, from approximately RMB117.55 million for 2022 to approximately RMB146.08 million for 2023, primary due to (i) the increase in the

impairment loss of receivables from default guarantee customers from approximately RMB2.64 million in 2022 to approximately RMB12.54 million in 2023; and (ii) the increase in impairment loss of supply chain receivables from nil in 2022 to approximately RMB8.65 million in 2023; and (iii), the increase in the impairment loss of trade debtors from approximately RMB0.05 million in 2022 to approximately RMB5.69 million in 2023.

Operating Expenses

The Group's operating expenses increased by approximately RMB3.93 million, or approximately 2.82%, from approximately RMB139.45 million for 2022 to approximately RMB143.38 million for 2023, mainly because of (i) the increase in the depreciation and amortisation expenses from approximately RMB11.02 million in 2022 to approximately RMB12.32 million in 2023; (ii) the increase in tax cost from approximately RMB2.46 million in 2022 to approximately RMB2.93 million in 2023; and (iii) the increase in finance cost from approximately RMB0.38 million in 2022 to approximately RMB0.84 million in 2023.

Profit Before Taxation

As a result of the foregoing, the Group's profit before taxation increased by approximately RMB6.03 million, or approximately 8.70%, from approximately RMB69.28 million for 2022 to approximately RMB75.31 million for 2023. The Group's profit before taxation accounted for approximately 21.71% and approximately 20.90% of the Group's revenue for 2022 and 2023, respectively.

Income Tax

Income tax increased by approximately RMB16.66 million, or approximately 99.23%, from approximately RMB16.79 million for 2022 to approximately RMB33.45 million for 2023.

Profit for the Year

As a result of the foregoing, the Group's profit for the year decreased by approximately RMB10.63 million, or approximately 20.25%, from approximately RMB52.49 million for 2022 to approximately RMB41.86 million for 2023, and the Group's net profit margin decreased from approximately 16.45% for 2022 to approximately 11.62% for 2023.

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 2023, the Group's capital expenditures amounted to approximately RMB6.62 million (2022: RMB8.39 million), which was primarily related to purchase of business operating system.

Capital Commitments and Contingent Liabilities

As at 31 December 2023, the Group's outstanding capital commitments relating to (i) the total maximum guarantee issued to customers for its guarantee business amounted to approximately RMB9,792.61 million (31 December 2022: RMB10,208.36 million); and (ii) the Group's leases of office premises amounted to approximately RMB13.13 million (31 December 2022: RMB18.97 million).

Charge on Assets

As at 31 December 2023, pledged loan of RMB20.00 million was secured by receivables from supply chain business amounting to RMB21.66 million.

Prospects and Future Developments in the Business of the Group

(1) Development Trend of the Industry

Take multiple measures to support the healthy development of SMEs

SMEs occupy an important position in China's economic development and play an important role in stabilizing growth, promoting innovation, increasing employment and improving people's livelihood. Since 2023, China has introduced a series of policies to effectively support the development of SMEs in terms of reducing the burden of taxes, promoting the development of inclusive finance, and supporting innovation and entrepreneurship.

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, from the aspects of further promoting stable growth and expectation, and striving to promote SMEs to adjust structure and strengthen capacity, proposed 15 measures to strengthen policy implementation and support, increase financial support for SMEs, and promote the financing of SMEs in the industrial chain, so as to promote the high-quality development of SMEs. On 20 August 2023, the Ministry of Finance of the PRC issued the "Notice on Strengthening the Implementation of Financial and Tax Support Policies to Promote the High-quality Development of SMEs" (《關於加強財稅支持政策落實促進中小企業高質量發展的通知》), which proposed that all regions should intensify their efforts to implement the financial and tax policies in support of the development of SMEs without any compromise, so as to provide a strong guarantee for the promotion of the high-quality development of SMEs. For the whole year of 2023, China's SMEs added RMB1,426.42 billion in tax reductions and fee reductions and tax refunds and buffers, accounting for 64% of the total. By the end of 2023, the balance of inclusive small and micro loans grew by 23.5% year-on-year, while the loan growth rate of "specialized, refined, differentiated and innovative" SMEs and technology SMEs was 18.6% and 21.9% respectively.

Continuously optimising the financing environment for SMEs to facilitate the steady development of SMEs

On 19 July 2023, the Xinhua News Agency promulgated the Opinions of the CPC Central Committee and the State Council on Promoting the Growth and Development of the Private Economy (《中共中央國務院關於促進民營經濟發展壯大的意見》), which proposed a series of specific measures to improve the policy and system for supporting the financing of private enterprises, including supporting the development of private enterprises from credit financing, bond market financing to listing financing and refinancing.

On 2 August 2023, the Ministry of Finance and the State Taxation Administration of the PRC promulgated the Announcement on Tax Policies on Supporting Financing for SMEs (《關於支持小微企業融資有關稅收政策的公告》), proposing to continue to increase the support for SMEs and to promote the alleviation of the problems of difficult and expensive financing.

On 11 October 2023, the State Council of the PRC promulgated the Implementing Opinions on Promoting the High-Quality Development of Inclusive Finance (《關於推進普惠金融高質量發展的實施意見》), stating that it is necessary to improve the organisational system of multi-level inclusive financial institutions, guide financing and guarantee institutions to expand the scale of their business in supporting agriculture and small-scale businesses, regulate charge behavior and lower their thresholds, support financial leasing and finance leasing companies to help SMEs and agriculture-related enterprises to revitalise their equipment and assets, and to promote innovation and upgrading.

On 20 November 2023, the People's Bank of China, the Ministry of Science and Technology, the State Administration of Financial Supervision and the China Securities Regulatory Commission jointly convened a meeting to promote the exchange of work on scientific and technological finance. The meeting proposed that more financial resources should be used to promote scientific and technological innovation, focusing on the key areas of scientific and technological innovation and the shortcomings and weaknesses of financial services, deepening the financial supply-side restructuring reform, and promoting the improvement of an all-round, multi-level scientific and technological financial service system, including credit, bonds, stocks, insurance, venture capital, and financial guarantees.

The Board believes that under the continuous regulation and guidance of the policy, the regulatory system of the China's financing guarantee industry has become increasingly perfect and the business positioning of the financing guarantee institutions has become clearer. With the gradual downward trend of the national financial guarantee policy support system, as intermediaries linking SMEs and credit institutions, the business competitiveness and development space of financial guarantee institutions will be enhanced accordingly. As a financial guarantee enterprise, the Group will maintain its foothold on the origin of financial services to the real economy, adhere to the positioning of supporting SMEs and micro-enterprises, continue to improve its service capacity, take the initiative to deeply integrate into the overall situation of high-quality development of the economy and society, and fulfil its mission of financial inclusion with practical actions, so as to contribute to the guarantee power for the construction of a strong financial country.

(2) Development Strategies of the Group

In 2023, China's economy withstood domestic risks and challenges as well as the downward pressure brought about by the overlapping of multiple domestic factors, and successfully achieved the major expected targets of economic and social development for the year. Looking ahead to 2024, problems such as insufficient effective demand and weak social expectations will remain, and the complexity and uncertainty of the external environment will increase, and China's economy is still in a period where opportunities and risks and challenges coexist, and uncertainties are on the rise. However, the long-term trend of macroeconomic growth remains unchanged, and with the further development of macroeconomic policies to promote growth, China's economy is expected to continue to recover steadily.

The Group (stock code: 01543.HK), which was founded in May 2003 as the earliest financing guarantee institution in Foshan, with rich industry experience and expertise, it has gradually pioneered the model of "mixed ownership of financing guarantee" in the course of its development and growth, and has become the first domestic company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with financing guarantee as its main business in 2015. From the active exploration along the way of transformation and upgrading to leapfrog development in capital increase, listing and bond issuance, the Group has witnessed its solid development over the past 20 years and formed a sustainable development model with its own characteristics. The Group is committed to solving the problems of difficult and expensive financing for SMEs and insisting on financial innovation. On the basis of guarantee as the main business, the Group has innovated guarantee plus (擔保+) according to the different needs of SMEs in different stages at different times and formed an integrated financial service system, including guarantee, microfinance, pawn, factoring, supply chain finance, equity investment and consultancy services, etc. Since its establishment, the Group has accumulatively provided financial services to nearly 20,000 enterprises with an accumulated service amount of more than RMB180 billion.

In 2024, the Group intends to take the following measures:

1. **Integration of resources from various parties to fulfil performance targets.** Firstly, we will focus on the policy fund financing guarantee business and the asset financing (supply chain) business. Secondly, we will set up a finance lease company as soon as possible to complement the inclusive finance sector and increase revenue. Thirdly, we will sink our asset financing business into town and sub-districts, and explore the ecosystem of integrated development of finance, industry and technology to enhance consolidated revenue.
2. **Be vigilant about risks while preventing and controlling risks.** On the premise of endeavouring to achieve the annual performance target, we will adjust our business structure, improve the level of risk control and put in place risk prevention measures.
3. **Embrace regulation and operate in a compliant manner.** We will promote the adjustment of the top-level structure of the Group as planned. On the one hand, we will take into account the guidance from the provincial and municipal regulatory authorities and push forward the transition of the business of the old and the new guarantee companies in accordance with the progress. On the other hand, we will cooperate with the local financial regulatory authorities to carry out various types of regulatory ratings to ensure compliance operation.
4. **Insist on talent team building and cultivate a team with integrity, professionalism and high efficiency.** We will strengthen the Company's talent inventory, optimise the appraisal mechanism, and organically combine the refined management with striving for excellence activities and atmosphere creation activities and strengthen the team building, especially the youthfulness of the backbone team.
5. **Promotion and implementation of town and sub-districts industrial risk compensation fund model.** On the basis of the implementation of town and sub-districts funds such as Lecong and Leliu, we will continue to explore more town and sub-districts industrial risk compensation fund models, so as to guide more financial resources to support the development of local characteristic industries.

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 most of 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 and Hong Kong 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 2023, the Group's cash and bank deposits was approximately RMB1,222.78 million.

Indebtedness

As at 31 December 2023, the Group's interest-bearing borrowings amounted to approximately RMB210.46 million which are repayable within one year bearing interest at a range of from 3.80% to 10.00% per annum.

As at 31 December 2023, the Group has issued Corporate Bonds of the nominal value of RMB500.00 million, among which the nominal value of the Tranche 1 and 2 was RMB260.00 million and RMB240.00 million, respectively with a coupon rate of 4.6% and 3.5%.

In addition, as at 31 December 2023, the Group had other financial instruments of approximately RMB150.57 million, financial liabilities measured at FVPL of approximately RMB23.97 million and lease liabilities of approximately RMB13.13 million.

The gearing ratios of the Group as at 31 December 2023 and 31 December 2022 were 37.81% and 35.96%, 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 2023, the Group's outstanding guarantee totaled approximately RMB9,792.61 million. Save as disclosed above, the Group had no other off-balance-sheet arrangements as at 31 December 2023.

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 2023.

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 2023.

Future Plans for Material Investments or Capital Assets

The Group had no specific plan for material investments or capital assets as at 31 December 2023.

EVENTS AFTER REPORTING PERIOD

On 6 February 2024, the Company (as guarantor) and Zhongshan Torch Development Zone Construction Development Co., Ltd. (中山火炬開發區建設發展有限公司) (as warrantee) entered into the letter of guarantee maximum guarantee credit service contract, pursuant to which the Company and its subsidiaries shall provide the guarantee within the maximum guarantee limit of RMB260 million. The service fee for each individual provision of guarantee by the Group shall be agreed under separate guarantee service agreement to be entered into between the Group and Zhongshan Torch Development Zone Construction Development Co., Ltd. and any of its holding companies and/or subsidiaries, but in any event shall not exceed 4.8% of the guaranteed amount per annum. For further details, please refer to the announcement of the Company dated 6 February 2024.

The Company issued the first phase of 2021 corporate bonds on 18 March 2021 with a total issuance amount of RMB260,000,000 and a bond term of 5 years. At the end of the third year of its existence, investors have the right to resell all or part of their holdings of the bonds to the Company at par value. In February 2024, some of the bondholders of the first phase of 2021 corporate bonds chose to resell their bonds with a total nominal value of RMB130,000,000 to the Group. On 18 March 2024, the Group paid the resale amount of the relevant first phase of 2021 corporate bonds to the above bondholders at the nominal value.

HUMAN RESOURCES

The total number of staff within the Group as at 31 December 2023 was 294 (31 December 2022: 307). As at 31 December 2023, the number of staff holding a bachelor's degree or above was 255, accounting for 86.73% of its total number of staff; and the number of staff holding a junior college degree or below was 39, accounting for 13.27% 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 2023, the Group incurred staff costs (including salaries, wages, bonuses and other benefits and contributions to retirement schemes) of approximately RMB91.26 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, 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 (the "**CG Code**") contained in Appendix C1 (formerly Appendix 14 to the Listing Rules) to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). As at the date of this announcement, the Audit Committee comprises five members, namely, Mr. Wu Xiangneng (Chairman), Mr. Leung Hon Man, Mr. 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 2023. The Audit Committee has also reviewed with the management, 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 2023.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The Group's annual results for the year ended 31 December 2023, including the accounting principles and practices adopted, have been reviewed by the Audit Committee in conjunction with the Company's external auditor. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this audited annual results announcement have been agreed by the Company's external auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by KPMG on this audited annual results announcement.

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 CG Code as its own code of corporate governance. During the year ended 31 December 2023, 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 C3 (formerly Appendix 10 to the Listing Rules) 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 2023.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.02 (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 2023, amounting to, in aggregate, RMB31,215,853.74 (the “**2023 Final Dividend**”). No Shareholder has waived or agreed to waive the 2023 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 2023 Final Dividend will be subject to approval by Shareholders at the forthcoming 2023 annual general meeting (the “**AGM**”) and is expected to be paid on or about Wednesday, 31 July 2024.

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 Thursday, 6 June 2024. 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 Monday, 3 June 2024 to Thursday, 6 June 2024, 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, 6 June 2024 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 Friday, 31 May 2024.

In order to determine the Shareholders entitled to the 2023 Final Dividend, the register of members of the Company will be closed from Friday, 14 June 2024 to Wednesday, 19 June 2024, 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 Wednesday, 19 June 2024 are entitled to the 2023 Final Dividend. In order to qualify for receiving the 2023 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 Thursday, 13 June 2024.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2023 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 2024.

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

Foshan, the PRC, 27 March 2024

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