



2019

INTERIM
REPORT

TaiHe

Yangzhou Guangling District Taihe Rural
Micro-finance Company Limited

揚州市廣陵區泰和農村小額貸款股份有限公司

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

Stock Code: 1915



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Company Profile

DIRECTORS

Executive Directors

Mr. Bo Wanlin (*Chairman*)
Ms. Bai Li
Ms. Zhou Yinqing

Non-executive Directors

Mr. Bo Nianbin
Mr. Zuo Yuchao

Independent non-executive Directors

Mr. Bao Zhenqiang
Mr. Wu Xiankun
Mr. Chan So Kuen

Supervisors

Ms. Wang Chunhong
Mr. Zhang Yi
Ms. Li Guoyan

BOARD COMMITTEES

Audit committee

Mr. Chan So Kuen (*Chairman*)
Mr. Wu Xiankun
Mr. Bao Zhenqiang

Remuneration committee

Mr. Bao Zhenqiang (*Chairman*)
Mr. Chan So Kuen
Mr. Wu Xiankun

Nomination committee

Mr. Bo Wanlin (*Chairman*)
Mr. Wu Xiankun
Mr. Bao Zhenqiang

Joint company secretaries

Mr. Xu Lei
Mr. Lau Kwok Yin (*HKICPA*)

Authorized representatives for the Stock Exchange of Hong Kong Limited

Mr. Bo Wanlin
Mr. Xu Lei

Compliance officer

Ms. Bai Li

Headquarters and registered office in the PRC

Beizhou Road, Lidian Town, Guangling District
Yangzhou City, Jiangsu Province, the PRC

Principal place of business in Hong Kong

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

Company website address

www.gltaihe.com

Stock code

1915

Auditors and reporting accountants

Ernst & Young
Certified public accountant
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal adviser as to Hong Kong law

Chungs Lawyers
28/F, Henley Building
5 Queen's Road Central
Central
Hong Kong

Legal adviser as to PRC law

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing, the PRC

Compliance adviser

China Galaxy International Securities
(Hong Kong) Co., Limited
20/F, Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

H Share registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Agricultural Bank of China
(Yangzhou Jiangwang Branch)
Room B6, Wanduwujinjidiancheng
Jiangwang Town
Hanjiang District
Yangzhou City
Jiangsu Province
PRC

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central, Hong Kong

Financial Highlights

- (1) For the six months ended 30 June 2019, Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**") recorded interest income of approximately RMB55.5 million, representing an increase of approximately 1.7% as compared to approximately RMB54.6 million in the corresponding period in 2018.
- (2) For the six months ended 30 June 2019, profit after tax of the Company amounted to approximately RMB30.4 million, representing a decrease of approximately 12.5% as compared to approximately RMB34.7 million in the corresponding period in 2018, which was mainly due to the increase in expenses of approximately RMB7.4 million related to the Company's transfer of listing (the "**Transfer of Listing**") from GEM to the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").
- (3) As at 30 June 2019, the balance of outstanding loans (before allowance for impairment losses) of the Company amounted to approximately RMB863.1 million, representing an increase of approximately 2.6% as compared to approximately RMB841.5 million as at 31 December 2018.

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2019, the Company continued to pursue business opportunities and strengthen its market position. For the six months ended 30 June 2019, the Company recorded interest income of approximately RMB55.5 million, representing an increase of approximately 1.7% as compared to approximately RMB54.6 million in the corresponding period in 2018; and profit after tax of approximately RMB30.4 million, representing a decrease of approximately 12.5% as compared to approximately RMB34.7 million for the corresponding period in 2018, which was mainly due to the increase in expenses related to the Company's transfer of listing. As at 30 June 2019, the Company's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB863.1 million, representing an increase of approximately 2.6% as compared to approximately RMB841.5 million as at 31 December 2018. The total assets of the Company as at 30 June 2019 were approximately RMB 860.9 million, representing an increase of approximately 4.0% as compared to approximately RMB827.5 million as at 31 December 2018, and net assets were approximately RMB841.7 million as at 30 June 2019, representing an increase of approximately 3.7%, as compared to approximately RMB811.3 million as at 31 December 2018.

The number of customers

We have a relatively broad customer base comprising primarily small and medium-sized enterprises ("SMEs"), microenterprises and individual proprietors situated or resided in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are also under the classification of AFR (三農) of the People's Bank of China. We consider the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, serve to alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries. For the six months ended 30 June 2018 and 2019, we granted loans to 245 and 246 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	<i>No. of Customers</i>	<i>%</i>	<i>No. of Customers</i>	<i>%</i>
Customer by type				
SMEs and micro-enterprises	13	5.3	21	8.6
Individual proprietors	233	94.7	224	91.4
Total	246	100	245	100

Management Discussion and Analysis

Loan portfolio by size

The following table sets forth our outstanding loans by size as at the dates indicated:

	As at 30 June 2019		As at 31 December 2018	
	RMB'000	%	RMB'000	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	18,088	2.1	21,088	2.5
– Collateralized loans	7,586	0.9	7,613	0.9
	25,674	3.0	28,701	3.4
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	103,727	12.0	95,789	11.4
– Collateralized loans	1,407	0.2	704	0.1
	105,134	12.2	96,493	11.5
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	361,465	41.9	317,150	37.6
– Collateralized loans	8,479	1.0	10,792	1.3
	369,944	42.9	327,942	38.9
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	341,291	39.5	367,322	43.7
– Collateralized loans	21,090	2.4	21,058	2.5
	362,381	41.9	388,380	46.2
Total	863,133	100	841,516	100

Management Discussion and Analysis

Loan portfolio by security

We accept (i) loans backed by guarantees, (ii) loans secured by collaterals, or (iii) loans backed and secured by both guarantees and collaterals. The following table sets forth the balance of our outstanding loans by security as at the dates indicated:

	As at 30 June 2019		As at 31 December 2018	
	RMB'000	%	RMB'000	%
Guaranteed loans	824,571	95.5	801,349	95.2
Collateralized loans	38,562	4.5	40,167	4.8
included: Guaranteed and collateralized loans	36,868	4.3	37,989	4.5
	863,133	100	841,516	100

The following table sets forth details of the number of loans granted for the periods indicated by security:

	Six months ended 30 June	
	2019	2018
Guaranteed loans	241	239
Collateralized loans	12	21
included: Guaranteed and collateralized loans	12	20
	253	260

ASSET QUALITY

We adopt a loan classification approach to manage our loan portfolio. We categorize our loans by reference to the "Five-Tier Principle" set forth in the Guideline for Loan Credit Risk Classification (貸款風險分類指引) issued by the China Banking and Insurance Regulatory Commission ("CBIRC"). According to the "Five-Tier Principle", our loans are categorized as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The following table sets forth our outstanding loans by the "Five-Tier Principle" category as at the dates indicated:

	As at 30 June 2019		As at 31 December 2018	
	RMB'000	%	RMB'000	%
Normal	848,569	98.3	826,672	98.2
Special-Mention	3,631	0.4	3,301	0.5
Substandard	—	0.0	3,237	0.4
Doubtful	4,276	0.5	1,165	0.1
Loss	6,657	0.8	7,141	0.8
Total	863,133	100	841,516	100

Management Discussion and Analysis

The following table sets forth our loan quality analysis as at the dates indicated:

	As at 30 June 2019	As at 31 December 2018
Impaired loan ratio ⁽¹⁾	1.3%	1.4%
Balance of impaired loans (RMB'000)	10,933	11,543
Total amount of loans receivable (RMB'000)	863,133	841,516

	As at 30 June 2019	As at 31 December 2018
Allowance coverage ratio ⁽²⁾	254.0%	236.0%
Allowance for impairment losses (RMB'000) ⁽³⁾	27,770	27,240
Balance of impaired loans (RMB'000)	10,933	11,543
Provisions for impairment losses ratio ⁽⁴⁾	3.2%	3.2%

	As at 30 June 2019	As at 31 December 2018
Balance of overdue loans (RMB'000)	14,564	14,694
Total amount of loans receivable (RMB'000)	863,133	841,516
Overdue loan ratio ⁽⁵⁾	1.7%	1.7%

Notes:

- (1) Represents the balance of impaired loans divided by the total amount of loans receivable.
- (2) Represents the allowance for impairment losses on all loans divided by the balance of impaired loans. The allowance for impairment losses on all loans includes provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover the probable loss in our loan portfolio.
- (3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.
- (4) Represents the allowance for impairment losses divided by the total amount of loans receivable. Provisions for impairment losses ratio measures the cumulative level of provisions.
- (5) Represents the overdue loans, being loans with whole or part of the principal and/or interest that was overdue for one day or more, divided by the total amount of loans receivable.

Management Discussion and Analysis

FINANCIAL REVIEW

Interest income

Our interest income increased by approximately 1.7% from approximately RMB54.6 million for the six months ended 30 June 2018 to approximately RMB55.5 million for the six months ended 30 June 2019. The Company's interest income on loans receivable is mainly affected by two factors: the daily balance of loans receivable and the effective interest rates that the Company charges to its customers. The Company's average daily balance of loans receivable increased from approximately RMB824.3 million for the six months ended 30 June 2018 to approximately RMB850.0 million for the six months ended 30 June 2019, mainly attributable to the deployment of the net profits generated by the Company during the past years to expand the Company's loan business. Meanwhile, the interest rate per annum increase from 12.5% for the six months ended 30 June 2018 to 13.1% for the six months ended 30 June 2019.

Interest expense

Our interest expense was nil and RMB147,524 for the six months ended 30 June 2018 and 2019, respectively. There was no interest expense for the six months ended 30 June 2018 primarily because all external borrowings had been repaid in November 2017 while no additional external borrowing was obtained throughout the period ended 30 June 2018. Interest expense for the six months ended 30 June 2019 was accrued from an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018 and recognised lease liabilities related to the lease contracts in respect of our office as we have adopted IFRS 16 *Leases* since 1 January 2019.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB2.4 million and RMB0.6 million for the six months ended 30 June 2018 and 2019, respectively. Such decrease in accrual of provision for impairment losses was mainly attributable to the smaller extent of increase of impaired loans as at 30 June 2019 as compared to that as at 30 June 2018. The Company's impaired loans increased by approximately RMB0.1 million from approximately RMB9.1 million as at 31 December 2018 to approximately RMB9.2 million as at 30 June 2019, which was lower than the increase in impaired loans of approximately RMB3.7 million for the corresponding six months period in 2018.

Accrual of provision for guarantee losses

We had accrual of provision for guarantee losses of RMB115,544 and RMB2,526 for our outstanding financing guarantee obligation for the six months ended 30 June 2018 and 2019, respectively. We did not provide any new financing guarantee services for the six months ended 30 June 2019.

Administrative expenses

Our administrative expenses increased by approximately 146.2% from approximately RMB5.9 million for the six months ended 30 June 2018 to approximately RMB14.5 million for the six months ended 30 June 2019. This increase was primarily due to the increase in professional service fees which amounted to approximately RMB7.4 million in relation to the Transfer of Listing.

Management Discussion and Analysis

Other income, net

We had net other income of RMB292,878 and RMB69,523 for the six months ended 30 June 2018 and 2019 respectively. The short-fall was primarily due to the decrease in gain on disposal of fixed assets and guarantee fee income.

Income tax expense

Income tax expense decreased by approximately 15.1% from approximately RMB11.7 million for the six months ended 30 June 2018 to approximately RMB10.0 million for the six months ended 30 June 2019. Such decrease was mainly caused by the decrease in profit before tax.

Profit after tax and total comprehensive income

As a result of the foregoing and in particular the increase in professional service fee in relating to the Transfer of Listing, our profit after tax and total comprehensive income decreased by approximately 12.5% from approximately RMB34.7 million for the six months ended 30 June 2018 to approximately RMB30.4 million for the six months ended 30 June 2019.

Significant investments

The Company has no significant investment during the six months ended 30 June 2019 and up to the date of this report.

Material acquisitions or disposals of subsidiaries and affiliated companies

The Company has no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2019 and up to the date of this report.

Future plans for material investments or capital assets and expected sources of funding

The Company has no specific future plans for material investments or capital assets during the six months ended 30 June 2019 and up to the date of this report.

Foreign exchange risk

The Company operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from insignificant bank deposits denominated in HKD. The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. As at 30 June 2019, the Company did not have any outstanding hedge instruments.

Management Discussion and Analysis

Liquidity, financial resources and capital structure

As at 30 June 2019, the Company had bank balances and cash of approximately RMB13.4 million (31 December 2018: approximately RMB4.3 million). As at 30 June 2019, the Company had instalment loan payable amounting to approximately RMB354,876 (31 December 2018: RMB421,000). The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 30 June 2019 (31 December 2018: nil).

During the six months ended 30 June 2019, the Company did not use any financial instruments for hedging purposes.

Treasury policy

The Company adopts a prudent financial management strategy in implementing the treasury policy and a sound liquidity position was maintained throughout the period. The Company assesses its customers' credit and financial positions on an ongoing basis so as to minimize the credit risks. In order to control the liquidity risks, the Company would closely monitor the liquidity position of the Company to ensure its assets, liabilities and its liquidity structure would satisfy the funding needs from time to time.

Indebtedness and charges on assets

The Company entered into an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, the balance of which was RMB354,876 as at 30 June 2019. One of the Company's motor vehicles with net carrying amounts of RMB584,969 was pledged to secure the instalment loan payable. Meanwhile, the Company adopted IFRS 16 *Leases* from 1 January 2019 and recognized the lease liability accordingly, the balance of which was approximately RMB2.2 million as at 30 June 2019.

Contingent liabilities

Contingent liabilities not provided for in the financial statements were as follows:

	As at 30 June 2019 RMB	As at 31 December 2018 RMB
Financial guarantee contracts	4,000,000	4,000,000

Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements during the six months ended 30 June 2019 and up to the date of this report.

Management Discussion and Analysis

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018 interim: nil).

MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2019, the Company was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Company had 29 full-time employees (31 December 2018: 32 full-time employees). The quality of our employees is the most important factor in maintaining a sustained development and growth of the Company and in improving its profitability. We offer a base salary with bonuses based on our employees' performance, as well as benefits and allowances to all of our employees as an incentive. Total employees remuneration of the Company for the six months ended 30 June 2019 was approximately RMB2.4 million (for the six months ended 30 June 2018: approximately RMB2.1 million).

OUTLOOK

The objective of the Company is to become a leading regional microfinance company focusing on meeting the interim business financing needs of SMEs, micro-enterprises and individual proprietors. Looking ahead, the Board and all staff of the Company will make pioneering and innovative efforts and keep pace with the times to create greater values for our customers, employees and shareholders.

The Transfer of Listing has been successfully completed on 17 July 2019. The Board believes that the Transfer of Listing will, among others, enhance the corporate profile of the Company, increase the Company's brand awareness and reputation and improve the trading liquidity of the H shares of the Company. For further details, please refer to the announcement of the Company dated 8 July 2019.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, interests or short positions of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) and the chief executive of the Company and their associates in any of the shares of the Company (the “**Shares**”), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying shares and debt securities of the Company recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) were as follows:

Shares of the Company

Director	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total issued share capital of the Company ⁽³⁾
Mr. Bo Wanlin ⁽⁵⁾	Interest in controlled corporation ⁽⁴⁾	430,100,000 Domestic Shares (L)	95.58%	71.68%
Ms. Bai Li	Beneficial owner	10,000,000 Domestic Shares (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000 Domestic Shares (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000 Domestic Shares (L)	0.16%	0.12%

Notes:

- (1) The letter “L” denotes a person’s long position (as defined under Part XV of the SFO) in the domestic shares of the Company (the “**Domestic Shares**”).
- (2) The calculation is based on the percentage of shareholding in Domestic Shares (namely, ordinary shares in the Company capital, with a nominal value of RMB 1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities).
- (3) The calculation is based on the total number of 600,000,000 Shares in issue.
- (4) Jiangsu Botai Group Co., Ltd.* (江蘇柏泰集團有限公司) (“**Botai Group**”) is directly interested in approximately 40.03% in the Company. The disclosed interest represents the interest in the Company held by Botai Group which is in turn held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this report. Mr. Bo Wanlin and his spouse control more than one – third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

* For identification purpose only

Others

- (5) Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd.* (江蘇聯泰時尚購物廣場置業有限公司) (“**Liantai Guangchang**”) is directly interested in approximately 31.65% in the Company. The disclosed interest represents the interest in the Company held by Liantai Guangchang, which is in turn held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li as at the date of this report. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO, and Mr. Bo Wanlin and his spouse Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in Liantai Guangchang and the Company by virtue of the SFO. On 12 December 2017, Botai Group and Liantai Guangchang, the controlling shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favor of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively.

Associated Corporation

Director	Associated Corporation	Nature of interest	Approximate shareholding percentage in the relevant class of shares in the Associated Corporation
Mr. Bo Wanlin	Botai Group	Beneficial owner ⁽¹⁾	33.33%
		Family interest of spouse ⁽²⁾	16.67%
Ms. Bai Li	Botai Group	Beneficial owner ⁽¹⁾	25.00%
Mr. Bo Nianbin	Botai Group	Beneficial owner ⁽¹⁾	25.00%

Notes:

- (1) The disclosed interest represents the interests in Botai Group, the associated corporation which is owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this report.
- (2) Mr. Bo Wanlin is the spouse of Ms. Wang Zhengru and is deemed to be interested in Ms. Wang Zhengru’s interest in Botai Group by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors and chief executive of the Company nor their associates had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules.

* For identification purpose only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as the Directors are aware, each of the following persons has an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered into the register referred to in section 336 of the SFO:

Shareholders	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company ⁽³⁾
Botai Group ⁽⁸⁾	Beneficial owner	240,200,000 Domestic Shares(L)	53.38% ⁽²⁾	40.03%
	Interest in controlled corporation ⁽⁴⁾	189,900,000 Domestic Shares(L)	42.20% ⁽²⁾	31.65%
Mr. Bo Wanlin ⁽⁸⁾	Interest in controlled corporation ⁽⁵⁾	430,100,000 Domestic Shares(L)	95.58% ⁽²⁾	71.68%
Ms. Wang Zhengru ⁽⁸⁾	Family interest of spouse ⁽⁶⁾	430,100,000 Domestic Shares(L)	95.58% ⁽²⁾	71.68%
Liantai Guangchang ⁽⁸⁾	Beneficial owner	189,900,000 Domestic Shares(L)	42.20% ⁽²⁾	31.65%
Mr. Suen Cho Hung, Paul ⁽⁹⁾	Beneficial owner	19,208,000 H Shares(L)	12.81% ⁽⁷⁾	3.20%
Mr. Lai Ming Wai ⁽⁹⁾	Beneficial owner	10,090,000 H Shares(L)	6.73% ⁽⁷⁾	1.68%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares of the Company.
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares.
- (3) The calculation is based on the total number of 600,000,000 Shares in issue after the Company's Listing on GEM.
- (4) As at the date of this report, Liantai Guangchang is held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO.
- (5) As at the date of this report, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.
- (6) Ms. Wang Zhengru, the spouse of Mr. Bo Wanlin, is deemed to be interested in Mr. Bo Wanlin's interest in the Company by virtue of the SFO.

Others

- (7) The calculation is based on the percentage of shareholding in the H Shares.
- (8) On 12 December 2017, Botai Group and Liantai Guangchang, the controlling shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB 40,000,000 and RMB 30,000,000 respectively.
- (9) Both Mr. Suen Cho Hung and Mr. Lai Ming Wai are Independent Third Parties (as defined in the Listing Rules), other than being shareholders of the Company.

Save as disclosed above, as at 30 June 2019, so far as known to the Directors, no interests or short positions of substantial shareholders of the Company and other persons in any Shares and debentures or underlying Shares of the Company were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

On 12 December 2017, Botai Group and Liantai Guangchang, the Controlling Shareholders (as defined in the Listing Rules), pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively. The pledged Domestic Shares represent approximately 18.6% of the aggregate Domestic Shares held by Botai Group and Liantai Guangchang, approximately 17.8% of the total number of Domestic Shares in issue, and approximately 13.3% of the total issued share capital of the Company on 12 December 2017. Details are set out in the announcement of the Company dated 12 December 2017.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the six months ended 30 June 2019 and up to the date of this report, at least 25% of the issued shares of the Company are held by public Shareholders and the Company has maintained the prescribed public float required by the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2019.

INTERESTS IN COMPETING BUSINESS

Directors' and Controlling Shareholders' Interest in Competing Business

As at 30 June 2019, each of Botai Group and Liantai Guangchang held 10% interest in Jiangsu Hanjiang Mintai Rural Bank Co., Ltd.* (江蘇邗江民泰村鎮銀行股份有限公司) ("**Mintai Bank**") in the capacity as passive investors, and Botai Group held 8% interest in Yangzhou Guangling Zhongcheng Rural Bank Co., Ltd.* (揚州廣陵中成村鎮銀行股份有限公司) ("**Zhongcheng Bank**") in the capacity as a passive investor.

Mintai Bank principally engages in certain banking business such as taking public deposit; providing short term, medium term and long term loans; domestic exchange settlement; notes acceptance and discount; interbank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by CBIRC ("**Banking Business**") in Hanjiang District of Yangzhou.

Zhongcheng Bank principally engages in the Banking Business in Guangling District of Yangzhou City.

For further details on the general information of Mintai Bank and Zhongcheng Bank and the reasons that our Directors are of the view that the competition between the principal businesses of Mintai Bank and Zhongcheng Bank and the Company is limited and not extreme, please refer to the paragraph titled "Relationship with the Controlling Shareholders - other Businesses Invested by our Controlling Shareholders" in the Company's prospectus dated 24 April 2017.

Save as disclosed above, as at 30 June 2019, none of the Controlling Shareholders of the Company, Directors and their respective close associates had any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under 8.10(1)(a)(ii) of the Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 January 2015 in accordance with Rules 3.21 to 3.23 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting, risk management and internal control systems, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of our audit committee. The Audit Committee had reviewed the 2019 interim report and the unaudited financial statements of the Company for the six months ended 30 June 2019 and was of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company has complied with the requirements of the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2019 and up to the date of this report.

* For identification purpose only

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted a code of conduct regarding securities transactions by Directors and the Supervisors (the “**Code of Conduct**”) on terms no less exacting than the required standard of dealings as set out in the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors have confirmed that they have complied with such Code of Conduct and required standard of dealings during the six months ended 30 June 2019 and up to the date of this report. The Company continues and will continue to ensure compliance with the Code of Conduct.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, save for the Transfer of Listing, there was no significant event relevant to the business or financial performance of the Company that comes to the attention of the Directors after the six months ended 30 June 2019.

By order of the Board
**Yangzhou Guangling District Taihe Rural
Micro-finance Company Limited**
Bo Wanlin
Chairman

Yangzhou, the PRC, 12 August 2019

As at the date of this report, the Board comprises three executive Directors, namely Mr. Bo Wanlin, Ms. Bai Li and Ms. Zhou Yinqing; two non-executive Directors, namely Mr. Bo Nianbin and Mr. Zuo Yuchao and three independent non-executive Directors, namely Mr. Bao Zhenqiang, Mr. Wu Xiankun and Mr. Chan So Kuen.

Independent Review Report

To the board of directors of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 20 to 44, which comprise the condensed statement of financial position of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**") as at 30 June 2019 and the related condensed statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting ("**IAS 34**"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
12 August 2019

Condensed Statement of Profit or Loss and Other Comprehensive Income

Six months ended 30 June 2019

(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
Interest income	4	55,499,995	54,572,066
Interest expense	4	(147,524)	—
Interest income, net	4	55,352,471	54,572,066
Accrual of provision for impairment losses		(569,072)	(2,412,481)
Accrual of provision for guarantee losses		(2,526)	(115,544)
Administrative expenses	5	(14,506,991)	(5,892,567)
Other income, net	6	69,523	292,878
PROFIT BEFORE TAX		40,343,405	46,444,352
Income tax expense	7	(9,957,988)	(11,726,687)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		30,385,417	34,717,665
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9	0.05	0.06
Diluted		0.05	0.06

Condensed Statement of Financial Position

As at 30 June 2019

(Amounts expressed in RMB unless otherwise stated)

	Notes	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
ASSETS			
Cash and cash equivalents	10	13,410,813	4,337,348
Loans receivable	11	835,362,546	814,275,722
Property and equipment	12	7,067,821	2,324,103
Deferred tax	13	4,782,598	5,003,496
Other assets	14	307,075	1,516,837
TOTAL ASSETS		860,930,853	827,457,506
LIABILITIES			
Deferred income		37,219	112,070
Income tax payable		6,842,733	8,044,735
Liabilities from guarantees		86,378	83,852
Lease liabilities	18	2,162,278	—
Other liabilities	15	10,105,749	7,905,770
TOTAL LIABILITIES		19,234,357	16,146,427
EQUITY			
Share capital	16	600,000,000	600,000,000
Reserves	17	103,074,536	103,074,536
Retained earnings		138,621,960	108,236,543
TOTAL EQUITY		841,696,496	811,311,079
TOTAL EQUITY AND LIABILITIES		860,930,853	827,457,506

Bai Li
Director

Zhou Yinqing
Director

Condensed Statement of Changes In Equity

Six months ended 30 June 2019

(Amounts expressed in RMB unless otherwise stated)

	Reserves					Total
	Paid in capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	
Balance as at 1 January 2018	600,000,000	54,417,191	33,403,729	8,084,486	94,650,965	790,556,371
Profit for the period and total comprehensive income	—	—	—	—	34,717,665	34,717,665
Dividends paid	—	—	—	—	(48,000,000)	(48,000,000)
Balance as at 30 June 2018 (unaudited)	600,000,000	54,417,191	33,403,729	8,084,486	81,368,630	777,274,036
Balance as at 1 January 2019	600,000,000	54,417,191	40,279,200	8,378,145	108,236,543	811,311,079
Profit for the period and total comprehensive income	—	—	—	—	30,385,417	30,385,417
Balance as at 30 June 2019 (unaudited)	600,000,000	54,417,191	40,279,200	8,378,145	138,621,960	841,696,496

Condensed Statement of Cash Flows

Six months ended 30 June 2019

(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2019 (unaudited)	2018 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		40,343,405	46,444,352
Adjustments for:			
Depreciation and amortisation	12	927,218	408,756
Accrual of provision for impairment losses		569,072	2,412,481
Accrual of provision for guarantee losses		2,526	115,544
Accreted interest on impaired loans	4	(157,143)	(143,129)
Net gain on disposal of property and equipment and other assets	6	—	(107,864)
Interest expense	4	147,524	—
Foreign exchange loss, net	6	3	105,577
Decrease/(increase) in loans receivable		(21,616,917)	1,709,424
Decrease/(increase) in other assets		53,690	(468,286)
Increase/(decrease) in other liabilities		2,251,713	(1,072,704)
Net cash flows from operating activities before tax		22,521,091	49,404,151
Income tax paid		(10,939,092)	(10,879,453)
Net cash flows from operating activities		11,581,999	38,524,698
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(1,654,935)	(197,280)
Proceeds from disposal of property and equipment		—	107,864
Net cash flows used in investing activities		(1,654,935)	(89,416)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings		(66,124)	—
Principal portion of lease payments		(700,679)	—
Interest paid on borrowings		(86,793)	—
Dividends paid		—	(48,000,000)
Net cash flows used in financing activities		(853,596)	(48,000,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		4,337,348	10,578,504
Effect of foreign exchange rate changes, net	6	(3)	(105,577)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10	13,410,813	908,209

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE INFORMATION

Yangzhou Guangling District Taihe Rural Micro-finance Company Limited ("**Taihe Micro-credit**" or the "**Company**") was established as a limited liability company in the People's Republic of China (the "**PRC**") on 12 November 2008 based on "Su Jin Rong Ban Fa [2008] No 47" issued by the Pilot Leading Group Office for Rural Micro-finance Organisations of Jiangsu province.

According to the resolution of the shareholders' meeting on 8 August 2012 and "Yang Fu Jin [2012] No 77" approved by the Yangzhou Municipal Government Financial Office, the Company was converted from a limited liability company to a joint stock company on 10 August 2012. Upon its conversion, the Company issued 260 million shares at a par value of RMB1 each to its shareholders, based on the asset appraisal result of RMB300.48 million in respect of its net assets in the financial statements as at 31 July 2012.

In May 2017, the Company conducted a public offering of overseas listed foreign shares ("**H shares**"). Upon the completion of the H share offering, the issued capital was increased to RMB600 million. The Company's H shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and trading of its H shares commenced on 8 May 2017. The Company has applied for the listing of, and permission to deal in, 150,000,000 H Shares in issue on the Main Board by way of the Transfer of Listing and the application has been approved. Dealings in the H Shares on the Main Board commenced on 17 July 2019.

The Company obtained its business licence with Unified Social Credit No. 91321000682158920M. The legal representative of the Company is Bo Wanlin. Its registered office is located at Beizhou Road, Lidian Village, Guangling District, Yangzhou City.

The principal activities of the Company are the granting of loans to "Agriculture, Rural Areas and Farmers", provision of financial guarantees, acting as a financial institution agent and other financial businesses.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Jiangsu Botai Group Co., Ltd., which is incorporated in the People's Republic of China.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 BASIS OF PREPARATION

The interim condensed financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2018.

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 *Leases* that indicates Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Company.

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases-Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings on 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

a) Nature of the effect of adoption of IFRS 16

The Company has operating lease contracts for buildings, which were used by the Company for operation. As a lessee, the Company previously classified lease as operating lease based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Company. Under IFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for the lease.

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

b) Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate on 1 January 2019.

The right-of-use assets were included in property, plant and equipment and measured at the amount of the lease liability, adjusted by the amount of accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	<i>RMB</i>
Assets	
Increase in property, plant and equipment	2,626,966
Increase in total assets	2,626,966
Liabilities	
Increase in lease liabilities	2,802,226
Decrease in other liabilities	(175,260)
Increase in total liabilities	2,626,966

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>RMB</i>
Operating lease commitments as at 31 December 2018	1,496,920
The impact of VAT	(71,282)
Operating lease commitments as at 31 December 2018 not include VAT	1,425,638
Weighted average incremental borrowing rate as at 1 January 2019	12.00%
Discounted operating lease commitments at 1 January 2019	1,358,389
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	1,443,837
Lease liabilities as at 1 January 2019	2,802,226

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

As a lessee – Leases previously classified as operating leases (continued)

c) Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The nature and assumptions related to the Company's accounting estimates are consistent with those adopted in the Company's financial statements for the year ended 31 December 2018.

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

4. INTEREST INCOME, NET

	Six months ended 30 June	
	2019	2018
Interest income on:		
Loans receivable	55,492,600	54,514,072
Cash at banks	5,860	19,190
Cash at a third party	1,535	38,804
Subtotal	55,499,995	54,572,066
Interest expense on:		
Lease liabilities	135,312	—
Borrowing from other institutions	12,212	—
Subtotal	147,524	—
Interest income, net	55,352,471	54,572,066
Included: Interest income on impaired loans	157,143	143,129

5. ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2019	2018
Staff costs	2,367,189	2,111,566
Tax and surcharges	303,936	443,189
Transfer of listing expense	7,395,463	—
Depreciation and amortisation	927,218	408,756
Leasing expense	—	311,392
Office expenses	92,833	76,050
Auditor's remuneration	672,170	—
Advertising and entertainment expenses	893,823	938,035
Service fees	1,156,122	1,007,075
Others	698,237	596,504
Total	14,506,991	5,892,567

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

6. OTHER INCOME, NET

	Six months ended 30 June	
	2019	2018
Other income:		
Guarantee fee income	74,851	299,393
Gain on disposal of fixed assets	—	107,864
Others	10,000	10,344
Subtotal	84,851	417,601
Other expenses:		
Foreign exchange loss	(3)	(105,577)
Fee and commission expense	(15,225)	(9,146)
Charitable contributions	—	(10,000)
Others	(100)	—
Subtotal	(15,328)	(124,723)
Other income, net	69,523	292,878

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
Current income tax	9,737,090	12,251,892
Deferred income tax	220,898	(525,205)
	9,957,988	11,726,687

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company is domiciled to the tax expense at the effective tax rate is as follows:

	Six months ended 30 June	
	2019	2018
Profit before tax	40,343,405	46,444,352
Tax at the applicable tax rate	10,085,851	11,611,088
Adjustments in respect of current income tax of previous years	(281,875)	—
Expenses not deductible for tax	154,012	115,599
Total tax expense for the year at the Company's effective tax rate	9,957,988	11,726,687

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

8. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2019.

Cash dividends for the year ended 31 December 2017 of RMB0.08 per share, amounting to approximately RMB48,000,000 was paid during the six months ended 30 June 2018.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue for the period as follows:

	Six months ended 30 June	
	2019	2018
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	30,385,417	34,717,665
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	600,000,000	600,000,000
Basic and diluted earnings per share	0.05	0.06

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	2018
Issued ordinary shares at the beginning of the period	600,000,000	600,000,000
Weighted average number of ordinary shares at the end of the period	600,000,000	600,000,000

There were no dilutive potential ordinary shares during the period, and therefore, diluted earnings per share are the same as the basic earnings per share.

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

10. CASH AND CASH EQUIVALENTS

	As at 30 June 2019	As at 31 December 2018
Cash at a third party	2,847	6,253
Cash at banks	13,407,966	4,331,095
	13,410,813	4,337,348

At the end of the reporting period, the cash and cash equivalents of the Company denominated in RMB amounted to RMB 13,410,813 (As at 31 December 2018: RMB4,337,348).

11. LOANS RECEIVABLE

	As at 30 June 2019	As at 31 December 2018
Loans receivables	863,132,864	841,515,947
Less: Allowance for impairment losses	27,770,318	27,240,225
	835,362,546	814,275,722

The types of loans receivable are as follow:

	As at 30 June 2019	As at 31 December 2018
Guaranteed loans	824,571,161	801,348,948
Collateral-backed loans	38,561,703	40,166,999
	863,132,864	841,515,947
Less: Allowance for impairment losses	27,770,318	27,240,225
	835,362,546	814,275,722

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

11. LOANS RECEIVABLE (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system (Five-Tier Principle) and six months-end stage classification.

Internal rating grades	30 June 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Normal	848,568,859	—	—	848,568,859	826,671,468
Special mention	—	3,631,250	—	3,631,250	3,301,005
Sub-standard	—	—	—	—	3,237,467
Doubtful	—	—	4,275,548	4,275,548	1,164,800
Loss	—	—	6,657,207	6,657,207	7,141,207
Total	848,568,859	3,631,250	10,932,755	863,132,864	841,515,947

An analysis of changes in the outstanding exposures is as follows:

	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL) Collectively assessed	(Lifetime ECL) Collectively assessed	(Lifetime ECL – impaired) Individually assessed	
Outstanding exposure as at				
31 December 2018	826,671,468	3,301,005	11,543,474	841,515,947
New exposures	412,771,501	—	—	412,771,501
Exposure derecognised	(387,242,860)	(133,262)	(3,778,462)	(391,154,584)
Transfers to Stage 2	(3,631,250)	3,631,250	—	—
Transfers to Stage 3	—	(3,167,743)	3,167,743	—
At 30 June 2019	848,568,859	3,631,250	10,932,755	863,132,864

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

11. LOANS RECEIVABLE (continued)

	Stage 1 (12-month ECL) Collectively assessed	Stage 2 (Lifetime ECL) Collectively assessed	Stage 3 (Lifetime ECL – impaired) Individually assessed	Total
Outstanding exposure as at				
31 December 2017	800,984,711	2,029,650	8,959,321	811,973,682
New exposures	826,671,468	670,162	3,000,000	830,341,630
Exposure derecognised	(798,116,401)	(864,850)	(1,818,114)	(800,799,365)
Transfers to Stage 2	(2,630,843)	2,630,843	—	—
Transfers to Stage 3	(237,467)	(1,164,800)	1,402,267	—
At 31 December 2018	826,671,468	3,301,005	11,543,474	841,515,947

An analysis of changes of the corresponding expected credit losses (“ECLs”) is as follows:

	Stage 1 (12-month ECL) Collectively assessed	Stage 2 (Lifetime ECL) Collectively assessed	Stage 3 (Lifetime ECL – impaired) Individually assessed	Total ECL allowance
ECLs as at 31 December 2018	17,816,242	318,462	9,105,521	27,240,225
New exposures	8,873,653	—	—	8,873,653
Exposures derecognized	(8,344,267)	(12,856)	(1,809,376)	(10,166,499)
Transfers to Stage 2	(78,260)	78,260	—	—
Transfers to Stage 3	—	(305,606)	305,606	—
Net remeasurement of ECL arising from transfer of stage	—	295,470	1,409,488	1,704,958
Changes to inputs used for ECL calculations.	(21,777)	—	296,901	275,124
Accreted interest on impaired loans (Note 4)	—	—	(157,143)	(157,143)
At 30 June 2019	18,245,591	373,730	9,150,997	27,770,318

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

11. LOANS RECEIVABLE (continued)

	Stage 1 (12-month ECL) Collectively assessed	Stage 2 (Lifetime ECL) Collectively assessed	Stage 3 (Lifetime ECL – impaired) Individually assessed	Total ECL allowance
ECLs as at 31 December 2017	17,057,494	203,105	7,313,843	24,574,442
New exposures	17,816,241	65,346	1,165,867	19,047,454
Exposures derecognised	(16,996,410)	(87,237)	(1,742,836)	(18,826,483)
Transfers to Stage 2	(56,026)	56,026	—	—
Transfers to Stage 3	(5,057)	(116,561)	121,618	—
Net remeasurement of ECL arising from transfer of stage	—	197,783	676,830	874,613
Changes to inputs used for ECL calculations.	—	—	1,855,903	1,855,903
Accreted interest on impaired loans	—	—	(285,704)	(285,704)
At 31 December 2018	17,816,242	318,462	9,105,521	27,240,225

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(Amounts expressed in RMB unless otherwise stated)

12. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of-use asset	Total
Cost:					
At 1 January 2018	1,429,490	871,032	7,602,632	—	9,903,154
Additions	844,670	112,141	179,417	—	1,136,228
Disposals	(248,526)	—	—	—	(248,526)
At 31 December 2018	2,025,634	983,173	7,782,049	—	10,790,856
Impact of adopting IFRS 16	—	—	—	2,626,966	2,626,966
At 1 January 2019	2,025,634	983,173	7,782,049	2,626,966	13,417,822
Additions	—	357,300	2,686,670	—	3,043,970
Disposals	—	(93,622)	—	—	(93,622)
At 30 June 2019	2,025,634	1,246,851	10,468,719	2,626,966	16,368,170
Accumulated depreciation:					
At 1 January 2018	545,704	530,905	6,815,983	—	7,892,592
Depreciation charge for the year	321,858	121,192	379,637	—	822,687
Disposals	(248,526)	—	—	—	(248,526)
At 31 December 2018	619,036	652,097	7,195,620	—	8,466,753
Depreciation charge for the period	238,985	79,592	333,853	274,788	927,218
Disposals	—	(93,622)	—	—	(93,622)
At 30 June 2019	858,021	638,067	7,529,473	274,788	9,300,349
Net carrying amount:					
At 31 December 2018	1,406,598	331,076	586,429	—	2,324,103
At 30 June 2019	1,167,613	608,784	2,939,246	2,352,178	7,067,821

As at 30 June 2019, one of the Company's motor vehicles with net carrying amounts of RMB 584,969 was pledged to secure the instalment loan payable of the Company (As at 31 December 2018: RMB 670,574).

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(Amounts expressed in RMB unless otherwise stated)

13. DEFERRED TAX

The movements of deferred tax assets and liabilities are as follows:

Deferred tax assets

	Impairment allowance	Liabilities from guarantees	Deferred income	Others	Total
At 1 January 2018	4,351,934	14,500	99,425	—	4,465,859
Recognised in profit or loss	602,582	6,463	(71,408)	—	537,637
At 31 December 2018	4,954,516	20,963	28,017	—	5,003,496
Recognised in profit or loss	46,155	631	(18,713)	22,078	50,151
At 30 June 2019	5,000,671	21,594	9,304	22,078	5,053,647

Deferred tax liabilities

	Depreciation of property and equipment
At 31 December 2018	—
Recognised in profit or loss	(271,049)
At 30 June 2019	(271,049)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 30 June 2019
Net deferred tax assets recognised in the statement of financial position	4,782,598
Net deferred tax assets in respect of continuing operations	4,782,598

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

14. OTHER ASSETS

	As at 30 June 2019	As at 31 December 2018
Prepayments	167,084	1,384,071
Other receivables	967,087	1,088,749
Less: Allowance for doubtful debt	827,096	955,983
	307,075	1,516,837

15. OTHER LIABILITIES

	As at 30 June 2019	As at 31 December 2018
Payrolls payable	472,465	652,207
Installment loan payable	354,876	421,000
Other payables	9,278,408	6,832,563
	10,105,749	7,905,770

16. SHARE CAPITAL

	As at 30 June 2019	As at 31 December 2018
Issued and fully paid	600,000,000	600,000,000

No movement occurred during the period of six-months ended 30 June 2019.

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17. RESERVES

The amounts of the Company's reserves and the movements therein for the reporting period are presented in the statement of changes in equity.

Capital reserve

Capital reserve comprises share premium arising from the difference between the par value of the shares issued by the Company and the net asset value in the financial statements as at 31 July 2012 during the conversion of the Company into a joint stock company and the difference between the par value of the shares of the Company and the proceeds received from the issuance of the shares of the Company.

Surplus reserve

Surplus reserve represents statutory surplus reserve.

The Company is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles of Association of the Company to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Company, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

General reserve

According to the <Financial regulations of micro-finance rural companies in Jiangsu (Trial)> (Su Cai Gui [2009] No.1), the Company is required to set aside a general reserve which is not less than 1% of the ending balance of loans receivable through equity.

Notes to the Condensed Interim Financial Statements

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(Amounts expressed in RMB unless otherwise stated)

18. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities are as follows:

	Borrowing from other institutions	Lease liabilities	Total
At 1 January 2018	—	—	—
New instalment loan	434,280	—	434,280
Repayment of the instalment loan	(13,280)	—	(13,280)
At 31 December 2018	421,000	—	421,000
Impact of adopting IFRS 16	—	2,802,226	2,802,226
At 1 January 2019	421,000	2,802,226	3,223,226
Repayment of the instalment loan	(66,124)	—	(66,124)
Repayment of lease liabilities	—	(700,679)	(700,679)
Interest expense	12,212	135,312	147,524
Repayment of interest expense	(12,212)	(74,581)	(86,793)
At 30 June 2019	354,876	2,162,278	2,517,154

19. RELATED PARTY TRANSACTIONS

(a) Leasing

	Notes	Six months ended 30 June	
		2019	2018
Leasing expense	(i)	—	285,674
Depreciation of right-of-use asset	(i)	253,887	—
Interest expense on lease liabilities	(i)	130,957	—

Notes:

- (i) The Company entered into a lease contract in respect of the Company's office with an entity with significant influence over the Company. As at 28 November 2017, the Company agreed with the lessor and renewed the lease contract, the leasing period is from 1 January 2018 to 31 December 2020. The leasing expense of six months ended 30 June 2018 was RMB 285,674 (not including VAT).

The Company has adopted IFRS 16 since 1 January 2019 and recognised lease liability as well as right-of-use asset accordingly. The interest expense on lease liabilities and depreciation of right-of-use asset for the period of six months ended 30 June 2019 were RMB130,957 and RMB253,887, respectively.

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

19. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel's remuneration

	Six months ended 30 June	
	2019	2018
Key management personnel's remuneration	792,118	680,690

(c) Outstanding balances with related parties

	Notes	As at	As at
		30 June 2019	31 December 2018
Amounts due to related parties			
Entity with significant influence over the Company:			
Liantai Guangchang	(i)	2,047,079	—
Total		2,047,079	—
Amounts due from related parties			
Key management personnel of the Company:			
Director		10,000	—
Total		10,000	—

Notes:

- (i) As at 30 June 2019 the Company had an outstanding balance of lease liability due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd ("Liantai Guangchang"), amounting to RMB2,047,079 (as at 1 January 2019: RMB2,574,132).

20. SEGMENT INFORMATION

Almost all of the Company's revenue was generated from the provision of loans to small and medium sized and micro enterprises ("SMEs") located at Yangzhou, Jiangsu Province in the PRC during the reporting period. There is no other main segment except the loan business.

21. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	As at	As at
	30 June 2019	31 December 2018
Financial guarantee contracts	4,000,000	4,000,000

Notes to the Condensed Interim Financial Statements

30 June 2019

(Amounts expressed in RMB unless otherwise stated)

22. COMMITMENTS

The Company had the following capital commitments at the end of the reporting period:

	As at 30 June 2019	As at 31 December 2018
Contracted, but not provided for:		
– Property and equipment	23,791	199,999
– Leasehold improvements	119,600	791,613
	143,391	991,612

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	As at 30 June 2019	As at 31 December 2018
Financial assets		
Financial assets at amortised cost		
– Cash at banks and a third party	13,410,813	4,337,348
– Loans receivable	835,362,546	814,275,722
– Other receivables	139,991	132,766
	848,913,350	818,745,836

	As at 30 June 2019	As at 31 December 2018
Financial liabilities		
Financial liabilities at amortised cost		
– Other payables	4,366,813	2,142,882
– Lease liabilities	2,162,278	—
	6,529,091	2,142,882

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(Amounts expressed in RMB unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The main risks arising from the Company's financial instruments include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Company has no significant exposures to other financial risks except as disclosed below. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

The following table sets out a breakdown of the Company's overdue loans by security as of the dates indicated:

At 30 June 2019	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	3,131,250	17,743	2,376,459	5,525,452
Collateral-backed loans	650,000	3,132,653	5,255,900	9,038,553
	3,781,250	3,150,396	7,632,359	14,564,005

At 31 December 2018	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
Guaranteed loans	17,743	3,104,816	2,566,106	5,688,665
Collateral-backed loans	3,132,392	132,652	5,739,900	9,004,944
	3,150,135	3,237,468	8,306,006	14,693,609

(b) Foreign currency risk

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets).

	As at 30 June 2019	As at 31 December 2018
Changes in HKD exchange rate	Impact on profit before tax	Impact on profit before tax
+5%	77	116
-5%	(77)	(116)

Notes to the Condensed Interim Financial Statements

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(Amounts expressed in RMB unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Interest rate risk

The following table demonstrates the sensitivity as at the end of each reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate of cash at banks and cash at a third party). The Company's equity is not affected, other than the consequential effect on retained earnings (a component of the Company's equity) affected by the changes in profit before tax.

	As at 30 June 2019	As at 31 December 2018
	Impact on profit before tax	Impact on profit before tax
Changes in RMB interest rate		
+ 50 basis points	67,054	52,893
- 50 basis points	(67,054)	(52,893)

(d) Liquidity risk

The tables below summarise the maturity profiles of the financial assets and financial liabilities of the Company based on undiscounted contractual cash flows:

	As at 30 June 2019					
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and a third party	13,410,813	—	—	—	—	13,410,813
Loans receivable	—	14,693,609	133,786,542	756,629,225	—	905,109,376
Other assets	967,087	—	—	—	—	967,087
Subtotal	14,377,900	14,693,609	133,786,542	756,629,225	—	919,487,276
Financial liabilities:						
Other liabilities	—	—	3,929,706	119,304	341,312	4,390,322
Lease liabilities	—	—	—	691,137	2,085,379	2,776,516
Subtotal	—	—	3,929,706	810,441	2,426,691	7,166,838
Net	14,377,900	14,693,609	129,856,836	755,818,784	(2,426,691)	912,320,438
Off-balance sheet guarantee	—	—	4,000,000	—	—	4,000,000

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(Amounts expressed in RMB unless otherwise stated)

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

	As at 31 December 2018					
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and a third party	4,337,348	—	—	—	—	4,337,348
Loans receivable	—	14,693,609	133,786,542	756,629,225	—	905,109,376
Other assets	1,088,749	—	—	—	—	1,088,749
Subtotal	5,426,097	14,693,609	133,786,542	756,629,225	—	910,535,473
Financial liabilities:						
Other liabilities	—	—	1,553,150	308,799	280,933	2,142,882
Subtotal	—	—	1,553,150	308,799	280,933	2,142,882
Net	5,426,097	14,693,609	132,233,392	756,320,426	(280,933)	908,392,591
Off-balance sheet guarantee	—	—	—	4,000,000	—	4,000,000

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's financial assets mainly include cash at banks and a third party and loans receivable.

The Company's financial liabilities mainly include lease liabilities and other payables.

Due to the short remaining period or periodical repricing to reflect the market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

26. EVENTS AFTER THE REPORTING PERIOD

The Company has applied for the listing of, and permission to deal in, 150,000,000 H Shares in issue on the Main Board by way of the transfer of listing and the application has been approved. Dealings in the H Shares on the Main Board commenced on 17 July 2019.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The interim financial statements have been approved and authorised for issue by the Company's board of directors on 12 August 2019.