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**Join-Share 中盈盛達**

共創 共享 共成長

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

**廣東中盈盛達融資擔保投資股份有限公司**

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

**(Stock Code: 1543)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**HIGHLIGHT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER  
2020**

- Total revenue was approximately RMB306.69 million, including revenue of approximately RMB284.45 million and other revenue of approximately RMB22.24 million, representing a decrease of approximately 16.28% as compared to last year.
- Profit for the year and net profit margin were approximately RMB118.08 million and 41.51%, respectively.
- Profit before taxation amounted to approximately RMB154.29 million, representing a decrease of approximately 20.14% as compared to last year.
- Profit for the year attributable to equitable shareholders of the Company amounted to approximately RMB106.58 million, representing a decrease of approximately 19.96% as compared to last year.
- The payment of final dividends of RMB0.06 per Share for the year ended 31 December 2020 is recommended by the Board (2019: RMB0.06 per Share).

The board (the “**Board**”) of directors (the “**Directors**”) of Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\* (廣東中盈盛達融資擔保投資股份有限公司). (the “**Company**”) is pleased to announce the audited annual results for the year ended 31 December 2020 of the Company and its subsidiaries (collectively, the “**Group**”), along with comparative figures from the year ended 31 December 2019, which should be read in conjunction with the following management discussion and analysis.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*for the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Guarantee fee income		<b>216,246</b>	195,620
Guarantee cost		<b>(39,684)</b>	(8,426)
Net guarantee fee income		<b>176,562</b>	187,194
Interest income		<b>95,300</b>	100,420
Interest expenses		<b>(16,617)</b>	(12,637)
Net interest income		<b>78,683</b>	87,783
Service fee from consulting services		<b>29,202</b>	31,024
<b>Revenue</b>	3	<b>284,447</b>	306,001
Other revenue	4	<b>22,240</b>	60,305
Share of gains of associates		<b>15,108</b>	12,584
Provisions charged for guarantee losses		<b>(2,811)</b>	(2,440)
Impairment losses	5(a)	<b>(50,595)</b>	(59,307)
Operating expenses	5(b)/5(c)	<b>(114,095)</b>	(123,941)
<b>Profit before taxation</b>		<b>154,294</b>	193,202
Income tax	6	<b>(36,217)</b>	(50,253)
<b>Profit for the year</b>		<b>118,077</b>	142,949
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>106,577</b>	133,158
Non-controlling interests		<b>11,500</b>	9,791
<b>Profit for the year</b>		<b>118,077</b>	142,949
<b>Earnings per share</b>			
Basic and diluted ( <i>RMB per share</i> )	7	<b>0.07</b>	0.09

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

*for the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>		<u><b>118,077</b></u>	<u>142,949</u>
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to profit or loss:			
Financial assets measured at FVOCI:			
Net movement in fair value		<b>(19,960)</b>	18,898
Income tax arises from financial assets measured at FVOCI		<u><b>4,990</b></u>	<u>(4,725)</u>
Other comprehensive income for the year		<u><b>(14,970)</b></u>	<u>14,173</u>
<b>Total comprehensive income for the year</b>		<u><b>103,107</b></u>	<u>157,122</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>91,607</b>	147,331
Non-controlling interests		<u><b>11,500</b></u>	<u>9,791</u>
<b>Total comprehensive income for the year</b>		<u><b>103,107</b></u>	<u>157,122</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020	31 December 2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
Cash and bank deposits	8	1,058,266	974,492
Pledged bank deposits		524,130	438,864
Trade and other receivables	9	589,114	525,690
Loans and advances to customers	10	504,937	554,830
Factoring receivables		180,700	154,933
Financial assets measured at FVOCI	11	41,050	65,009
Financial assets measured at FVPL	12	90,905	127,008
Receivable investments	13	77,972	116,906
Current tax assets		—	12,877
Interest in associates		34,023	158,347
Fixed assets		15,478	20,232
Investment property		7,767	8,202
Intangible assets		2,403	3,782
Goodwill		419	419
Deferred tax assets		61,344	30,177
<b>Total assets</b>		<b>3,188,508</b>	<b>3,191,768</b>
<b>Liabilities</b>			
Interest-bearing borrowings	17	137,793	175,159
Liabilities from guarantees	14	194,822	189,658
Customer pledged deposits	15(a)	271,725	255,506
Accruals and other payables	15(b)	102,451	92,950
Current tax liabilities		—	—
Other financial instrument-liability component		59,364	60,910
Lease liabilities		8,150	10,689
Deferred tax liabilities		140	—
<b>Total liabilities</b>		<b>774,445</b>	<b>784,872</b>
<b>NET ASSETS</b>		<b>2,414,063</b>	<b>2,406,896</b>
<b>CAPITAL AND RESERVES</b>	16		
Share capital		1,560,793	1,560,793
Reserves		529,749	527,480
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,090,542</b>	<b>2,088,273</b>
<b>Non-controlling interests</b>		<b>323,521</b>	<b>318,623</b>
<b>TOTAL EQUITY</b>		<b>2,414,063</b>	<b>2,406,896</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

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

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

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

**(c) Changes in accounting policies**

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

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

***Amendments to HKFRS 3, Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

***Amendment to HKFRS 16, Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

**2 ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

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

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

**(b) Sources of estimation uncertainty**

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

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

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

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

No impairment loss is recognised on equity investments.

**(ii) *Impairment of non-financial assets***

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

**(c) Depreciation and amortisation**

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

**(d) Provisions for guarantee losses**

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

**(e) Deferred tax assets**

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

**(f) Measurement of fair values**

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

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

**(g) Judgement on the degree of control of investment**

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

### 3 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 recognised in revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Guarantee fee income</b>		
Financing guarantee fee income	156,936	131,926
Performance guarantee fee income	<u>59,310</u>	<u>63,694</u>
Subtotal	<u>216,246</u>	<u>195,620</u>
<b>Guarantee cost</b>		
Re-guarantee expenses	(1,045)	(1,111)
Risk management service expense	<u>(38,639)</u>	<u>(7,315)</u>
Subtotal	<u>(39,684)</u>	<u>(8,426)</u>
<b>Net guarantee fee income</b>	<u>176,562</u>	<u>187,194</u>
<b>Interest income</b>		
— Loans and advances to customers	64,705	63,567
— Cash at banks and pledged bank deposits	14,157	13,590
— Factoring services	15,263	22,624
— Trade and other receivables	<u>1,175</u>	<u>639</u>
Subtotal	<u>95,300</u>	<u>100,420</u>
<b>Interest expenses</b>		
— Interest-bearing borrowings	(12,283)	(8,441)
— Interest expenses from other financial instrument liability component	(3,158)	(3,587)
— Interest expenses from financial institution bonds	—	—
— Others	<u>(1,176)</u>	<u>(609)</u>
Subtotal	<u>(16,617)</u>	<u>(12,637)</u>
<b>Net interest income</b>	<u>78,683</u>	<u>87,783</u>
<b>Service fee from consulting services</b>	<u>29,202</u>	<u>31,024</u>
<b>Revenue</b>	<u>284,447</u>	<u>306,001</u>

#### 4 OTHER REVENUE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Foreign exchange (losses)/gains	(5,073)	2,462
Investment income of receivable investments	5,132	22,742
Government grant	19,006	14,679
Investment income from financial assets measured at FVOCI	472	—
Investment income from financial assets measured at FVPL	14,808	16,436
Investment losses from disposal of associates	(15,624)	—
Others	3,519	3,986
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Total	<b>22,240</b>	<b>60,305</b>
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#### 5 PROFIT BEFORE TAXATION

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

##### (a) Impairment and provision charged

	<i>Note</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Receivables for default guarantee payments	9(b)(i)	24,326	42,366
Receivables from guarantee customers	9(b)(ii)	1,674	19,955
Loans and advances to customers	10(f)	13,445	(7,499)
Factoring receivables		1,326	111
Receivable investments		6,076	(2,223)
Others		3,748	6,597
		<hr/>	<hr/>
		<b>50,595</b>	<b>59,307</b>
		<hr/> <hr/>	<hr/> <hr/>

##### (b) Staff costs

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages, bonuses and other benefits	70,186	69,267
Contributions to retirement schemes	264	5,117
	<hr/>	<hr/>
	<b>70,450</b>	<b>74,384</b>
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The Group is required to participate in pension schemes organized by the respective local governments of the People's Republic of China (the "PRC") whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has no other material obligation for payment of retirement benefits to the PRC based employees beyond the annual contributions described above.

(c) Other items

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation and amortisation	10,991	11,852
Auditors' remuneration		
— annual audit	1,900	2,450
— others	650	630

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the year	62,254	32,762
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(26,037)</u>	<u>17,491</u>
Income tax expense	<u><u>36,217</u></u>	<u><u>50,253</u></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	154,294	193,202
Notional tax on profit before taxation, calculated at 25%	(i)/(ii) 38,574	48,301
Effect of non-deductible expenses	5,127	1,234
Unrealized temporary differences	(2,800)	(338)
Others	<u>(4,684)</u>	<u>1,056</u>
Actual income tax expense	<u><u>36,217</u></u>	<u><u>50,253</u></u>

(i) No provision for Hong Kong Profits Tax has been made for Join-Share (Hong Kong) Supply-Chain Service Co., Limited and Join-Share Financial Holdings Co., Limited located in Hong Kong as they had not derived any income subject to Hong Kong Profits Tax during the year.

(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% during 2020.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

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

	2020	2019
Profit attributable to the equity shareholders of the Company (RMB'000)	106,577	133,158
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share ('000)	<u>1,560,793</u>	<u>1,560,793</u>
Basic earnings per share (RMB per share)	<u>0.07</u>	<u>0.09</u>

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

	2020	2019
Issued ordinary shares at 1 January ('000)	1,560,793	1,560,793
Weighted average number of new issue ('000)	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares at 31 December ('000)	<u>1,560,793</u>	<u>1,560,793</u>

### (c) Diluted earnings per share

There were no dilutive potential ordinary shares during the years ended 31 December 2020 and 2019, and therefore, diluted earnings per share are the same as the basic earnings per share.

## 8 CASH AND BANK DEPOSITS

Cash and cash equivalents comprise:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Cash in hand	31	26
Cash at banks	<u>649,334</u>	<u>744,970</u>
Cash and cash equivalents in the consolidated cash flow statement	<b>649,365</b>	744,996
Term deposits with banks	<b>224,631</b>	103,281
Restricted bank deposits	<u>180,412</u>	<u>125,415</u>
	<b>1,054,408</b>	973,692
Accrued interest	<u>3,858</u>	<u>800</u>
	<u><b>1,058,266</b></u>	<u>974,492</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 represent secured deposits received for loans to customers through deposit certificate pledge. For the purpose of the consolidated cash flow statement, the Group's restricted bank deposits and term deposits with banks have been excluded from cash and cash equivalents.

## 9 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Receivables for default guarantee payments	(i)/9(a)(i)	<b>219,798</b>	206,951
Less: Allowance for doubtful debts	9(b)(i)	<b>(65,149)</b>	(55,640)
		<b>154,649</b>	151,311
Receivables from guarantee customers	(ii)/9(a)(ii)	<b>209,606</b>	251,322
Less: Allowance for doubtful debts	9(b)(ii)	<b>(55,600)</b>	(57,883)
		<b>154,006</b>	193,439
Interest receivables		<b>9,863</b>	9,825
Less: Allowance for interest receivables		<b>(2,280)</b>	(1,247)
		<b>7,583</b>	8,578
Receivables from debt purchased	(iii)	<b>48,334</b>	45,214
Loan to related parties due within a year	(iv)	<b>86,500</b>	35,000
Receivables to a related party due within a year	(v)	<b>11,606</b>	25,478
Prepayment to a related party		<b>22,600</b>	8,200
Receivables from disposal of default guarantee payments and receivables from guarantee customers		—	2,171
Other receivables		<b>55,834</b>	28,014
		<b>224,874</b>	144,077
Deposits and prepayments		<b>22,542</b>	21,307
Repossessed assets		<b>25,460</b>	6,978
		<b>48,002</b>	28,285
		<b>589,114</b>	525,690

As at 31 December 2020, receivables from guarantee customers, other receivables, deposits and prepayments and repossessed assets expected to be recovered or recognised as expense after more than one year is RMB54.77 million (31 December 2019: RMB54.29 million). All of the remaining trade and other receivables are expected to be recovered or recognised as expense within one year.

- (i) During the year ended 31 December 2020, the Group disposed of receivables for default guarantee payments amounted to RMB3,202,300.00 (2019: RMB19,824,442.71) with no allowances for doubtful debts (2019: RMB nil), without recourse to other parties at considerations amounted to RMB3,202,300.00 (2019: RMB19,824,442.71).

- (ii) During the year ended 31 December 2020, the Group did not dispose any receivables from guarantee customers. During the year ended 31 December 2019, the Group disposed of receivables from guarantee customers amounted to RMB6,100,000 with no allowance for doubtful debts without recourse at considerations amounted to RMB6,100,000.
- (iii) On 28 December 2018, the Group entered into a debt purchase contract with Guangdong Joint-Share Holding Co., Ltd. such that the Group purchased the creditor's right and relevant interests, amounting to RMB41,874,000, of Foshan Zhongsheng Properties Co., Ltd. at a price of RMB42,094,000. The Group is entitled to receive interest on the principal of RMB26,000,000 at a fixed interest rate of 12% per annum.
- (iv) The interest on the loan to related parties is 8%–11% per annum.
- (v) The interest on the receivables to a related party is 6% per annum.

**(a) Ageing analysis:**

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

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 1 year	55,625	83,567
Over 1 year but less than 2 years	94,013	23,708
Over 2 years but less than 3 years	10,389	15,122
Over 3 years but less than 5 years	25,792	51,193
Over 5 years	33,979	33,361
	<hr/>	<hr/>
Subtotal	219,798	206,951
Less: allowance for doubtful debts	(65,149)	(55,640)
	<hr/>	<hr/>
	<b>154,649</b>	151,311
	<hr/> <hr/>	<hr/> <hr/>

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

**(ii) Receivables from guarantee customers**

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 1 year	53,699	82,120
Over 1 year but less than 2 years	19,848	38,920
Over 2 years but less than 3 years	36,839	56,890
Over 3 years but less than 5 years	89,495	63,692
Over 5 years	9,725	9,700
	<hr/>	<hr/>
Subtotal	209,606	251,322
Less: allowance for doubtful debts	(55,600)	(57,883)
	<hr/>	<hr/>
	<b>154,006</b>	<b>193,439</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

The movement in the allowance for receivables for default guarantee payments and receivables from guarantee customers during the years ended 31 December 2020 and 2019, are as follows:

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

	<b>2020 RMB'000</b>	2019 RMB'000
	<i>Note</i>	
As at 1 January	55,640	56,715
Impairment losses recognised in the consolidated statement of profit or loss	5(a) 24,326	42,366
Amounts written off	(17,927)	(47,407)
Amounts recovered	3,110	3,966
	<hr/>	<hr/>
As at 31 December	<b>65,149</b>	<b>55,640</b>
	<hr/> <hr/>	<hr/> <hr/>

(ii) *Receivables from guarantee customers*

	2020			
	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 2020	—	11,878	46,005	57,883
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	(1,309)	1,309	—
Net re-measurement of loss allowance	—	(9,497)	2,936	(6,561)
Receivables from guarantee customers newly originated	—	8,205	30	8,235
Uncollectible amounts write-off	—	—	(3,957)	(3,957)
As at 31 December 2020	—	9,277	46,323	55,600
	2019			
	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 2019	—	22,536	24,635	47,171
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	(12,010)	12,010	—
Net re-measurement of loss allowance	—	(10,526)	16,105	5,579
Receivables from guarantee customers newly originated	—	11,878	2,498	14,376
Uncollectible amounts write-off	—	—	(9,243)	(9,243)
As at 31 December 2019	—	11,878	46,005	57,883

## 10 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	<b>31 December 2020</b>	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Entrusted loans	<b>158,568</b>	182,444
Micro-lending	<b>379,510</b>	405,346
	<hr/>	<hr/>
Gross loans and advances to customers	<b>538,078</b>	587,790
Accrued interest	<b>4,945</b>	3,597
	<hr/>	<hr/>
Total allowances for impairment losses	<b>(38,086)</b>	(36,557)
	<hr/>	<hr/>
Net loans and advances to customers	<b>504,937</b>	554,830
	<hr/> <hr/>	<hr/> <hr/>

### (b) Analysed by industry sector

	<b>31 December 2020</b>		31 December 2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Wholesale and retail	<b>85,754</b>	<b>16%</b>	130,730	22%
Service sector	<b>405,010</b>	<b>75%</b>	383,487	65%
Manufacturing	<b>44,314</b>	<b>8%</b>	70,573	12%
Others	<b>3,000</b>	<b>1%</b>	3,000	1%
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loans and advances to customers	<b>538,078</b>	<b>100%</b>	587,790	100%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Secured loans	176,122	241,814
Unsecured loans	4,373	3,384
Others	<u>357,583</u>	<u>342,592</u>
Gross loans and advances to customers	<u><u>538,078</u></u>	<u><u>587,790</u></u>

— Secured loans: Secured loans refer to the loan and advances which are secured by collateral that meets the following standards: (i) such collateral has been registered with the relevant governmental authorities; (ii) the market value of such collateral can be easily observed; and (iii) the Group has priorities over other beneficiaries on such collateral. Such collateral mainly includes real estates and land use rights.

— Unsecured loans: Unsecured loans refer to the loan and advances which are not secured by collateral or counter-guaranteed.

— Others: Others refer to loans and advances guaranteed by guarantors, or secured by collateral, the market value of which may be subject to depreciation or cannot be easily observed, or on which the Group does not have priorities over other beneficiaries. Such collateral includes unregistrable real properties, land use rights, and registrable account receivables, vehicles, machineries, inventories and equity interests.

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Overdue within 3 months (inclusive)	2,172	2,694
Overdue more than 3 months to 6 months (inclusive)	4,247	170
Overdue more than 6 months to one year (inclusive)	3,307	650
Overdue more than one year	<u>115,238</u>	<u>138,807</u>
	<u><u>124,964</u></u>	<u><u>142,321</u></u>

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

	2020			Total <i>RMB'000</i>
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit- impaired <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	
Entrusted loans	43,400	—	115,168	158,568
Micro-lending	<u>362,063</u>	<u>850</u>	<u>16,597</u>	<u>379,510</u>
Gross loans and advances to customers	405,463	850	131,765	538,078
Less: Allowances for impairment losses	<u>(13,755)</u>	<u>(55)</u>	<u>(24,276)</u>	<u>(38,086)</u>
Net loans and advances to customers (excluding accrued interest)	<u><u>391,708</u></u>	<u><u>795</u></u>	<u><u>107,489</u></u>	<u><u>499,992</u></u>
	2019			Total <i>RMB'000</i>
	12-month ECL <i>RMB'000</i>	Lifetime ECL not credit- impaired <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	
Entrusted loans	47,000	—	135,444	182,444
Micro-lending	<u>389,119</u>	<u>10,350</u>	<u>5,877</u>	<u>405,346</u>
Gross loans and advances to customers	436,119	10,350	141,321	587,790
Less: Allowances for impairment losses	<u>(16,597)</u>	<u>(556)</u>	<u>(19,404)</u>	<u>(36,557)</u>
Net loans and advances to customers (excluding accrued interest)	<u><u>419,522</u></u>	<u><u>9,794</u></u>	<u><u>121,917</u></u>	<u><u>551,233</u></u>

(f) Movements of allowances for impairment losses

	2020			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	
As at 1 January 2020	<u>16,597</u>	<u>556</u>	<u>19,404</u>	<u>36,557</u>
Transfer to 12-month ECL	—	—	—	—
Transfer to lifetime ECL not credit-impaired	(74)	74	—	—
Transfer to lifetime ECL credit-impaired	(262)	(181)	443	—
Net re-measurement of loss allowance	(16,090)	1,606	9,791	(4,693)
Loans and advances newly originated	13,688	—	4,450	18,138
Recoveries	—	—	—	—
Write-offs	<u>(104)</u>	<u>(2,000)</u>	<u>(9,812)</u>	<u>(11,916)</u>
As at 31 December 2020	<u><u>13,755</u></u>	<u><u>55</u></u>	<u><u>24,276</u></u>	<u><u>38,086</u></u>
	2019			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit- impaired RMB'000	Lifetime ECL credit- impaired RMB'000	
As at 1 January 2019	<u>19,421</u>	<u>6,605</u>	<u>26,684</u>	<u>52,710</u>
Transfer to 12-month ECL	—	—	—	—
Transfer to lifetime ECL not credit-impaired	(512)	512	—	—
Transfer to lifetime ECL credit-impaired	(390)	(51)	441	—
Net re-measurement of loss allowance	(15,665)	(5,710)	(2,611)	(23,986)
Loans and advances newly originated	16,169	—	318	16,487
Recoveries	—	—	—	—
Write-offs	<u>(2,426)</u>	<u>(800)</u>	<u>(5,428)</u>	<u>(8,654)</u>
As at 31 December 2019	<u><u>16,597</u></u>	<u><u>556</u></u>	<u><u>19,404</u></u>	<u><u>36,557</u></u>

## 11 FINANCIAL ASSETS MEASURED AT FVOCI

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Unlisted equity investments	<u>41,050</u>	<u>65,009</u>
	<u><u>41,050</u></u>	<u><u>65,009</u></u>

## 12 FINANCIAL ASSETS MEASURED AT FVPL

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Convertible bonds	<u>90,905</u>	<u>127,008</u>
	<u><u>90,905</u></u>	<u><u>127,008</u></u>

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

## 13 RECEIVABLE INVESTMENTS

	At 31 December 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Wealth management products	50,680	107,600
Bonds	25,000	—
Trust products	<u>7,000</u>	<u>7,000</u>
Subtotal	82,680	114,600
Accrued interest	1,455	2,393
Less: Allowances for impairment losses	<u>(6,163)</u>	<u>(87)</u>
	<u><u>77,972</u></u>	<u><u>116,906</u></u>

## 14 LIABILITIES FROM GUARANTEES

		<b>31 December 2020</b>	31 December 2019
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Deferred income		<b>129,777</b>	127,424
Provisions for guarantee losses	2(d)	<b>65,045</b>	62,234
		<b>194,822</b>	189,658

### Provisions for guarantee losses

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
As at 1 January	<b>62,234</b>	59,794
Charged for the year	<b>2,811</b>	2,440
As at 31 December	<b>65,045</b>	62,234

## 15 CUSTOMER PLEDGED DEPOSITS AND ACCRUALS AND OTHER PAYABLES

### (a) Customer pledged deposits

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

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

(b) **Accruals and other payables**

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Accrued staff cost	<b>36,529</b>	36,769
Accounts payable	<b>8,294</b>	5,207
Principal payable for other financial instrument-liability component	—	—
Consulting service expense payable	<b>22,789</b>	8,388
Contract liabilities	<b>8,833</b>	20,892
Dividends payable	<b>6,014</b>	4,444
Withholding income tax	<b>334</b>	951
Others	<b>19,658</b>	16,299
Total	<b>102,451</b>	92,950

**16 CAPITAL, RESERVES AND DIVIDEND**

(a) **Movements in components of equity**

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

	Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 31 December 2019	<u>1,560,793</u>	<u>133,773</u>	<u>118,479</u>	<u>118,613</u>	<u>154,767</u>	<u>2,086,425</u>
Restated balance at 1 January 2020	<u>1,560,793</u>	<u>133,773</u>	<u>118,479</u>	<u>118,613</u>	<u>154,767</u>	<u>2,086,425</u>
<b>Change in equity for 2020:</b>						
Profit for the year	—	—	—	—	94,569	94,569
Total comprehensive income	—	—	—	—	94,569	94,569
Issue of ordinary shares	—	—	—	—	—	—
Appropriation to surplus reserve	—	—	9,457	—	(9,457)	—
Appropriation to general reserve	—	—	—	9,457	(9,457)	—
Dividends approved in respect of the previous year	—	—	—	—	(93,660)	(93,660)
Balance at 31 December 2020	<u>1,560,793</u>	<u>133,773</u>	<u>127,936</u>	<u>128,070</u>	<u>136,762</u>	<u>2,087,334</u>

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Surplus reserve <i>RMB'000</i>	General reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 31 December 2018</b>	<u>1,560,793</u>	<u>133,773</u>	<u>99,165</u>	<u>99,299</u>	<u>84,753</u>	<u>1,977,783</u>
<b>Restated balance at 1 January 2019</b>	<u>1,560,793</u>	<u>133,773</u>	<u>99,165</u>	<u>99,299</u>	<u>84,753</u>	<u>1,977,783</u>
<b>Change in equity for 2019:</b>						
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>193,144</u>	<u>193,144</u>
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>193,144</u>	<u>193,144</u>
Issue of ordinary shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Appropriation to surplus reserve	<u>—</u>	<u>—</u>	<u>19,314</u>	<u>—</u>	<u>(19,314)</u>	<u>—</u>
Appropriation to general reserve	<u>—</u>	<u>—</u>	<u>—</u>	<u>19,314</u>	<u>(19,314)</u>	<u>—</u>
Dividends approved in respect of the previous year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(84,502)</u>	<u>(84,502)</u>
<b>Balance at 31 December 2019</b>	<u><u>1,560,793</u></u>	<u><u>133,773</u></u>	<u><u>118,479</u></u>	<u><u>118,613</u></u>	<u><u>154,767</u></u>	<u><u>2,086,425</u></u>

**(b) Dividends**

In accordance with the resolution of the Company's board of directors' meeting on 26 March 2021, the proposed dividends appropriations for the year ended 31 December 2020 are as follows:

- Cash dividends of RMB93,647,561 (2019: RMB93,647,561) to all shareholders representing RMB0.060 (2019: RMB0.060) per share before tax.

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

## 17 INTEREST-BEARING BORROWINGS

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Bank loans		
— Unsecured	<b>117,500</b>	144,800
Other loans	<b>20,000</b>	30,000
	<b>137,500</b>	174,800
Accrued interest payable	<b>293</b>	359
	<b>137,793</b>	175,159

At 31 December 2020, loans bear interest at a range from 3.85% to 11.50% per annum and are guaranteed. At 31 December 2019, loans bear interest at a range from 4.00% to 8.00% per annum and are guaranteed.

## 18 GUARANTEES ISSUED

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Financing guarantee	<b>2,770,194</b>	2,640,715
Performance guarantee	<b>6,695,054</b>	7,902,695
Litigation guarantee	<b>140,000</b>	140,000
Subtotal	<b>9,605,248</b>	10,683,410
Less: Customer pledged deposits	<b>(271,725)</b>	(255,506)
Total	<b>9,333,523</b>	10,427,904

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

In 2020, due to the impact of the novel coronavirus (COVID-19), the gross domestic product (“GDP”) in the first quarter in the People’s Republic of China (the “PRC”) amounted to RMB20,650.4 billion, representing a period-on-period decrease of 6.8%. This has been the first quarterly economic contraction since the establishment of the quarterly GDP accounting system in 1992, indicating a more significant impact the outbreak of COVID-19 had caused in the PRC than that of the international financial crisis in 2008 on China’s economy. However, with the gradual control of the COVID-19 pandemic in the PRC, and the gradual resumption of work and production, China’s economy has significantly improved after entering the second quarter with a period-on-period increase of 3.2%, 4.9% and 6.5% in the GDP in the second, third and fourth quarters of 2020, respectively. China recorded a GDP of approximately RMB101.6 trillion in 2020, representing a growth of 2.3% when compared to 2019. However, under the sharp decline in international market demand, the growth rate of China’s foreign trade import and export declined in the first five months, and the downward pressure on China’s foreign trade has increased throughout the year 2020, as the pandemic conditions overseas currently has not been effectively controlled.

Despite the fact that the small and medium-sized enterprises (“SMEs”) in the PRC faced the challenges arising from the outbreak of COVID-19, the PRC government imposed a series of favourable national and local business policies to support the SMEs in their response to the outbreak of COVID-19 and the resumption of work and production. These policies aim to help SMEs in strengthening fiscal and taxation support, increasing financial availability, expediting the circulation of factor markets, providing support for business and productivity resumption, as well as supporting innovation and development of enterprises, creating a good business environment, promoting participation in international markets and continuing to optimise public services. The Group proactively implemented the requirements of “Six Stability, Six Guarantees” and increased its financial support for SMEs, while at the same time proactively offer preferential treatment to enterprises on a fee basis. Overall, the Group’s total guarantees issued as at year end recorded a decrease of 10.49% as compared to last year, while the Group’s yearly total revenue and net profit decreased by 7.04% and 17.40%, respectively.

In April 2020, in accordance with the Regulation on the Supervision and Administration of Financing Guarantee Companies (Order No. 683 of the State Council of the PRC) and the Administrative Measures for Business License of Financing Guarantee Business (No. 1 [2018] of the China Banking and Insurance Regulatory Commission), the Company has complied with industry regulatory requirements in terms of its various business indicators and obtained the business license of financing guarantee business approved and renewed by Guangdong Financial Supervisory Authority. At the opening of the National People's Congress and the Chinese Political Consultative Conference, Wu Liejin, a representative of the National People's Congress and the chairman of the Company, actively made suggestions in support of the healthy development of SMEs.

From June to December 2020, the Group has received government subsidies of RMB17,290,450 in aggregate, comprising (i) RMB14,093,650 awarded to the Company under 2020 Central Finance Small and Micro Enterprise Financing Guarantee Business Fee Reduction Award and Funding (2020年中央財政小微企業融資擔保業務降費獎補資金); (ii) RMB616,800 awarded to Yunfu Puhui Financing Guarantee Co., Ltd.\* (雲浮市普惠融資擔保股份有限公司) (“**Yunfu Company**”), a subsidiary of the Company under Yunfu City Bureau of Industry and Information Technology Supports Guarantee and Fee Reduction Subsidy Project (雲浮市工業和信息化局支擔保降費補助項目); and (iii) RMB2,580,000 awarded to Yunfu Company under 2020 Central Government Finance Small and Micro Enterprise Financing Guarantee Business Fee Reduction Award and Funding (2020年中央財政小微企業融資擔保業務降費獎補資金).

## **Business Overview**

The business of the Group primarily comprises two segments, namely:

- (1) **Guarantees:** The Group provides guarantees on behalf of SMEs and individual business proprietors to guarantee their repayment of loans or performance of their contractual obligations. The main products and services the Group provides are set out below:

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

As at 31 December 2020, the net balance of the Group's outstanding guarantee was approximately RMB9,333.52 million (31 December 2019: RMB10,427.90 million). For the year ended 31 December 2020, the Group's net guarantee fee income was approximately RMB176.56 million (2019: RMB187.19 million).

- (2) SME lendings: The Group provides entrusted loans to SMEs and individual business proprietors, where it deposits its own funds into intermediary banks, which on-lend the funds to ultimate borrowers selected by the Group. The Group's entrusted loan business allows it to provide loans of relatively large amount through banks, usually ranging from approximately RMB1.00 million to approximately RMB40.00 million, and is not subject to geographical restriction. As at 31 December 2020, the balance of the Group entrusted loans was approximately RMB158.57 million (31 December 2019: RMB182.44 million).

The Group also provides micro-lending to SMEs, individual business proprietors and individuals in Foshan since July 2011 through Foshan Chancheng Join-Share Micro Credit Co., Ltd.\* (佛山禪城中盈盛達小額貸款有限公司) (“**Foshan Micro Credit**”), a subsidiary of the Company. Foshan Micro Credit is permitted to conduct its operations in Foshan, Guangdong province, the PRC. Due to limits imposed by certain laws and regulations, the amount of micro-lending that the Group may provide is up to RMB5.00 million. In general, the micro-lending that the Group provides has a term within one year. As at 31 December 2020, the balance of the Group's micro-lending was approximately RMB379.51 million (31 December 2019: RMB405.35 million).

For the year ended 31 December 2020, the Group's total net interest income was approximately RMB78.68 million (2019: RMB87.8 million).

#### **Major business activities undertaken by the Group during the year**

During the year ended 31 December 2020, with an aim to strengthen the Group's overall market position, the major business activities undertaken by the Group during the year are set out as follows:

- (1) On 10 January 2020, the Company transferred its 100% equity interest in Shenzhen Join-Share Commercial Factoring Co., Ltd.\* (深圳中盈盛達商業保理有限公司), a wholly-owned subsidiary of the Company, to Guangdong Join-Share Capital Investment Co., Ltd.\* (廣東中盈盛達資本管理有限公司), another wholly-owned subsidiary of the Company, and changed its name to Guangdong Join-Share Commercial Factoring Co., Ltd.\* (廣東中盈盛達商業保理有限公司).
- (2) On 2 April 2020, the Company has obtained the business license of financing guarantee business approved and renewed under new standards by Guangdong Financial Supervisory Authority in accordance with the Regulation on the Supervision and Administration of Financing Guarantee Companies (Order No. 683 of the State Council of the PRC) and Notice of the China Banking and Insurance Regulatory Commission, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Agriculture and Rural Affairs, the People's Bank of China and the State Administration for Market Regulation on Issuing Four Supporting Rules of the

Regulation on the Supervision and Administration of Financing Guarantee Companies (No. 1 [2018] of the China Banking and Insurance Regulatory Commission).

- (3) On 14 May 2020, Guangdong Join-Share Capital Investment Co., Ltd.\* (廣東中盈盛達資本管理有限公司), a subsidiary of the Group, and Zhou Suping, an independent third party, jointly established a new subsidiary, namely Guangdong Join-Share Digital Technology Co., Ltd.\* (廣東中盈盛達數字科技有限公司), with its registered capital of RMB20.00 million. The Group held 90% equity interests in such company.
- (4) On 6 July 2020, the Group injected additional share capital to its wholly-owned subsidiary Guangdong Join-Share Capital Investment Co., Ltd.\* (廣東中盈盛達資本管理有限公司), which increased its registered capital from RMB60.00 million to RMB170.00 million.
- (5) On 31 July 2020, the Board resolved to dispose of all the Group's 21.76% equity interest in Guangdong Yaoda Financial Leasing Company Limited\* (廣東耀達融資租賃有限公司) (“**Guangdong Yaoda**”) (comprising 14.41% shares and 7.35% shares respectively held by the Company and Join-Share Financial Holdings Co., Limited (中盈盛達金融控股有限公司) (“**Join-Share Financial**”), a direct-wholly owned subsidiary of the Company) through formal process of public tender via Southern United Assets & Equity Exchange (南方聯合產權交易中心) (“**SUAEE**”) given that (i) Guangdong Yaoda would not be able to become a subsidiary of the Group as its state-owned shareholding shall not be less than 50% in order to meet its own business financing needs; (ii) inconsistencies of business development strategies between the Company and Guangdong Yaoda; and (iii) the Group is expected to record a gain from such disposal (the “**Disposal of Guangdong Yaoda**”).

On 4 August 2020, the Company and Join-Share Financial commenced to dispose their equity interests in Guangdong Yaoda through separate public tender processes (each with the same tender price per share) on SUAEE. The preliminary minimum tender price for the Company and Join-Share Financial's respective equity interests of Guangdong Yaoda was RMB75,761,344.71 and RMB38,654,441.18, respectively, which was determined based on (i) the preliminary appraised value of Guangdong Yaoda as at 31 March 2020; (ii) the audited financial statements of Guangdong Yaoda and its subsidiary (the “**Guangdong Yaoda Group**”) for the year ended 31 December 2019 prepared by Jonten Certified Public Accountants LLP (中天運會計師事務所 (特殊普通合夥)); and (iii) the special audited financial report on asset verification (清產核資專項審計報告) of the Guangdong Yaoda Group as at 31 March 2020 by Jonten Certified Public Accountants LLP (Guangdong Branch)(中天運會計師事務所 (特殊普通合夥) (廣東分所)).

On 7 September 2020, the information publication period of the public tender for such disposal was completed. At the extraordinary general meeting of the Company held on 29 October 2020, resolutions have been passed by the shareholders of the Company (the “**Shareholders**”) approving the Disposal of Guangdong Yaoda and (i) the Company entered into the equity transfer agreement with the final transferee, namely a consortium consisting of Foshan Financial Investment Holding Co., Ltd.\* (佛山市金融投資控股有限公司), Guangdong Weiji Investments Co., Ltd\* (廣東維基投資有限公司) and Foshan Qiche Yunshu Group Co., Ltd\* (佛山市汽車運輸集團有限公司), for the disposal of its interests in Guangdong Yaoda at consideration of RMB75,761,344.71; and (ii) Join-Share Financial entered into the equity transfer agreement with the final transferee, namely Fojin Hongkong Limited (佛金香港有限公司), for the disposal of its interests in Guangdong Yaoda at consideration of RMB38,654,441.18. The Disposal of Guangdong Yaoda was completed on 9 December 2020 and the Group ceased to have any equity interest in Guangdong Yaoda since then.

For details, please refer to the circular of the Company dated 8 October 2020 and the announcements of the Company dated 8 May 2020, 31 July 2020, 7 September 2020 and 29 October 2020.

- (6) On 7 August 2020, the Board resolved to submit to the Shareholders for consideration and approval of the proposed public issue of domestic corporate bonds (the “**Corporate Bonds**”) with an aggregate principal amount of not more than RMB500.00 million to professional investors in the PRC. At the extraordinary general meeting of the Company held on 28 August 2020, the proposed arrangements of issuance of Corporate Bonds were considered and approved by the Shareholders.

On 17 November 2020, the Company received the Approval for the Registration of Public Issuance by Guangdong Join-Share Financing Guarantee Investment Co., Ltd.\* of Corporate Bonds to Professional Investors (ZhengJian Xu Ke [2020] No. 3137) (《關於同意廣東中盈盛達融資擔保投資股份有限公司向專業投資者公開發行公司債券註冊的批覆》(證監許可[2020] 3137號)) issued by the China Securities Regulatory Commission (the “**CSRC Approval**”), under which, among other conditions, the Corporate Bonds shall be issued in tranches, and the issuance of the initial tranche shall be completed within 12 months from the date of the CSRC Approval, and the issuance of the remaining tranches shall be completed within 24 months from the date of the CSRC Approval. The Company will issue the Corporate Bonds according to the relevant laws and regulations, the CSRC Approval and the authorised scope under the relevant Shareholders’ resolution. The Company intends to utilise the proceeds from the issuance (after deducting issuance expenses) for (including but not limited to) the settlement of interest-bearing corporate debts and replenishment of working capital of the Company, as well as the capital increase of subsidiaries or investments in other companies, and any purpose that is free from violation of the relevant laws and regulations. After the reporting

period, in March 2020, the Company issued Tranche 1 of the Corporate bonds of RMB260 million for a term of five years, which was listed on the Shenzhen Stock Exchange on 24 March 2021. For details, please refer to the circular of the Company dated 7 August 2020, 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 and 23 March 2021.

- (7) On 24 August 2020, the Company (as guarantor) and Foshan Lianyi Construction Materials Co., Ltd.\* (佛山市聯益建築材料有限公司) (“**Liangyi Construction**”) (as warrantee) entered into a guarantee service agreement in relation to a provision of guarantee and margin of RMB1 million by the Company in favour of a bank for its loan extended to Lianyi Construction in the amount of RMB20 million. For details, please refer to the announcements of the Company dated 8 August 2019 and 24 August 2020.
- (8) On 11 November 2020, the Group transferred its 85% equity interest in Guangdong Join-Share Supply Chain Services Co., Ltd.\* (廣東中盈盛達供應鏈管理有限公司) held by one of its subsidiaries to another subsidiary Guangdong Join-Share Capital Investment Co., Ltd.\* (廣東中盈盛達資本管理有限公司). On 18 November 2020, the registered capital of Guangdong Join-Share Supply Chain Services Co., Ltd.\* (廣東中盈盛達供應鏈管理有限公司) increased to RMB50.00 million from RMB10.00 million.

## **Financial Review**

### ***Net Guarantee Fee Income***

The Group's total guarantee fee income increased by approximately RMB20.63 million, or approximately 10.55%, from approximately RMB195.62 million in 2019 to approximately RMB216.25 million in 2020. Such increase was mainly because (i) the Group proactively implemented the requirements of "Six Stability, Six Guarantees", driving a significant increase by approximately RMB25.01 million or approximately 18.96% in its financing guarantee fee income to approximately RMB156.94 million in 2020; and (ii) the Group's retail financing guarantee business in cooperation with well-known domestic financial platforms increased significantly from approximately RMB27.35 million in 2019 to approximately RMB63.04 million in 2020, which was partially offset by (iii) the decrease in non-financial guarantee fee income by approximately RMB4.38 million or approximately 6.88% from approximately RMB63.69 million in 2019 to approximately RMB59.31 million in 2020.

Despite the increase in total guarantee fee income, the Group's net guarantee fee income decreased by approximately RMB10.63 million, or approximately 5.68%, from approximately RMB187.19 million in 2019 to approximately RMB176.56 million in 2020, mainly because the Group has been more prudent in risk avoidance and has undertaken business with lower risks, thereby reducing its risk exposure.

### **Net Interest Income**

The Group's net interest income decreased by approximately RMB9.10 million, or approximately 10.37%, from approximately RMB87.78 million in 2019 to approximately RMB78.68 million in 2020, primarily due to the decrease in the revenue from the Group's factoring services.

Interest income from bank deposits and deposits increased by approximately RMB0.57 million or approximately 4.17% from approximately RMB13.59 million in 2019 to approximately RMB14.16 million in 2020, mainly because the Group's outstanding financing guarantee increased by approximately 4.90% to approximately RMB2,770.19 million as at 31 December 2020 as compared to approximately RMB2,640.72 million as at 31 December 2019.

Interest income from entrusted loan business decreased by approximately RMB1.28 million or approximately 8.02% from approximately RMB15.92 million in 2019 to approximately RMB14.64 million in 2020, which was mainly attributable to the decrease in the business volume as a result of the banks tightening their entrusted loan business.

Interest income from micro-lending business increased by approximately RMB2.42 million or approximately 5.07% from approximately RMB47.65 million in 2019 to approximately RMB50.07 million in 2020. Such decrease was mainly attributable to the increase of approximately RMB30.00 million in average daily balance of the micro-lending business in 2020 as compared to 2019.

Interest income from the factoring business decreased by approximately RMB7.36 million or approximately 32.54% from approximately RMB22.62 million in 2019 to approximately RMB15.26 million in 2020, mainly due to the impact of the COVID-19 pandemic on the economy of the industry chain.

### **Service Fee from Consulting Services**

The Group's service fee from consulting services decreased by approximately RMB1.82 million, or approximately 5.87%, from approximately RMB31.02 million in 2019 to approximately RMB29.20 million in 2020, primarily because the Group's focuses on the development of new product lines and exploration of new business channels, resulting in a lower proportion of revenue from consulting services over revenue.

### **Other Revenue**

The Group's other revenue decreased by approximately RMB38.07 million, or approximately 63.12%, from approximately RMB60.31 million in 2019 to approximately RMB22.24 million in 2020, primarily because (i) foreign exchange gains turned around from approximately RMB2.46 million in 2019 to foreign exchange losses of approximately RMB5.07 million in 2020 due to the significant decrease in the exchange rates of Hong Kong dollars against RMB in the second half of 2020; (ii) investment income of the receivable investments decreased from approximately RMB22.74 million in 2019 to approximately RMB5.13 million, mainly due to the Group's investment trend towards conservative bank structured deposit products due to the uncertainties in the external economic environment.

### **Provisions Charged for Guarantee Losses**

Provisions charged for guarantee losses primarily reflect the management's estimate on the adequacy of provisions for the Group's guarantee business. Provisions charged for guarantee losses increased from approximately RMB2.44 million in 2019 to approximately RMB2.81 million in 2020, primarily due to an increase of RMB129.47 million or approximately 4.90% of the balance of outstanding financing guarantee from approximately RMB2,640.72 million as at 31 December 2019 to approximately RMB2,770.19 million as at 31 December 2020.

## **Impairment Losses**

Impairment losses mainly include (i) default guarantee receivables which reflect the net amount of the default guarantee that are unable to be recovered; (ii) receivables from guarantee customers which reflect the net capital portfolio that is unable to be recovered for the financing solutions provided by the Group to its customers; (iii) loans and advances to customers primarily in the entrusted loan and micro-lending businesses, which reflect the net amount of loans and advances to the customers that are unable to be recovered; and (iv) factoring receivables which mainly reflect the net amount of factoring financing services provided to customers that are unable to be recovered. The Group's impairment losses decreased by approximately RMB8.71 million from approximately RMB59.31 million in 2019 to approximately RMB50.60 million in 2020, primarily due to the write-back of the losses on default guarantee payments and receivables from guarantee customers, which was partially offset by an increase from approximately RMB7.50 million and approximately RMB0.11 million of write-back of impairment losses for loans and advances to customers and factoring receivables, respectively, in 2019 to approximately RMB13.45 million and approximately RMB1.33 million, respectively, in 2020.

## **Operating Expenses**

The Group's operating expenses decreased by approximately RMB9.84 million, or approximately 7.94%, from approximately RMB123.94 million in 2019 to approximately RMB114.10 million in 2020, mainly attributable to (i) the decrease in staff costs by approximately RMB3.93 million or approximately 5.28% from approximately RMB74.38 million in 2019 to approximately RMB70.45 in 2020; (ii) the decrease in office fees by approximately RMB3.42 million or approximately 48.79% from approximately RMB7.01 million in 2019 to approximately RMB3.59 million in 2020; (iii) the decrease in consultation fees by approximately RMB1.11 million or approximately 11.17% from approximately RMB9.94 million in 2019 to approximately RMB8.83 million in 2020; and (iv) the decrease in entertainment fees by approximately RMB0.94 million or 32.41% from approximately RMB2.90 million in 2019 to approximately RMB1.96 million in 2020.

## **Profit before Taxation**

As a result of the foregoing, the Group's profit before taxation decreased by approximately RMB38.91 million, or approximately 20.14%, from approximately RMB193.20 million in 2019 to approximately RMB154.29 million in 2020. The Group's profit before taxation accounted for approximately 63.14% and 54.24% of the Group's revenue in 2019 and 2020, respectively.

## **Income Tax**

Income tax decreased by approximately RMB14.03 million, or approximately 27.92%, from approximately RMB50.25 million in 2019 to approximately RMB36.22 million in 2020, which was in line with the decrease of the Group's profit before taxation.

## **Profit for the Year**

As a result of the foregoing, the Group's profit for the year decreased by approximately RMB24.87 million, or approximately 17.40%, from approximately RMB142.95 million in 2019 to approximately RMB118.08 million in 2020, and the Group's net profit margin decreased from approximately 46.72% in 2019 to approximately 41.51% in 2020.

## **Capital Expenditure**

The Group's capital expenditures consist primarily of expenditures for the purchase of motor vehicles, office and other equipment, office decorations and purchase of software. For the year ended 31 December 2020, the Group's capital expenditures amounted to approximately RMB2.53 million, primarily due to the research and development expenditures relating to the improvement in business operation system.

## **Capital Commitments and Contingent Liabilities**

As at 31 December 2020, the Group's outstanding capital commitments relating to (i) the total maximum guarantee issued to customers for its guarantee business and (ii) the Group's leases of office premises amounted to approximately RMB9,333.52 million and approximately RMB8.15 million, respectively.

As at 31 December 2020, the Group did not have any contingent liabilities.

## **Charge on Assets**

As at 31 December 2020, the Group did not pledge any of its assets to secure any banking facility or bank loan.

## Prospects and future developments in the business of the Group

### *(I) Development trend of the industry*

#### *Increasing support for SMEs to effectively alleviate the impact of the COVID-19 pandemic*

Since the first half of 2020, taking into account the impact of the pandemic, the People's Bank of China has comprehensively increased its support for SMEs, including the introduction of special re-loan of RMB300 billion, the re-loans and rediscounting quotas amounted to RMB500 billion, and the inclusive financing-oriented concessive policy for reserve ratio reduction of RMB550 billion to release liquidity, and temporary extension arrangements for the repayment of principal and the payment of interests based on the loans of SMEs. These measures have achieved remarkable results in guiding SMEs to increase loans, reduce prices, and thus gradually reduce their financial burdens. By the end of March this year, the balance of loans for inclusive SMEs amounted to RMB12.4 trillion, a year-on-year increase of 23.6%, which was 4.5 percentage points higher than the same period last year.

#### *Favourable policies support the steady growth in credit scale*

In May 2020, the Office of the Financial Stability and Development Committee under the State Council China Financial Regulatory Commission issued 11 financial reform measures, including the “Guidelines for the Performance Appraisal of Government-backed Financing Guarantee and Re-guarantee Institutions (《政府性融資擔保、再擔保機構行業績效評價指引》)” issued by the Ministry of Finance under the State Council, which regulates the performance appraisal of local government-backed financing guarantee and re-guarantee institutions at all levels and guides the government-backed financing guarantee and re-guarantee institutions to persist in their main business, focus on supporting SMEs and agriculture-related entities, and actively serve SMEs, “three rural” (三農) and entrepreneurial innovation.

In the second half of 2020, the realisation of a comprehensive economic recovery will be an important task. In addition, the timely introduction of the “stability on the six fronts and security in the six areas” policy serves as an operational guide for the focus of various policies and the formation of policy synergy. On the one hand, the innovative monetary policies and tools support the real economy especially the SMEs; on the other hand, lowering the re-loan and rediscounting rate and the interest rate of Medium-term Lending Facility, Loan Prime Rate, and other tools to lead to a further decline of the financing interest rate of the real economy. The scale of monetary credit and the social financing is expected to maintain a steady growth in the second half of the year. Related supporting systems will also be gradually improved, and the credit structure will continue to be optimised. This is reflected in the increase in corporate loans and the increase in the proportion of medium and long-term loans.

The Board is of the view that under the continuous recovery of China's economy and the State's strong support for SMEs, the domestic regulatory system of the financing guarantee industry will be further improved. In addition, with the continuous strengthening of supervision and the exposure of market risks, the financing guarantee industry showing a trend of reducing the quantity and improving quality. The financing guarantee industry of China would continuously improve its capital service functions and provide more comprehensive services and support for business entities.

## ***(II) Development strategies of the Company***

In the second half of 2020, although the PRC economy continued its recovery, there is still tremendous pressure on the economic operation of China due to the instability of the COVID-19 pandemic and the escalation of Sino-US frictions. The Group intends to adopt the following strategies:

1. **Promoting the implementation of policy-based guarantee fund business:** In order to achieve the goal of alleviating the financing difficulties of SMEs, the Group will rely on a three-tiered financial risk sharing mechanism (namely the National Financial Guarantee Fund, Guangdong Province Re-guarantee and Foshan Financial Guarantee Fund) as well as cooperation with banks in an innovative way. In this regard, the Group could implement a policy-based guarantee fund business to provide low-cost financing products for SMEs.
2. **Continue to improve the innovative industry chain finance:** The Group will continue to improve integrated financial services, and enhance and improve its industry chain by incorporating other industry chains such as small loans, financial leasing, commercial factoring, and equity investment on the top of its primary business of guarantees.
3. **Focus on industry chain finance:** Through the use of internet, big data, blockchain and other technologies, the Group will further promote the integration of finance with industry and technology, and improve its overall service quality in the finance of the supply chain.

Over 17 years since the establishment of the Company, it has been focusing on addressing the predicament of demanding and costing financing of SMEs, and has established itself as a systematic investment and financing service platform for the SMEs and individuals and a benchmark enterprise in the guarantee industry by maintaining its foothold in Guangdong with its business coverage across the country, leveraging on its creditworthiness, with the support of industry and under the driving force of finance. To date, the Company has provided investment and financing services with an aggregate value of over RMB100 billion to nearly 10,000 SMEs. Going forward, the Group will continue to support SMEs, effectively fulfill its social responsibilities, and persist in being a systematic provider of investment and financing services with the highest systematic value for the SMEs.

## **CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital Structure**

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

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

### **Foreign Exchange Risks**

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

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

### **Liquidity and Capital Resources**

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

As at 31 December 2020, the Group's cash and cash equivalents was approximately RMB1,058.27 million.

### **Indebtedness**

As at 31 December 2020, the Group's interest-bearing borrowings amounted to approximately RMB137.79 million which have interest at a range of from 3.85% to 11.50% per annum and are guaranteed.

In addition, as at 31 December 2020, the Group had other financial instrument — liability component of approximately RMB59.36 million and lease liabilities of approximately RMB8.15 million.

The gearing ratios of the Group as at 31 December 2019 and 31 December 2020 were 24.59% and 24.29%, respectively. Such gearing ratio was computed by dividing total liabilities by total assets.

### **Off-Balance Sheet Arrangements**

The Group enters into guarantee contracts with off-balance-sheet risk in the ordinary course of its business. The contract amount reflects the extent of the Group's involvement in the financing guarantee business and represents its maximum exposure to credit loss. As at 31 December 2020, the Group's outstanding guarantee totaled approximately RMB9,333.52 million. Save as disclosed above, we have no other off-balance-sheet arrangements.

### **Significant Investments**

Save as disclosed under the paragraph headed “Major business activities undertaken by the Group during the year” in this announcement, the Group had no significant investments for the year ended 31 December 2020.

### **Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

Save as disclosed under the paragraph headed “Major business activities undertaken by the Group during the year” in this announcement, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2020.

### **Future Plans for Material Investments or Capital Assets**

The Group had no specific plan for material investments or capital assets as at 31 December 2020.

### **EVENTS AFTER REPORTING PERIOD**

On 18 March 2021, the Company issued RMB260 million Corporate Bonds (Tranche 1) to Professional Investors with a coupon rate of 4.60% on the Shenzhen Stock Exchange. Please refer to the announcements of the Company dated 12 March 2021, 15 March 2021, 16 March 2021, 18 March 2021 and 23 March 2021 for details.

During the year ended 31 December 2020, certain proceeds from the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 23 December 2015, the Investors Subscription (as defined in the circular of the Company dated 30 September 2017) and the Placing (as defined in the circular of the Company dated 30 September 2017) (collectively, the "**Proceeds**") have not been used up to expand its SME lending business or to establish new finance lease, micro-finance or asset management companies according to the expected time of utilisation as disclosed in interim report of the Company for the six months ended 30 June 2020 mainly due to the tightened regulations and more stringent regulatory measures imposed on companies engaging in the financial industry in the PRC, the Board has further reviewed the current regulatory environment and market conditions of the financial industry in the PRC, as well as the future development strategy of the Group, and revised the expected time utilisation of the remaining Proceeds. Further details of the change in the expected time of utilisation of the remaining Proceeds and the reasons behind are disclosed in the announcement of the Company dated 8 February 2021.

## **HUMAN RESOURCES**

The total number of staff within the Group as at 31 December 2020 was 315 (31 December 2019: 302). The Directors believe that employees' quality is the most important factor in sustaining the development and growth of the Group and in raising its profitability. The Group offers a base salary with bonuses based on its employees' performance and benefits and allowances to all its employees as an incentive. For the year ended 31 December 2020, the Group incurred as staff costs (including salaries, wages, bonuses and other benefits and contributions to retirement schemes) approximately RMB70.45 million. The Group also offers trainings to its new employees twice a year. The Directors believe that both the performance-based salary and staff training play an important role in recruiting and retaining talent as well as enhancing employee loyalty.

The Group is required to participate in pension schemes organised by the respective local governments of the PRC whereby the Group is required to pay annual contributions for PRC based employees at certain rate of the standard wages determined by the relevant authorities in the PRC during the year. The Group has complied with the relevant requirements during the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 December 2020, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). As at the date of this announcement, the Audit Committee comprises five members, namely, Mr. Wu Xiangneng (Chairman), Mr. Li Shen Hua, Mr. Luo Zhenqing, Mr. Leung Hon Man and Mr. Liu Heng, three of whom are independent non-executive Directors. The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2020. The Audit Committee has also reviewed with the management and the Company’s auditors, KPMG, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the audit of the consolidated financial statements for the year ended 31 December 2020.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of its Shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2020, except that Mr. Wu Liejin, an executive Director, has been performing the roles as the Chairman and the President, which deviates from provision A.2.1 of the CG Code, the Company had complied with the code provisions set out in the CG Code. The Board believes that vesting the roles of both Chairman and President in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board, which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of practice for carrying out securities transactions by the directors and supervisors of the Company. Having made specific enquiry with the Directors and supervisors of the Company, they have confirmed their compliance with the relevant standards stipulated in the Model Code during the year ended 31 December 2020.

## FINAL DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.06 (before considering any tax effect) per ordinary share of the Company (the “**Shares**”) for the year ended 31 December 2020, amounting to RMB93,647,561.22 (the “**2020 Final Dividend**”) in aggregate.

According to the articles of association of the Company, dividend payable to holders of the domestic shares of the Company (“**Domestic Share(s)**”) will be paid in Renminbi, whereas dividend payable to holders of the H shares of the Company (“**H Share(s)**”) will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated in accordance with the related national regulations on foreign exchange control. The 2020 Final Dividend will be subject to approval at the forthcoming 2020 annual general meeting (the “**AGM**”) and is expected to be paid on or about 30 July 2021, Friday.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Administrative Measures of the State Administration of Taxation on Tax Convention Treatment for Non-resident Taxpayers (No. 60 of the Announcement of the State Administration of Taxation for 2016) (《國家稅務總局非居民納稅人享受稅收協定待遇管理辦法》) (國家稅務總局公告2016年第60號), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the dividend to be distributed to them. However, the individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H Shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H Shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H Shares in the distribution of the dividend accordingly.

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

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

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

## **ANNUAL GENERAL MEETING**

The AGM will be held on 4 June 2021, Friday, while the notice of the AGM will be published and dispatched to Shareholders in the manner as stipulated under the Listing Rules when appropriate.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the Shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from 1 June 2021, Tuesday to 4 June 2021, Friday, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on 4 June 2021, Friday or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on 31 May 2021, Monday.

In order to determine the Shareholders entitled to the 2020 Final Dividend, the register of members of the Company will be closed from 10 June 2021, Thursday to 16 June 2021, Wednesday, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on 16 June 2021, Wednesday are entitled to the 2020 Final Dividend. In order to qualify for receiving the 2020 Final Dividend which is still subject to approval of the Shareholders at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Company's office in the PRC at 5/F, Building D, Sino-European Service Center, South Lingnan Road, Lecong Town, Shunde District, Foshan, Guangdong Province, the PRC (for holders of Domestic Shares) not later than 4:30 p.m. on 9 June 2021, Wednesday.

## **ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2020 will be dispatched to Shareholders and made available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.join-share.com](http://www.join-share.com)) in April 2021.

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

Foshan, the PRC, 26 March 2021

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

*\* for identification purpose only*