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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS HIGHLIGHTS

- For the first half of 2022, total revenue was approximately RMB178.21 million, including revenue of approximately RMB159.35 million and other revenue of approximately RMB18.86 million, representing an increase of approximately 19.28% as compared to the corresponding period in 2021.
- For the first half of 2022, profit before taxation amounted to approximately RMB43.98 million, representing a decrease of approximately 43.39% as compared to the corresponding period in 2021.
- For the first half of 2022, profit attributable to equity shareholders of the Company amounted to approximately RMB25.95 million, representing a decrease of approximately 46.18% as compared to the corresponding period in 2021.
- The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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 unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, along with comparative figures for the six months ended 30 June 2021, which should be read in conjunction with the following management discussion and analysis.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Guarantee fee income		93,175	113,475
Guarantee cost		(4,444)	(25,284)
Net guarantee fee income		88,731	88,191
Interest income		65,165	51,277
Interest expenses		(10,017)	(10,676)
Net interest income		55,148	40,601
Service fee from consulting services		15,473	15,242
Revenue	3	159,352	144,034
Other revenue	4	18,855	5,368
Share of (losses)/gains of associates		(4,321)	1,463
(Provisions)/reversal of provisions charged for guarantee losses		(24,088)	5,542
Impairment losses	5(a)	(54,704)	(29,013)
Operating expenses	5(b)/(c)	(51,111)	(49,704)
Profit before taxation		43,983	77,690
Income tax	6	(11,950)	(20,135)
Profit for the period		32,033	57,555
Attributable to:			
Equity shareholders of the Company		25,953	48,218
Non-controlling interests		6,080	9,337
Profit for the period		32,033	57,555
Earnings per share			
Basic and diluted (<i>RMB per share</i>)	7	0.02	0.03

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

*for the six months ended 30 June 2022 — unaudited
(Expressed in Renminbi)*

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	32,033	57,555
Other comprehensive income for the period		
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)	(4,280)	8,257
Income tax arises from financial assets measured at FVOCI	1,070	(2,064)
Other comprehensive income for the period	(3,210)	6,193
Total comprehensive income for the period	28,823	63,748
Attributable to:		
Equity shareholders of the Company	22,743	54,411
Non-controlling interests	6,080	9,337
Total comprehensive income for the period	28,823	63,748

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 — unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Assets			
Cash and bank deposits	8	865,518	1,084,457
Pledged deposits		524,865	561,557
Trade and other receivables	9	796,078	734,595
Loans and advances to customers	10	681,718	618,342
Factoring receivables		267,086	174,408
Financial assets measured at FVOCI	11	68,722	73,002
Financial assets measured at FVPL	12	70,838	31,094
Receivable investments	13	27,076	28,512
Interest in associates		34,068	37,889
Fixed assets		22,594	20,866
Investment property		6,443	6,637
Intangible assets		3,853	4,238
Goodwill		419	419
Deferred tax assets		103,983	69,049
Total assets		3,473,261	3,445,065
Liabilities			
Interest-bearing borrowings	14	130,189	69,415
Liabilities from guarantees	15	266,717	240,169
Customer pledged deposits	16(a)	140,131	250,934
Accruals and other payables	16(b)	246,895	104,215
Debts securities issued	17	262,623	268,710
Other financial instrument	18	99,786	111,332
Financial liabilities measured at FVPL	19	13,272	16,384
Lease liabilities		16,192	15,046
Deferred tax liabilities		17	74
Total liabilities		1,175,822	1,076,279
NET ASSETS		2,297,439	2,368,786

	<i>Note</i>	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
CAPITAL AND RESERVES	20		
Share capital		1,560,793	1,560,793
Reserves		<u>487,817</u>	<u>540,902</u>
Total equity attributable to equity shareholders of the Company		2,048,610	2,101,695
Non-controlling interests		<u>248,829</u>	<u>267,091</u>
TOTAL EQUITY		<u>2,297,439</u>	<u>2,368,786</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 26 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA.

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Guarantee fee income		
Financing guarantee fee income	69,882	80,108
Performance guarantee fee income	23,293	33,367
	<u>93,175</u>	<u>113,475</u>
Subtotal	93,175	113,475
Guarantee cost		
Re-guarantee expenses	(998)	(681)
Risk management service expense	(3,446)	(24,603)
	<u>(4,444)</u>	<u>(25,284)</u>
Subtotal	(4,444)	(25,284)
Net guarantee fee income	<u>88,731</u>	<u>88,191</u>
Interest income		
— Loans and advances to customers	37,258	26,490
— Cash at banks and pledged bank deposits	7,140	6,636
— Factoring service	10,683	12,077
— Trade and other receivables	4,318	6,074
— Other financial instruments	5,766	—
	<u>65,165</u>	<u>51,277</u>
Subtotal	65,165	51,277
Interest expenses		
— Interest-bearing borrowings	(3,683)	(5,242)
— Debt securities issued	(5,873)	(3,542)
— Other financial instruments	—	(1,535)
— Others	(461)	(357)
	<u>(10,017)</u>	<u>(10,676)</u>
Subtotal	(10,017)	(10,676)
Net interest income	<u>55,148</u>	<u>40,601</u>
Service fee from consulting services	<u>15,473</u>	<u>15,242</u>
Revenue	<u>159,352</u>	<u>144,034</u>

4 OTHER REVENUE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grant	5,440	330
Investment income from financial assets measured at FVOCI	264	849
Investment income of receivable investments	740	1,791
Investment income from financial assets measured at FVPL	4,084	3,971
Foreign exchange gains/(losses)	5,485	(4,309)
Others	2,842	2,736
	<u>18,855</u>	<u>5,368</u>

5 PROFIT BEFORE TAXATION

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

(a) Impairment and provision charged/(written back)

	Note	Six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Receivables for default guarantee payments	9(b)(i)	35,151	9,432
Receivables from guarantee customers	9(b)(ii)	11,522	1,368
Loans and advances to customers	10(f)	5,867	9,647
Factoring receivables		2,197	5,717
Others		(33)	2,849
		<u>54,704</u>	<u>29,013</u>

(b) Staff costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries, wages, bonuses and other benefits	29,689	33,999
Contributions to retirement schemes	3,666	422
	<u>33,355</u>	<u>34,421</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 period. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

(c) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation and amortization	5,558	4,219
Auditors' remuneration	683	683

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
Provision for PRC income tax for the period	45,871	27,591
Deferred tax		
Origination and reversal of temporary differences	<u>(33,921)</u>	<u>(7,456)</u>
Income tax expense	<u>11,950</u>	<u>20,135</u>

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

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Profit before taxation		43,983	77,690
Notional tax on profit before taxation, calculated at 25%	(i)/(ii)	10,996	19,423
Tax effect of non-deductible expenses		97	299
Unrealized temporary differences		—	(326)
Others		857	739
		<u>11,950</u>	<u>20,135</u>
Actual income tax expense		<u>11,950</u>	<u>20,135</u>

- (i) No provision for Hong Kong Profits Tax has been made for Join-Share Financial Holdings Co., Ltd. located in Hong Kong as they had not derived any income subject to Hong Kong Profits Tax during the period.
- (ii) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of RMB25,953,000 (six months ended 30 June 2021: RMB48,218,000) and the weighted average of 1,560,793,000 ordinary shares (30 June 2021: 1,560,793,000 shares) in issue during the interim period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2022 and 2021, therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND BANK DEPOSITS

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Cash in hand	15	24
Cash at banks	<u>552,926</u>	<u>782,417</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	552,941	782,441
Term deposits with banks	122,580	82,242
Restricted bank deposits	<u>187,602</u>	<u>217,352</u>
Accrued interest	863,123 <u>2,395</u>	1,082,035 <u>2,422</u>
	<u><u>865,518</u></u>	<u><u>1,084,457</u></u>

The Group's operation of guarantees and loans to customers services in the PRC are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government. Restricted bank deposits mainly represent bank deposits pledged by deposit certificate as collateral provided by the Group for customers to apply for bank loans.

As at 30 June 2022, cash and cash equivalents within Mainland China amounted to RMB521.26 million (31 December 2021: RMB752.08 million). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control.

9 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Receivables for default guarantee payments	9(a)(i)	393,600	305,500
Less: Allowance for doubtful debts	9(b)(i)	<u>(114,290)</u>	<u>(78,491)</u>
		<u>279,310</u>	<u>227,009</u>
Receivables from guarantee customers	9(a)(ii)	213,021	195,844
Less: Allowance for doubtful debts	9(b)(ii)	<u>(57,081)</u>	<u>(45,559)</u>
		<u>155,940</u>	<u>150,285</u>
Interest receivables		8,943	9,428
Less: Allowance for interest receivables		<u>(2,280)</u>	<u>(2,280)</u>
		<u>6,663</u>	<u>7,148</u>
Receivables from debt purchased	(i)	53,014	51,454
Loan to related parties		75,560	71,060
Trade debtors		57,577	69,085
Prepayment to a related party		89,600	79,027
Receivables from a related party		10,000	10,000
Other receivables		<u>9,019</u>	<u>13,547</u>
		<u>294,770</u>	<u>294,173</u>
Deposits and prepayments		28,638	26,712
Repossessed assets		<u>30,757</u>	<u>29,268</u>
		<u>59,395</u>	<u>55,980</u>
		<u>796,078</u>	<u>734,595</u>

- (i) On 28 December 2018, the Group entered into a debt purchase contract with Guangdong Join-Share Holding Co., Ltd. such that the Group purchased the creditor's right and relevant interests, amounting to RMB41,874,000, of Foshan Zhongsheng Properties Co., Ltd. at a price of RMB42,094,000. The Group is entitled to 12% fixed interest on the principal of RMB26,000,000. During the six months ended 30 June 2022, the interest income is RMB1,560,000 (six months period ended 30 June 2021: RMB1,560,000).

(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, are as follows:

(i) *Receivables for default guarantee payments*

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Within 1 year	151,329	108,262
Over 1 year but less than 2 years	73,514	54,320
Over 2 years but less than 3 years	32,720	91,117
Over 3 years but less than 5 years	92,893	10,573
Over 5 years	43,144	41,228
	<hr/>	<hr/>
Subtotal	393,600	305,500
Less: Allowance for doubtful debts	(114,290)	(78,491)
	<hr/>	<hr/>
	279,310	227,009
	<hr/> <hr/>	<hr/> <hr/>

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

(ii) *Receivables from guarantee customers*

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Within 1 year	51,612	26,942
Over 1 year but less than 2 years	54,120	52,198
Over 2 year but less than 3 years	2,893	9,288
Over 3 years but less than 5 years	58,417	66,424
Over 5 years	45,979	40,992
	<hr/>	<hr/>
Subtotal	213,021	195,844
Less: allowance for doubtful debts	(57,081)	(45,559)
	<hr/>	<hr/>
	155,940	150,285
	<hr/> <hr/>	<hr/> <hr/>

Receivables from guarantee customers are due from the date of payment.

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

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

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

	<i>Note</i>	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
As at 1 January		78,491	65,149
Impairment losses recognised in the consolidated statement of profit or loss	5(a)	35,151	22,332
Amounts written off		—	(10,697)
Amounts recovered		648	1,707
		<u>114,290</u>	<u>78,491</u>
As at 30 June/31 December		<u>114,290</u>	<u>78,491</u>

(ii) **Receivables from guarantee customers**

	30 June 2022 (unaudited)			
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit- impaired <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022	—	8,267	37,292	45,559
Transfer to lifetime ECL credit-impaired	—	(4,894)	4,894	—
Net re-measurement of loss allowance	—	(559)	8,158	7,599
Receivables from guarantee customers newly originated	—	3,902	21	3,923
	<u>—</u>	<u>6,716</u>	<u>50,365</u>	<u>57,081</u>
As at 30 June 2022	<u>—</u>	<u>6,716</u>	<u>50,365</u>	<u>57,081</u>

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

10 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Entrusted loans	260,712	234,918
Micro-lending	<u>474,315</u>	<u>434,654</u>
Gross loans and advances to customers	735,027	669,572
Accrued interest	9,020	5,232
Total allowances for impairment losses	<u>(62,329)</u>	<u>(56,462)</u>
Net loans and advances to customers	<u>681,718</u>	<u>618,342</u>

(b) Analysed by industry sector

	At 30 June 2022 (unaudited)		At 31 December 2021 (audited)	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Service sector	316,045	43%	296,293	44%
Wholesale and retail	280,248	38%	267,229	40%
Manufacturing	135,839	18%	103,050	15%
Others	2,895	1%	3,000	1%
	<u>735,027</u>	<u>100%</u>	<u>669,572</u>	<u>100%</u>
Gross loans and advances to customers	<u>735,027</u>	<u>100%</u>	<u>669,572</u>	<u>100%</u>

(c) Analysed by type of collateral

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
	Secured loans	231,255
Unsecured loans	130,198	78,112
Others	373,574	368,558
Gross loans and advances to customers	<u>735,027</u>	<u>669,572</u>

- Secured Loans: Secured loans refer to loans 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 estate properties and land use rights;
- Unsecured Loans: Unsecured loans refer to loans 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 real estate properties that cannot be registered, land use rights, and account receivables that have been registered, vehicles, machineries, inventories and equity interests.

(d) Overdue loans analysed by overdue period

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Overdue within 3 months (inclusive)	670	50,746
Overdue more than 3 months to 6 months (inclusive)	1,348	—
Overdue more than 6 months to one year (inclusive)	1,588	1,686
Overdue more than one year	<u>113,970</u>	<u>114,250</u>
	<u><u>117,576</u></u>	<u><u>166,682</u></u>

Overdue loans represent loans and advances, of which the whole or part of the principal or interest were overdue for one day or more.

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

	30 June 2022 (unaudited)			
	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	148,500	—	112,212	260,712
Micro-lending	<u>457,277</u>	<u>500</u>	<u>16,538</u>	<u>474,315</u>
Gross loans and advances to customers	605,777	500	128,750	735,027
Less: Allowances for impairment losses	<u>(26,079)</u>	<u>(70)</u>	<u>(36,180)</u>	<u>(62,329)</u>
Net loans and advances to customers (excluding accrued interest)	<u><u>579,698</u></u>	<u><u>430</u></u>	<u><u>92,570</u></u>	<u><u>672,698</u></u>

	31 December 2021 (audited)			
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	<i>RMB'000</i>	not credit- impaired <i>RMB'000</i>	credit- impaired <i>RMB'000</i>	<i>RMB'000</i>
Entrusted loans	122,500	—	112,418	234,918
Micro-lending	415,923	—	18,731	434,654
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross loans and advances to customers	538,423	—	131,149	669,572
Less: Allowances for impairment losses	(19,133)	—	(37,329)	(56,462)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net loans and advances to customers (excluding accrued interest)	519,290	—	93,820	613,110
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	30 June 2022 (unaudited)			
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	<i>RMB'000</i>	not credit- impaired <i>RMB'000</i>	credit-impaired <i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	19,133	—	37,329	56,462
Transfer to lifetime ECL not credit-impaired	(163)	163	—	—
Transfer to lifetime ECL credit-impaired	(72)	—	72	—
Net re-measurement of loss allowance	(9,894)	(93)	(1,221)	(11,208)
Loans and advances newly originated	17,075	—	—	17,075
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 30 June 2022	26,079	70	36,180	62,329
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	12-month ECL <i>RMB'000</i>	31 December 2021 (audited) Lifetime ECL not credit- impaired <i>RMB'000</i>	31 December 2021 (audited) Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	13,755	55	24,276	38,086
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	(67)	(55)	122	—
Net re-measurement of loss allowance	(13,248)	—	8,901	(4,347)
Loans and advances newly originated	18,693	—	6,030	24,723
Write-offs	—	—	(2,000)	(2,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2021	<u>19,133</u>	<u>—</u>	<u>37,329</u>	<u>56,462</u>

11 FINANCIAL ASSETS MEASURED AT FVOCI

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Unlisted equity investments	<u>68,722</u>	<u>73,002</u>
	<u>68,722</u>	<u>73,002</u>

12 FINANCIAL ASSETS MEASURED AT FVPL

	Note	30 June 2022 <i>RMB'000</i> (unaudited)	31 December 2021 <i>RMB'000</i> (audited)
Convertible bonds	(i)	25,105	25,024
Unlisted equity investments		5,733	6,070
Structured deposits		<u>40,000</u>	<u>—</u>
		<u>70,838</u>	<u>31,094</u>

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

13 RECEIVABLE INVESTMENTS

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Wealth management products	—	1,460
Bonds	25,000	25,000
Trust products	7,000	7,000
	<hr/>	<hr/>
Subtotal	32,000	33,460
Accrued interest	1,239	1,215
Less: Allowances for impairment losses	(6,163)	(6,163)
	<hr/>	<hr/>
	27,076	28,512
	<hr/> <hr/>	<hr/> <hr/>

14 INTEREST-BEARING BORROWINGS

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

	<i>Note</i>	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Bank loans	(i)		
— Unsecured		95,000	69,300
— Pledged loans	(ii)	30,000	—
Other loans		5,000	—
		<hr/>	<hr/>
		130,000	69,300
Accrued interest payable		189	115
		<hr/>	<hr/>
		130,189	69,415
		<hr/> <hr/>	<hr/> <hr/>

(i) At 30 June 2022, loans bear interest at a range from 5.22% to 11%. (31 December 2021: from 3.92% to 7.50%)

(ii) The pledged loan is secured by factoring receivables of the Group amounting to RMB20,000,000.

15 LIABILITIES FROM GUARANTEES

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Deferred income	167,335	164,875
Provisions for guarantee issued	<u>99,382</u>	<u>75,294</u>
	<u><u>266,717</u></u>	<u><u>240,169</u></u>

(a) Provisions for guarantee losses

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
As at 1 January	75,294	65,045
Charge for the period/year	<u>24,088</u>	<u>10,249</u>
As at 30 June/31 December	<u><u>99,382</u></u>	<u><u>75,294</u></u>

16 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

(a) Customer pledged deposits

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

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

(b) Accruals and other payables

		At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Dividends payable		82,257	4,043
Income tax payable		35,814	10,394
Prepaid capital contribution from a prospective non-controlling shareholder	(i)	33,000	—
Payable to customers		23,068	3,677
Accrued staff cost		22,732	35,842
Purchase of equity interests of a subsidiary from a non-controlling shareholder	(ii)	13,500	—
Accounts payable	(iii)	8,288	9,058
Contract liabilities		6,256	9,928
Consulting service expense payable		3,714	6,463
Notes payable		—	6,000
Withholding income tax		1,030	446
Others		17,236	18,364
Total		<u>246,895</u>	<u>104,215</u>

- (i) In June 2022, a prospective investor and Foshan Micro Credit entered into an agreement such that the prospective investor would make a capital contribution of RMB33,000,000 into Foshan Micro Credit and enjoys a 10% equity interest of Foshan Micro Credit upon the completion of capital contribution and the approvals from relevant authorities. As of 30 June 2022, Foshan Micro Credit received the capital contribution of RMB33,000,000 from the prospective investor, but it had not obtained the approvals from relevant authorities. Subsequently, Foshan Micro Credit obtained the relevant approvals in August 2022.
- (ii) On 23 June 2022, Guangdong Capital Investment entered into a contract with a non-controlling shareholder of Foshan Micro Credit to purchase 5.953% interest of equity in Foshan Micro Credit at a consideration of RMB14,500,000. As of 30 June 2022, RMB13,500,000 was not paid. Subsequently, Guangdong Capital Investment settled the residual consideration in July 2022.
- (iii) As of 30 June 2022, the ageing of accounts payable (based on the invoice date) amounting to RMB4.44 million (31 December 2021 : RMB4.52 million) was within 1 year (inclusive), RMB3.43 million (31 December 2021: RMB3.46 million) were over 1 year but within 3 years and the rest were over 3 years.

17 DEBT SECURITIES ISSUED

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Corporate Bonds — Par Value	260,000	260,000
Corporate Bonds — Interest Adjustment	(799)	(891)
Corporate Bonds — Accrued Interest	3,422	9,601
	<u>262,623</u>	<u>268,710</u>

Fixed rate corporate bonds with nominal value RMB260.0 million and a term of five years were issued on 18 March 2021. The coupon rate is 4.60% 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. In March 2022, Guangdong Join-Share Financing Guarantee Investment Co., Ltd. paid RMB11,960,000 for the interest of the corporate bond during the period from 18 March 2021 to 17 March 2022.

As at 30 June 2022, the fair value of corporate bonds amounted to RMB 264.48 million (31 December 2021: RMB 264.49 million).

18 OTHER FINANCIAL INSTRUMENT

	<i>Note</i>	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Other financial instrument	(i)	99,786	111,332
		<u>99,786</u>	<u>111,332</u>

- (i) Pursuant to a series of shareholders' agreements entered into by the Group with other third-party shareholders of Zhongshan Join-Share in prior years, Zhongshan Health Science and Technology Industrial Base Development Co., Ltd. ("Zhongshan Health"), one of the shareholders of Zhongshan Join-Share, was entitled to a 6% fixed return of its capital contribution during the period from 31 December 2015 to 31 December 2023. In addition, the Company was obligated to repurchase part of Zhongshan Health's capital contribution based on an agreed repayment schedule during the aforementioned period. On initial recognition, the Company recognised the financial liability at the present value of the redemption amount and recognised the difference between the consideration received from Zhongshan Health and the above liability as equity. Any changes in the carrying amount of the financial liability was recorded in interest expense.

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

The Company determines the overall arrangement of the 2021 Shareholders' Agreements leading to a substantial modification of the original financial liability. Accordingly, the Company derecognized original financial instrument and recognized a new financial liability. As of the modification date, the difference between the carrying amount of the original financial instrument and the new financial liability amounting to RMB4,572,000 was accounted as part of the Group's equity.

19 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is involved with structured entities through the provision of financial guarantees. These structured entities generally finance the purchase of assets by issuing securities or by other means, and are sponsored by other institutions. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

As at 30 June 2022 and 31 December 2021, the interests held by the Group in unconsolidated structured entities sponsored by the Group through its provision of financial guarantees are set out as below, representing its interest in collective fund trust plans:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Financial liabilities arising from interest in jointly controlled Trust Plans	<u>13,272</u>	<u>16,384</u>

As at 30 June 2022, the Group did not have any consolidated structured entities.

20 CAPITAL, RESERVES AND DIVIDENDS

Dividends

Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period.

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of RMB5 cents per share (six months ended 30 June 2021: RMB6 cents per share)	78,039	93,648

On 28 July 2022, the Company paid final cash dividends of RMB75.93 million, which had been declared on 22 June 2022.

21 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Performance guarantee	6,467,611	6,171,385
Financing guarantee	4,082,334	4,036,231
Litigation guarantee	13,092	13,092
Subtotal	10,563,037	10,220,708
Less: Customer pledged deposits	(142,199)	(253,002)
Total	10,420,838	9,967,706

The total maximum guarantees issued (net of counter-guarantees) represent the maximum potential loss that would be recognized if counterparties failed completely to perform as contracted.

22 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

On 27 April 2022, the Company entered into a shareholding investment cooperation agreement with two third-parties to establish a new subsidiary, which will be providing guarantee services as its principle activity. Pursuant to such shareholding investment cooperation agreement, the Company shall invest RMB210 million in the new subsidiary and hold 70% of its equity interest. As of 30 June 2022, this new subsidiary has not been established. Subsequently in July 2022, the Company paid the capital contribution of RMB210 million.

(b) Litigations and disputes

In the second half of 2021, a group of individual investors initiated an arbitration against the Company in respect of their overdue lending with principals and interests amounted to a total of RMB6,900,000 to a third party which was guaranteed by the Company. As of 30 June 2022, the Company has considered the likelihood of the court finding against it and has made a provision in respect of this claim.

23 SUBSEQUENT EVENTS

In August 2022, the Company issued a 5-year corporate bond with an aggregate principal amount of RMB0.24 billion through public offering. The annual interest rate is 3.50%. The Company has an option to adjust the coupon rate for the remaining duration at the end of the third year. After the Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In the first half of 2022, the world was facing drastic changes and a pandemic both unseen in a century. The world economy still faces strong headwinds on its path toward recovery, and global development has suffered major setbacks. The economic and social development environment of the People's Republic of China (“**PRC**” or “**China**”) became more complicated, difficult and uncertain. Facing with the external risks and challenges and the tasks of stable domestic reform and development, the state solidly and effectively advanced a basket of policies and measures to stabilise the economy under the guidance of correct strategies, benefiting from which, China's economy shows a steady and positive development trend. According to the data from the National Bureau of Statistics, China's Gross Domestic Products (“**GDP**”) reached approximately RMB56.2642 trillion in the first half of 2022, representing a year-on-year increase of approximately 2.5% at constant prices, which demonstrated the strong resilience of China's economic development. On a quarterly basis, the country's economy achieved positive growth in the second quarter under great pressure, with the GDP reaching RMB29.2464 trillion, representing a quarter-on-quarter increase of 0.4% at constant prices. In terms of net exports, the economic growth driven by the net exports of goods and services was 0.9 percentage points in the first half of the year, among which, the economic growth of the second quarter was 1.1 percentage points.

With effective coordination of pandemic prevention and control, and economic and social development, China's industrial production has shown a rebounding trend with measures stabilising the industrial economic operation, benefiting from which, the development potency of small and medium-sized enterprises (“**SMEs**”) is gradually recovering. In June 2022, the Small and Medium Enterprises Development Index (SMEDI) of PRC was 88.4, representing an increase of 0.2 points from the decline for four consecutive months. The Group has been continuously committed to exploring innovative financial service mechanisms and practices, giving full play to its professional business advantages and insisting on serving SMEs. In the first half of the year, the Group recorded a total revenue of RMB178.21 million.

In April 2020, in accordance with the notice of four supporting systems under the Regulation on the Supervision and Administration of Financing Guarantee Companies (No. 1 [2018] of the China Banking and Insurance Regulatory Commission), the Group has complied with industry regulatory requirements in terms of its various business indicators and the business licence for its financing guarantee business has been successfully reviewed, approved and renewed by Guangdong Financial Supervisory Authority. Protecting market entities is crucial to the stabilisation of livelihoods and economies. Accordingly, SMEs, as important market entities, are the backbone to stabilise economic development, promote employment and secure livelihood. After years of exploration, the Group has established a unique management model in the domestic financing guarantee industry, which provides liquidity to enterprises through establishing

supply chain companies to cooperate with banks, so as to accurately address the problems faced by the SMEs. The chairman of the Board (the “**Chairman**”) and the president of the Group (the “**President**”) Mr. Wu Liejin, expressed that the Group will continuously seek innovation and breakthroughs, establishing a synergistic and systematic investment and financing service platform for SMEs to support the transformation and upgrade of real economy with abundant and high-quality financing supply, so as to energise SMEs with financial support.

Business Review

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

Guarantee Business

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

Financing guarantee

Indirect financing guarantee
Direct financing guarantee

Non-financing guarantee

Litigation preservation guarantee
Engineering guarantee letters and other performance guarantee letters

As at 30 June 2022, the Group’s total outstanding guarantee was approximately RMB10,420.84 million (31 December 2021: RMB9,967.71 million). For the six months ended 30 June 2022, the net guarantee fee income was approximately RMB88.73 million, which remains relatively stable as compared to approximately RMB88.19 million for the six months ended 30 June 2021.

SME Lendings

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

- (a) **Entrusted loan business.** The Group, operated through the Company, deposits its own funds into intermediary banks, which on-lend the funds to ultimate borrowers selected by the Group and charges fixed interest rate. The Group usually provides entrusted loans of relatively large amount ranging from approximately RMB1.00 million to approximately RMB35.00 million through banks, and is not subject to geographical restriction. According to Regulations on the Supervision and

Administration of Financing Guarantee Companies promulgated by the State Council of the PRC, financing guarantee companies shall not run self-operated loans or entrusted loans, and hence the Company adopted the business model of lending loans through entrusting banks qualified to operate loan businesses. During the course of entrusted loan business of the Company, related entities including the Company, the bank and the borrowers agree on their respective rights and obligations by way of contract. The Company is in charge of the provision of entrusted loan fund, receipt of entrusted loan interests from borrowers and bearing the credit risks, while the bank is responsible for charging for commission expenses, lending entrusted loans, assisting on the supervision on the usage and recovery of the loans without bearing the credit risks. For the six months ended 30 June 2022, the monthly fixed interest rate charged by the Group for entrusted loans ranged from 0.5% (inclusive) to 1.8% (inclusive) (for the six months ended 30 June 2021: from 1.25% to 1.8%), 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 30 June 2022, the balance of the Group's entrusted loans was approximately RMB260.71 million (31 December 2021: RMB234.92 million). The top five customers of such business in terms of remaining balance represent approximately 59.85% of the total remaining balance of entrusted loans as at 30 June 2022 and their respective terms were as follows:

Borrower	Cooperative institutions	Loan amount (RMB'000)	Loan balance as at 30 June 2022 (RMB'000)	Loan interest rate (month,%)	Loan term	Type of guarantee
Company A	Bank a	35,000	35,000	1.233	7 May 2022– 5 November 2022	Warranty
Company B	Bank a	31,790	31,285	1.6	8 July 2015– 8 January 2016	Collateral guarantee
Company C	Bank a	35,000	30,762	1.8	17 October 2014–17 April 2015	Collateral guarantee
Company D	Bank a	30,000	30,000	1.233	18 March 2022– 7 September 2022	Unsecured
Company E	Bank b	29,000	29,000	1.45	8 December 2015–8 December 2016	Warranty
Total		<u>160,790</u>	<u>156,047</u>			

(b) **Micro-lending business.** The Group, operated through Foshan Chancheng Join-Share Micro Credit Co., Ltd.* (“**Foshan Micro Credit**”), provides advances to SMEs, individual business proprietors and individuals in Foshan and charges fixed interest rate. According to relevant regulations, micro-lending business refers to lending business operated by micro-lending companies established subject to the approval from relevant government authorities. Lending business conducted by micro-lending companies must follow the principle of “small loans, and decentralised resource distribution”. The amount of loans and repayment term must be determined with reference to factors such as the income, overall liabilities, 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 RMB8.00 million. For the six months ended 30 June 2022, the monthly fixed interest rate charged by the Group for micro-lending ranged from 0.65% (inclusive) to 1.70% (inclusive) (for the six months ended 30 June 2021: 0.65% to 1.60%), 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 30 June 2022, the balance of the Group’s micro-lending was approximately RMB474.32 million (31 December 2021: RMB434.65 million). The top five customers of such business in terms of remaining balance represent approximately 8.43% of remaining balance of total micro-lending as at 30 June 2022 and their respective terms were as follows:

Borrower	Loan amount (RMB'000)	Loan balance	Loan interest rate (month,%)	Loan term	Type of guarantee
		as at 30 June 2022 (RMB'000)			
Company A	8,000	8,000	1.25	14 October 2021 to 13 October 2022	Warranty
Individual B	8,000	8,000	1.5	12 January 2022 to 11 January 2023	Warranty
Company C	8,000	8,000	1.5	2 April 2022 to 1 April 2023	Warranty
Individual D	8,000	8,000	1.1	29 June 2022 to 28 July 2022	Warranty
Individual E	8,000	8,000	1.1	29 June 2022 to 28 August 2022	Warranty
Total	40,000	40,000			

For the six months ended 30 June 2022, the Group's net interest income was approximately RMB55.15 million, representing an increase of approximately 35.84% as compared to approximately RMB40.60 million for the six months ended 30 June 2021.

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; (ii) the first time guarantee projects; (3) projects with high cumulative balance of guarantee liabilities; or (4) projects with certain industry risks. The special post-transaction supervisor is generally the Company's risk control manager, an officer responsible for collection and recovery, or the head of the business department or the risk control department. The Company conducts a special post-transaction supervision every month.
- (iii) **Risk screening.** According to the macro-economy and the change in market environment, the Company formulates business guidelines and opinion on risks by classification of industry from time to time with an aim to promote healthy business development and risk control. The Company conducts risk screening by adopting stricter, higher standard and more specific risk supervision or special risk investigation on companies that are in industries with greater risks or easily affected by the macro economy, or the projects for which material counter-guarantee is in abnormal condition. The risk management department and the business department develop project due date guidance based on the customers' performance and the Company's guiding opinions on such customers before maturity of each project. If there is material abnormal matter affecting repayment during the post-transaction supervision, the project supervisor should report to the business department head and the risk management department in a timely manner, and the risk management department will adjust the supervision frequency and risk category, and arrange a special post-transaction supervisor's on-site supervision or hold a risk project seminar to discuss solutions.
- (iv) **Management procedures for collateral.** Collaterals include both tangible and intangible assets. Normally there is no storage requirement for intangible assets. For tangible assets, subject to conditions including project risks, characteristics of the customer's business and mortgage rate, the Company may adopt different measures, such as entering into and registering a mortgage, performing regular on-site inspections and conducting regular supervision through a third party designated by the Company. For real estate that has undergone mortgage registration, the Company will occasionally arrange an asset appraisal manager to conduct appraisals, check the market price of real estate of the same type through real estate websites, or check the status of the pledged 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, the chairman or chairlady of executive committee, which is served by the chairman of the Board, will approve the entrusted loan projects with the balance of loans to individual enterprises of not more than 6% of the net assets of the group company. Any application for entrusted loans over such threshold will be approved by the Board/general meeting.

- (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 Activities Undertaken by the Group During the Period

For the six months ended 30 June 2022, the Group has undertaken the following activities with an aim to strengthen the Group’s overall market position:

1. Foshan Micro Credit has been given an “AAA+” rating, ranking 10th among nearly 400 peers in Guangdong Province, which will have a positive impact on Foshan Micro Credit in terms of financing channels, financing leverage, regulatory measures, innovative business and others. In addition, Foshan Micro Credit was also awarded the title of “the A-Level Team of Financial Development Innovation in 2021” in Chancheng District, Foshan, Guangdong Province.
2. On 27 April 2022, to enhance the Company’s development in financing guarantee business in the PRC, the Company, Foshan Hi-Tech Industries Investment Development Company Limited* (佛山高新技術產業投資發展有限公司) (“**Foshan Hi-Tech**”) and Guangdong Yuecai Financing Guarantee Group Co., Ltd.* (廣東粵財融資擔保集團有限公司) (“**GD Yuecai**”) entered into a shareholding investment cooperation agreement in relation to formation of a joint venture (the “**New Subsidiary**”), pursuant to which the Company, Foshan Hi-Tech and GD Yuecai have contributed RMB210 million, RMB60 million and RMB30 million to such New Subsidiary by 26 July 2022, 28 July 2022 and 27 July 2022, respectively. Pursuant to such shareholding investment cooperation agreement, the Company will grant a put option to GD Yuecai and provide a guaranteed return subject to the terms and conditions therein. As at the date of this announcement, the New Subsidiary has not obtained the approval of the Guangdong Financial Supervisory Authority* (廣東省地方金融監督管理局), and is yet to be incorporated. For further details, please refer to the announcement of the Company dated 27 April 2022 (the “**2022 April Announcement**”) and 1 August 2022.

3. As one of the major business of the Company is providing financing guarantee service, pursuant to Measures for the Administration of the Asset Proportions of Financing Guarantee Companies (《融資擔保公司資產比例管理辦法》), it is stipulated that level III assets of the Company shall not exceed 30% of the total assets of the Company after deducting the receivables for default payments (扣除應收代償款). As at 31 January 2022, the level III assets of the Company mainly comprised long-term equity investment, bonds, entrusted loans and other receivables amounted to approximately 26.16% of the total assets of the Company after deducting the receivables for default payments (扣除應收代償款). Since most of the equity investment and equity assets are categorised as level III assets, the Company is restrained by the 30% asset limitation requirement to utilise the proceeds from the Listing, the Investors Subscription, the Placing (as respectively defined in the circular of the Group dated 1 June 2022 (the “**2022 June Circular**”)) and issue of bonds to equity investment. Accordingly, on 27 April 2022, the Board has resolved to propose to (i) adjust its internal group structure (the “**Group Restructuring**”) as detailed in the 2022 June Circular; and (ii) change the use of unutilised proceeds from the Listing, the Investors Subscription and the Placing as detailed in the 2022 June Circular, subject to the approval the shareholders of the Company (the “**Shareholders**”). Relevant resolutions were passed by the Shareholders at the extraordinary general meeting, domestic shareholders’ class meeting and H shareholders’ class meeting held on 22 June 2022. As at the date of this announcement, the Group has not yet obtained the approval from the relevant PRC regulatory authorities, such as the consent from Guangdong Financial Supervisory Authority* (廣東省地方金融監督管理局) for establishment of the New Subsidiary conducting financing guarantee business, the consent from Foshan Finance Department* (佛山市金融工作局) for the change of shareholder of Foshan Micro Credit, and the approval from the competent authority to deregister the Company’s business licence of financing guarantee business. For further details, please refer to the 2022 April Announcement, the 2022 June Circular and the poll results announcement of the Company dated 22 June 2022.

Financial Review

Net Guarantee Fee Income

For the six months ended 30 June 2022, the Group’s net guarantee fee income remained stable at approximately RMB88.73 million for the six months ended 30 June 2022 as compared to approximately RMB88.19 million for the corresponding period in 2021. It was mainly a combined effect of (i) the decrease in the Group’s total guarantee fee income by approximately 17.89% from RMB113.48 million for the six months ended 30 June 2021 to approximately RMB93.18 million for the six months ended 30 June 2022, primarily because the Group adopted a conservative business risk management policy in order to reduce credit risks under the unstable economic environment; and (ii) the decrease in guarantee cost from approximately RMB25.28 million for the six months ended 30 June 2021 to approximately RMB4.44 million for the six months ended 30 June 2022 benefiting from the adjustment of the Group’s guarantee business.

Net Interest Income

The Group's net interest income increased by approximately RMB14.55 million, or approximately 35.84%, to approximately RMB55.15 million for the six months ended 30 June 2022 from approximately RMB40.60 million for the corresponding period in 2021, which was mainly a combined effect of the following factors:

- (a) interest income on bank deposits remained stable at approximately RMB7.14 million for the six months ended 30 June 2022 as compared to approximately RMB6.64 million for the corresponding period in 2021;
- (b) interest income from the entrusted loan business increased significantly by approximately RMB2.87 million, or approximately 63.78%, to approximately RMB7.37 million for the six months ended 30 June 2022 from approximately RMB4.50 million for the corresponding period in 2021, which was mainly attributable to the year-on-year increase of 10.98% in entrusted loan balances;
- (c) interest income from the micro-lending business increased by approximately RMB7.90 million, or approximately 35.93%, to approximately RMB29.89 million for the six months ended 30 June 2022 from approximately RMB21.99 million for the corresponding period in 2021, primarily due to the increase in the total loans to customers, the loan balance and the daily average balance of the borrowings; and
- (d) factoring interest income decreased by approximately RMB1.40 million, or approximately 11.59%, to approximately RMB10.68 million for the six months ended 30 June 2022 from approximately RMB12.08 million for the corresponding period in 2021, primarily due to the decrease in the customers' ability to fulfil contracts affected by the pandemic.

Service Fee from Consulting Services

The Group's service fee from consulting services remained stable at approximately RMB15.47 million for the six months ended 30 June 2022 as compared to approximately RMB15.24 million for the corresponding period in 2021.

Other Revenue

The Group's other revenue increased significantly by approximately RMB13.49 million, or approximately 251.21%, to approximately RMB18.86 million for the six months ended 30 June 2022 from approximately RMB5.37 million for the corresponding period in 2021, primarily due to (i) the significant increase in the government grants received by the Group by approximately RMB5.11 million from approximately RMB0.33 million for the six months ended 30 June 2021 to approximately RMB5.44 million for the six months ended 30 June 2022. The Group received an one-off government grant of approximately RMB5.00 million, including the 2021 Lecong Town's Development Supportive Fund for Promoting Quality and Quantity Improvement of Enterprises* (2021年度樂從鎮促進企業

提質增量發展扶持資金) (the stock system reform and listing portion) and the 2022 Shunde District's Supportive Fund for Promoting Enterprises to use the Capital Market* (2022年度順德區促進企業利用資本市場扶持資金) in the first half of 2022; and (ii) the turnaround from the exchange losses of the Group from approximately RMB4.31 million for the six months ended 30 June 2021 to the exchange gains of the Group from approximately RMB5.49 million for the six months ended 30 June 2022.

Share of (losses)/gains of associates

The Group's share of gains of associates of approximately RMB1.46 million for the six months ended 30 June 2021 became a share of losses of associates of approximately RMB4.32 million for the six months ended 30 June 2022, which was primarily attributable to the net losses recorded by an associate of the Company when capitalised borrowing costs was charged to profit or loss account upon its completion of construction of "Join-Share International Financing Center (中盈盛達國際金融中心)" in 2021, while gains of other associates were offset by aforesaid losses.

Provisions charged for guarantee losses

Provisions charged for guarantee losses primarily reflect the management's estimate on the level of provisions that is adequate to the Group's guarantee business. The Group made provisions charged for guarantee losses of approximately RMB24.09 million for the six months ended 30 June 2022 as compared to reversal of provisions charged for guarantee losses of approximately RMB5.54 million for the corresponding period in 2021, primarily because (i) the Group's balance of outstanding guarantees increased by approximately 4.55% from approximately RMB9,967.71 million for the six months ended 30 June 2021 to approximately RMB10,420.84 million for the six months ended 30 June 2022; and (ii) a more prudent provision rate was adopted by the Group for the impact of macroeconomic downturn.

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 amount of the capital portfolio of financing solutions the Group provided to customers not being able to be recovered by the Group; (iii) loans and advances to customers in the Group's entrusted loan and micro-lending businesses which reflect the net amount of loans and advances to the customers not being able to be collected by the Group; and (iv) factoring receivables which mainly reflect the net amount of factoring facility services that are unable to be recovered.

The Group's impairment losses increased significantly by approximately RMB25.69 million, or approximately 88.56%, to approximately RMB54.70 million for the six months ended 30 June 2022 from approximately RMB29.01 million for the corresponding period in 2021, primarily due to (i) the significant increase in impairment loss of receivables from default guarantee payments by approximately 272.68% from approximately RMB9.43 million for the six months ended 30 June 2021 to approximately RMB35.15 million for the six months ended 30 June 2022; and (ii) the significant increase in impairment loss on receivables from guarantee customers by approximately 742.25% from approximately RMB1.37 million for the first half of 2021 to approximately RMB11.52 million for the first half of 2022. The ability of the Group's customers to fulfil contract liability was materially affected by the pandemic and the macroeconomic downturn for the first half of 2022.

Operating Expenses

The Group's operating expenses increased by approximately RMB1.41 million, or approximately 2.84%, to approximately RMB51.11 million for the six months ended 30 June 2022 from approximately RMB49.70 million for the corresponding period in 2021 which was mainly due to the increase of depreciation and amortisation expenses incurred by the expansion of operation sites.

Profit before Taxation

As a result of the foregoing, the Group's profit before taxation decreased by approximately RMB33.71 million, or approximately 43.39%, to approximately RMB43.98 million for the six months ended 30 June 2022 from approximately RMB77.69 million for the corresponding period in 2021.

Income Tax

The Group's income tax decreased by approximately RMB8.19 million, or approximately 40.65%, to approximately RMB11.95 million for the six months ended 30 June 2022 from approximately RMB20.14 million for the corresponding period in 2021, primarily due to the decrease in assessable profits.

Profit for the Period

Despite the Group recorded an increase in revenue for the six months ended 30 June 2022, the Group recorded a significant increase in expenses including the share of losses of associates, the increased provisions charged for guarantee losses and the increased impairment losses for the same period as detailed in the foregoing paragraphs. Accordingly, the Group's profit for the period decreased by approximately RMB25.52 million, or approximately 44.34%, to approximately RMB32.03 million for the six months ended 30 June 2022 from approximately RMB57.56 million for the corresponding period in 2021, and the profit attributable to equity shareholders of the Company decreased by approximately RMB22.27 million, or approximately 46.18%, to approximately RMB25.95

million for the six months ended 30 June 2022 from approximately RMB48.22 million for the corresponding period in 2021. The Group's net profit margin decreased to approximately 20.10% for the six months ended 30 June 2022 from approximately 39.96% for the corresponding period in 2021.

In view of the declining financial performance of customers of the Group under the current challenging economic environment, the Group will strictly adhere to its internal control policy and measures to manage the corresponding risks. For further details, please refer to the paragraphs headed "Business Review — Internal control" above.

Capital Expenditure

The Group's capital expenditures consist primarily of expenditures for the purchase of relevant properties and other equipment. For the six months ended 30 June 2022, the Group's capital expenditures amounted to approximately RMB1.06 million (for the six months ended 30 June 2021: RMB1.24 million), which was primarily related to the acquisition of office equipment and the research and development expenses incurred from improving business operation systems.

Capital Commitments and Contingent Liabilities

As at 30 June 2022, the Group's outstanding commitments relating to the total maximum guarantee granted to its customers in relation to its guarantee business amounted to approximately RMB10,420.84 million (31 December 2021: RMB9,967.71 million).

As mentioned in the paragraphs headed "Major Activities Undertaken by the Group During the Period" above, on 27 April 2022, the Company entered into a shareholding investment cooperation agreement with two third-parties to establish the New Subsidiary, which will be providing guarantee services as its principle activity. Pursuant to such shareholding investment cooperation agreement, the Company shall invest RMB210 million in the New Subsidiary and hold 70% of its equity interest. As of 30 June 2022, the New Subsidiary has not been established. Subsequently, in July 2022, the Company made a contribution of RMB210 million.

In the second half of 2021, a group of individual investors initiated an arbitration against the Company in respect of their overdue lending with principals and interests amounted to a total of RMB6.90 million to a third party which was guaranteed by the Company. As at 30 June 2022, the Company has considered the likelihood of the court finding against it and has made a provision in respect of this claim.

Save as aforesaid, the Group did not have other capital commitments or contingent liabilities as at 30 June 2022.

Pledge of Assets

As at 30 June 2022, the Group pledged its factoring receivables of RMB20.00 million to provide collateral for its pledged loans (31 December 2021: nil). Save as aforesaid, the Group did not pledge any of its assets to secure any banking facility or bank loan as at 30 June 2022.

Prospects and future developments in the business of the Group

(I) Development trend of the industry

Taking multiple measures to improve quality and efficiency for the recovery and development of SMEs

The economy is the foundation of coexistence and common prosperity for finance. As the important components of the real economy, SMEs are the backbone for stabilising economic development, securing employment and promoting livelihood. Accordingly, in order to comprehensively implement the spirit of the 19th National Congress of the Communist Party of China and all previous plenary sessions of the 19th session of Central Committee of the Communist Party of China and the guiding principles of the Central Economic Work Conference, China issued and advanced a series of policies and measures to address problems faced by enterprises.

On 6 April 2022, the General Office of the China Banking and Insurance Regulatory Commission issued the “Notice of Further Strengthening Financial Support for the Development of Micro and Small Enterprises in 2022 (《關於2022年進一步強化金融支持小微企業發展工作的通知》)”. Such notice indicates that the overall work requirements in 2022 are to adhere to the general tone of seeking progress while maintaining stability, and to continuously improve the financial supply to SMEs, increase the medium and long-term credit issuance to SMEs in advanced manufacturing and strategic emerging industries, and actively address the medium and long-term capital needs of SMEs in traditional industries in terms of equipment update, technological transformation and green transformation and development. The Notice emphasises that banking and insurance institutions shall focus on the tasks of securing employment and livelihoods, as well as improving the regional balance of financial resources. In particular, large banks and joint-stock banks shall give credit support to SMEs in underdeveloped regions. With the support of policies, inclusive loans to SMEs witnessed a rapid growth for four consecutive years. At the end of June 2022, the balance of micro-loans nationwide was RMB55.8 trillion, of which the balance of inclusive micro-loans was RMB21.77 trillion, representing a year-on-year increase of 22.64%, which is significantly higher than the growth of various loans; RMB loans increased by RMB13.68 trillion, representing an increase of RMB919.2 billion over the same period in the previous year.

Government and banks cooperating to help enterprises bail out and facilitating stable reduction in comprehensive financing costs

In order to support the development of the real economy and to facilitate the stable reduction in comprehensive financing costs, the People's Bank of China announced on 15 April 2022 that it decided to reduce the deposit reserve ratio of financial institutions by 0.25 percentage points on 25 April 2022 (excluding financial institutions that have implemented a 5% deposit reserve ratio). In addition, in order to increase support for SMEs and "Three Rurals", for urban commercial banks without inter-provincial operation and rural commercial banks with a deposit reserve ratio higher than 5%, the deposit reserve ratio is additionally lowered by 0.25 percentage points on the basis of 0.25 percentage points reduced.

On 16 May 2022, the Ministry of Finance issued the "Notice of Maximising the Guiding Role of Fiscal Policies and Providing Financial Support for the Alleviation of Difficulties and Development of Market Participants", and set out works in six aspects, including maximising the credit enhancement role of governmental financing guarantee institutions and increasing interest discounts on guaranteed loans for business start-ups, with a view to enhance the guiding role of fiscal policies, and to leverage financial resources to better support the alleviation of difficulties and development of market participants.

On 31 May 2022, the State Council issued the "Package of Policies and Measures to Solidly Stabilise the Economy (《扎實穩住經濟的一攬子政策措施》)", and introduced 33 measures in six aspects, including the supply and price stabilisation of important livelihood commodities, the stabilisation and recovery of the industrial economy, the enhancement of support for securing employment etc. It forms a synergy with the banking industry and previous policies, to ensure that such package of policies and measures will be effective as soon as possible and be implemented in a timely manner, with a view have a greater policy effect on stabilising the economy and alleviating difficulties of enterprises. Such package of policies and measures has a total of 14 articles and 24 points to support the development of SMEs, with strong pertinence, wide coverage, and high synergy, which can address problems such as insufficient cash flow, high debt and interest repayment pressure, and continuing unfavourable market condition.

The Board believes that under the environment where policies continue to favour the development of SMEs, China's financing guarantee industry will develop in a professional and commercial direction with a view to constantly improve capital service functions, strongly support the financing of private enterprises, unblock the channels of financial services, and provide more financial supports to SMEs. Meanwhile, it provides favourable conditions for the sustainable and healthy development of compliant, professional and diversified financing guarantee companies to promote the sustainable development of the real economy.

(II) Development strategies of the Group

In the first half of 2022, China's economy has been overcoming difficulties and challenges in the complex internal and external environment, demonstrated its resilience in rapidly bottoming out and stabilising the economy, achieving a good start in the crucial year of the "14th Five-Year Plan". In the second half of 2022, China's economy is expected to continue resuming growth. Meanwhile, due to the uncertainty of the global pandemic and the strong momentum of economic recovery in the United States, changes in overseas economic conditions and policies may affect China's macroeconomic stability. Stabilising growth and achieving high-quality development remains the top priorities of current economic development.

Founded in May 2003, as the first financing guarantee institution in Foshan, the Group has witnessed its solid development over the past 19 years. Started as a small team at the beginning of its establishment, the Group realized rapid expansion all along the way by actively exploring the transformation and upgrading, and achieved leapfrog development in capital increase, listing and bond issuance. Currently, 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 is also a model of local financial innovation which promotes structural reform in the finance supply-side, facilitating the Guangdong-Foshan area to establish a leading position in the national guarantee industry market. At present, the Group has accumulatively provided financial services to more than 15,000 SMEs with an accumulated service amount of more than RMB150 billion. Looking forward, adhering to guidance of the "Foshan Spirit" in the new era, the Group will forge ahead, strive to innovation, and effectively enhance its market competitiveness. The Group will place targeted efforts on establishing social credit system, implementing core values of socialism, constructing social credit system for the new era, and will take the lead in making contribution to the nation's development by enhancing credit development.

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 between the higher equity holders/shareholders returns with higher levels of borrowings, and the benefits and security brought by a sound capital position. The Group makes adjustments to the capital structure in light of changes in economic conditions.

Foreign Exchange Risks

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

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

Liquidity and Capital Resources

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

As at 30 June 2022, the Group's cash and bank deposits were approximately RMB865.52 million (31 December 2021: RMB1,084.46 million).

Indebtedness

As at 30 June 2022, the Group's interest-bearing borrowings amounted to approximately RMB130.19 million (31 December 2021: RMB69.42 million), which bore fixed interest rates from 5.22% to 11.00%, of which RMB30.00 million was pledged loan secured by the Group's factoring receivables of RMB20.00 million. The Group's borrowings were denominated in RMB.

As at 30 June 2022, the Group has debt securities issued of approximately RMB262.62 million (31 December 2021: RMB268.71 million). It represented the 2021 fixed rate corporate bonds with nominal value of RMB260.0 million and a term of five years issued on 18 March 2021 and listed on the Shenzhen Stock Exchange on 24 March 2021. The relevant coupon rate is 4.60% per annum, where 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 debt securities held at nominal value. As at 30 June 2022, the funds raised have been invested in the support of financing development of SMEs in strict accordance with the utilisation plan. The Group has further issued the 2022 fixed rate corporate bonds with nominal value of RMB240.0 million and a term of five years on 22 August 2022 and listed on the Shenzhen Stock Exchange on 26 August 2022. The relevant coupon rate is 3.50% per annum, where the Group has an option to adjust the coupon rate for the remaining duration at the end of the third year. For details, please refer to the circular of the Company dated 7 August 2020, and the announcements of the Company dated 18 June 2020, 28 August 2020, 24 November 2020, 12 March 2021, 15 March 2021, 16 March 2021, 18 March 2021, 23 March 2021, 5 May 2021, 17 June 2021, 30 August 2021, 11 March 2022, 28 April 2022, 10 May 2022, 30 May 2022, 28 June 2022, 29 June 2022, 16 August 2022, 18 August 2022, 22 August 2022 and 25 August 2022.

In addition, as at 30 June 2022, the Group had other financial instrument — liability component of approximately RMB99.79 million (31 December 2021: RMB111.33 million) (detailed at note 18 to the financial statements), financial liabilities measured at FVPL of approximately RMB13.27 million (31 December 2021: RMB16.38 million) and lease liabilities of approximately RMB16.19 million (31 December 2021: RMB15.05 million).

The gearing ratios of the Group as at 30 June 2022 and 31 December 2021 were approximately 33.85% and 31.24%, respectively. Such gearing ratio was calculated by dividing total liabilities by total assets. Such increase in gearing ratio was mainly attributable to the increase in interest-bearing borrowings.

Off-Balance-Sheet Arrangements

The Group enters into guarantee contracts with off-balance-sheet risk in the ordinary course of business. The contract amount reflects the extent of the Group's involvement in the financing guarantee business and also represents its maximum exposure to credit loss. As at 30 June 2022, the outstanding guarantee of the Group totaled approximately RMB10,420.84 million (31 December 2021: RMB9,967.71 million). Save as aforesaid, the Group had no other off-balance-sheet arrangements as at 30 June 2022.

Significant Investments

As at 30 June 2022, the Group did not hold any significant investments (31 December 2021: Nil).

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures for the six months ended 30 June 2022.

Future Plans for Material Investments or Capital Assets

Save as disclosed in the paragraphs headed “Prospects and Future Developments in the Business of the Group” and “Capital Commitments and Contingent Liabilities” in this announcement above, the Group had no specific plan for material investments or capital assets as at 30 June 2022.

EVENTS AFTER REPORTING PERIOD

On 22 August 2022, the Group has issued the 2022 fixed rate corporate bonds with nominal value of RMB240.0 million and a term of five years, which was listed on the Shenzhen Stock Exchange on 26 August 2022. The relevant coupon rate is 3.50% per annum, where the Group has an option to adjust the coupon rate for the remaining duration at the end of the third year.

Save as disclosed above, from 30 June 2022 and up to the date of this announcement, the Group did not have any other significant events.

HUMAN RESOURCES

The total number of staff within the Group as at 30 June 2022 was 308 (31 December 2021: 309). As at 30 June 2022, the number of staff holding a bachelor’s degree or above was 265, accounting for 86.04% of its total number of staff; and the number of staff holding a junior college degree or below was 43, accounting for 13.96% of its total number of staff. The Directors believe that employees’ quality is the most important factor in maintaining the sustained development and growth of the Group and in raising its profitability. 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 six months ended 30 June 2022, the Group incurred approximately RMB33.36 million (six months ended 30 June 2021: RMB34.42 million) as staff costs (including salaries, wages, bonuses and other benefits and contributions to retirement schemes). The Group also offers trainings to its new employees once a year. It believes 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 the 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 six months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, there was no purchase, sale and redemption by the Company or any of its subsidiaries of any listed securities of the Company.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprised three independent non-executive Directors and two non-executive Directors, namely, Mr. Wu Xiangneng, Mr. Leung Hon Man, Mr. Wang Bo, Mr. Li Shen Hua and Mr. Luo Zhenqing. Mr. Wu Xiangneng is the chairman of the Audit Committee. The unaudited consolidated interim financial statements for the six months ended 30 June 2022 and this announcement have been reviewed by the Audit Committee. This announcement has been prepared in accordance with the applicable disclosure provisions of the Listing Rules, and in compliance with Hong Kong Accounting Standard 34, Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protected the interests of the Shareholders in an enlightened and open manner. The Board has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules. For the six months ended 30 June 2022, except that Mr. Wu Liejin, an executive Director, has been performing the roles as the Chairman and the President, which deviates from provision C.2.1 of the CG Code, the Company had complied with the code provisions set out in the CG Code. The Board believes that vesting the roles of both Chairman and President in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board, which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as the code of practice for carrying out securities transactions by the Directors and the supervisors of the Company (the “**Supervisors**”). Having made specific enquiry with all the Directors and the Supervisors, they have confirmed full compliance with the relevant standards stipulated in the Model Code during the six months ended 30 June 2022.

INTERIM DIVIDEND

The Board does not recommend any distribution of interim dividend for the six months ended 30 June 2022.

INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2022 will be despatched to the Shareholders and made available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.join-share.com) in September 2022.

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

Foshan, the PRC, 26 August 2022

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

* *for identification purpose only*