

2017 First Quarterly 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: 8252

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This report, for which the directors (the “**Directors**”) of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Company Profile

BASIC INFORMATION

Legal Chinese Name:

揚州市廣陵區泰和農村小額貸款股份有限公司

English Name:

Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

Legal Representative:

Mr. Bo Wanlin

Authorised Representatives for the Hong Kong Stock Exchange:

Mr. Bo Wanlin

Mr. Xu Lei

Board Secretary:

Mr. Xu Lei

Joint Company Secretaries:

Mr. Xu Lei

Mr. Wong Yat Tung

Registered Address:

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

Place of Listing and Stock Code:

The Growth Enterprise Market of the Stock Exchange
of Hong Kong Limited, 8252

Company Profile

Legal Adviser as to PRC Laws:

Commerce & Finance Law Offices

Legal Adviser as to Hong Kong Laws:

Li & Partners

Compliance Adviser:

China Galaxy International Securities (Hong Kong)
Co., Limited

Auditors:

Ernst & Young

Hong Kong H Share Registrar and Transfer Office:

Tricor Investor Services Limited

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the three months ended 31 March 2017 (Unaudited)

	Notes	Three months ended 31 March	
		2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB
Interest income	2	18,750,601	20,150,320
Interest expense		<u>—</u>	<u>(397,022)</u>
Interest income, net		18,750,601	19,753,298
Reversal of provision for impairment losses		1,682,244	1,864,110
Administrative expenses		(5,255,322)	(5,813,815)
Other income/(expense), net		<u>(5,195)</u>	<u>(3,211)</u>
PROFIT BEFORE TAX		15,172,328	15,800,382
Income tax expense	3	<u>(3,865,307)</u>	<u>(4,084,749)</u>
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>11,307,021</u>	<u>11,715,633</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	4	<u>0.03</u>	<u>0.03</u>
Diluted	4	<u>0.03</u>	<u>0.03</u>

Consolidated Statement of Changes in Equity

For the three months ended 31 March 2017 (Unaudited)

	Paid in capital	Reserves			Retained earnings	Total
		Capital reserve	Surplus reserve	General reserve		
Balance as at 1 January 2016	450,000,000	40,477,627	24,772,271	6,195,009	63,857,325	585,302,232
Profit for the period and total comprehensive income	—	—	—	—	11,715,633	11,715,633
Dividends paid	—	—	—	—	(45,000,000)	(45,000,000)
Balance as at 31 March 2016 (unaudited)	<u>450,000,000</u>	<u>40,477,627</u>	<u>24,772,271</u>	<u>6,195,009</u>	<u>30,572,958</u>	<u>552,017,865</u>
Balance as at 1 January 2017	450,000,000	40,477,627	28,820,340	6,195,009	55,289,944	580,782,920
Profit for the period and total comprehensive income	—	—	—	—	11,307,021	11,307,021
Balance as at 31 March 2017 (unaudited)	<u>450,000,000</u>	<u>40,477,627</u>	<u>28,820,340</u>	<u>6,195,009</u>	<u>66,596,965</u>	<u>592,089,941</u>

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited financial statements have been prepared in accordance with the requirements of GEM Listing Rules, accounting principles comply with IFRSs, which include all standards and interpretations approved by the IASB and International Accounting Standards (the "IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The financial statements have not been audited by the Company's auditors but have been reviewed and commented on by the Company's audit committee. The principal accounting policies and methods of computation used in preparing these results are consistent with those used in preparing the Company's audited financial statements for the year ended 31 December 2016.

IASB has issued a number of new and revised International Financial Reporting Standards, International Accounting Standards and Interpretations (the "new and revised IFRS"). The Company has not early adopted the new and revised IFRS that have been issued but are not yet effective, as the Company is in the process of assessing the impact of these new and revised IFRS on the financial performance and financial position of the Company.

2. INTEREST INCOME

Interest income mainly represents the amounts received and receivable from loans receivable.

3. INCOME TAX EXPENSE

	Three months ended 31 March	
	2017 <i>(unaudited)</i>	2016 <i>(unaudited)</i>
Current income tax	3,405,788	3,540,670
Deferred income tax	459,519	544,079
	<u>3,865,307</u>	<u>4,084,749</u>

The Company conducts all of its business in the PRC. The statutory income tax rate is generally 25%.

Notes to the Consolidated Financial Statements

4. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: RMB 4.5 million).

5. EARNINGS PER SHARE

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 Relevant Periods as follows:

	Three months ended 31 March	
	2017	2016
	<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>11,307,021</u>	<u>11,715,633</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	<u>450,000,000</u>	<u>450,000,000</u>
Basic and diluted earnings per share	<u>0.03</u>	<u>0.03</u>

(i) Weighted average number of ordinary shares

	Three months ended 31 March	
	2017	2016
	<i>(unaudited)</i>	<i>(unaudited)</i>
Issued ordinary shares at the beginning of the period	450,000,000	450,000,000
Weighted average number of ordinary shares at the end of the period	<u>450,000,000</u>	<u>450,000,000</u>

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

Management Discussion and Analysis

BUSINESS REVIEW

The Company weathered through a fluctuating market in 2016 and achieved stable operating results. For the three months ended 31 March 2017, the Company recorded a total revenue of approximately RMB18.8 million, representing an decrease of approximately 6.9% as compared to approximately RMB20.2 million in the corresponding period in 2016; and a profit after tax of approximately RMB11.3 million, representing an decrease of approximately 3.5% as compared to approximately RMB11.7 million in the corresponding period in 2016. As at 31 March 2017, the Company's total assets were approximately RMB609.4 million, representing an increase of approximately 1.9% as compared to approximately RMB598.0 million as at 31 December 2016; and its net assets were approximately RMB592.1 million, representing an increase of approximately 1.9% as compared to approximately RMB580.8 million as at 31 December 2016.

The Company has successfully listed its H Shares on GEM on 8 May 2017, substantially enhancing capital strength for its planned business pursuits and strategies. The Company and the management will continue to devote its resources to develop its business and bring greater returns to shareholders.

INTEREST INCOME

Our interest income decreased by 6.9% from approximately RMB20.2 million for the three months ended 31 March 2016 to approximately RMB18.8 million for the three months ended 31 March 2017. This decrease was primarily attributable to (i) a decrease in the effective interest rate per annum we charged on our loans, from 13.6% for the three months ended 31 March 2016 to 12.5% for the three months ended 31 March 2017; and (ii) imposition of VAT on our interest income in lieu of business tax with effect from 1 May 2016, as a result of which our interest income has been recognized net of applicable VAT starting from 1 May 2016, partially offset by an increase in our average daily balance of our loans receivable by approximately 1.1% from approximately RMB591.4 million for the three months ended 31 March 2016 to approximately RMB597.7 million for the three months ended 31 March 2017.

INTEREST EXPENSE

Our interest expense decreased from RMB397,022 for the three months ended 31 March 2016 to nil for the three months ended 31 March 2017, primarily due to the decrease in our average daily balance of borrowings from approximately RMB14.4 million for the three months ended 31 March 2016 to nil for the three months ended 31 March 2017.

REVERSAL OF PROVISION FOR IMPAIRMENT LOSSES

We had reversal of provision for impairment losses of approximately RMB1.9 million and approximately RMB1.7 million for the three months ended 31 March 2016 and 2017, respectively, primarily as a result of overall improvement of our loan quality.

Management Discussion and Analysis

ADMINISTRATIVE EXPENSES

Our administrative expenses decreased by approximately 9.6% from approximately RMB5.8 million for the three months ended 31 March 2016 to approximately RMB5.3 million for the three months ended 31 March 2017. This was primarily due to a decrease in business tax and surcharges of approximately RMB594,889.

INCOME TAX EXPENSE

Income tax expense decreased by approximately 5.4% from approximately RMB4.1 million for the three months ended 31 March 2016 to approximately RMB3.9 million for the three months ended 31 March 2017. Such decrease was mainly attributable to a decrease in current income tax of RMB134,882 due to decrease in our profit before tax.

EMPLOYEE INFORMATION

As at 31 March 2017, the Company had 31 full-time employees (31 March 2016: 29 full-time employees). Total remuneration for the three months ended 31 March 2017 was RMB942,559 (for the three months ended 31 March 2016: RMB811,469). Such increase was mainly due to the increase in staff salaries and bonus.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2017.

FOREIGN EXCHANGE RISK

The Company's business was principally denominated in RMB, hence the exposure to the risk of foreign exchange rate fluctuations for the Company was minimal.

CONTINGENT LIABILITIES

The Company did not have any material contingent liability in the three months ended 31 March 2017 and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, save for the successful listing of the Company's H Shares on GEM on 8 May 2017, 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 three months ended 31 March 2017.

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

The Company was not yet listed on the GEM of the Stock Exchange as of 31 March 2017 (being the end of the relevant period of three months ended 31 March 2017 for the purpose of this report). The Company was listed on the GEM of the Stock Exchange on 8 May 2017. As at the date of this report, interests or short positions of the Directors, supervisors and chief executive of the Company and their associates in any of the shares and debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), 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 recorded in the register required to be kept pursuant to Section 352 of the SFO or share transaction as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

Shares of the Company

Director	Nature of interest	Class of Shares	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	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	430,100,000 (L)	95.58%	71.68%
Ms. Bai Li	Beneficial owner of the Company	Domestic Shares	10,000,000 (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner of the Company	Domestic Shares	2,600,000 (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner of the Company	Domestic Shares	700,000 (L)	0.15%	0.12%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.
- (2) The calculation is based on the percentage of shareholding in Domestic Shares (namely, ordinary share in our capital, with a nominal value of RMB1.00 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.

Others

- (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 our 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 16.67% by Mr. Bo Nianbin, approximately 16.67% by Ms. Bai Li, approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) and approximately 16.67% by Ms. Zhu Wenying (mother 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.

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⁾	16.67%
Mr. Bo Nianbin	Botai Group	Beneficial owner ⁽¹⁾	16.67%

Notes:

- (1) The disclosed interest represents the interests in Botai Group, the associated corporation which is wholly owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 16.67% by Mr. Bo Nianbin, approximately 16.67% by Ms. BaiLi, approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) and approximately 16.67% by Ms. Zhu Wenying (mother of Mr. Bo Wanlin).
- (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 the date of this report, none of the Directors, supervisors and chief executive nor their associates had any interests or short positions in any of the shares or underlying shares 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 Rules 5.46 to 5.68 of the GEM Listing Rules.

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

The Company was not yet listed on the GEM of the Stock Exchange as of 31 March 2017 (being the end of the relevant period of three months ended 31 March 2017 for the purpose of this report). The Company was listed on the GEM of the Stock Exchange on 8 May 2017. As at the date of this report, so far as the Directors are aware, each of the following persons have 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	Class of Shares	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	Beneficial owner of the Company	Domestic Shares	240,200,000 (L)	53.38% ⁽²⁾	40.03%
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	189,900,000 (L)	42.20% ⁽²⁾	31.65%
Mr. Bo Wanlin	Interest in controlled corporation ⁽⁵⁾	Domestic Shares	430,100,000 (L)	95.58% ⁽²⁾	71.68%
Ms. Wang Zhengru	Family interest of Spouse ⁽⁶⁾	Domestic Shares	430,100,000 (L)	95.58% ⁽²⁾	71.68%
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")	Beneficial owner of the Company	Domestic Shares	189,900,000 (L)	42.20% ⁽²⁾	31.65%
Mr. Suen Cho Hung, Paul	Beneficial owner of the Company	H Shares	54,000,000 (L)	36.00% ⁽⁷⁾	9.00%
Mr. Lai Ming Wai	Beneficial owner of the Company	H Shares	10,000,000 (L)	6.67% ⁽⁷⁾	1.67%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.
- (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 Public Offer.
- (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 15.00% by Mr. Bo Nianbin and approximately 10.00% by Ms. Zhu Wenying (mother of Mr. Bo Wanlin). Botai Group controls more than one-third of the voting rights of Liantai Guangchang and are 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 16.67% by Mr. Bo Nianbin, approximately 16.67% by Ms. Bai Li, approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) and approximately 16.67% by Ms. Zhu Wenying (mother 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.

Others

- (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.
- (7) The calculation is based on the percentage of shareholding in the H Shares.

Save as disclosed above, as at the date of this report, 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 were 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not purchase, sale or redeem any shares of the Company since 8 May 2017 (being the first date of listing of the Company).

INTERESTS IN COMPETING BUSINESS

Directors' and Controlling Shareholders' Interest in Competing Business

As at the date of this report, each of Botai Group and Liantai Guangchang (both are the Company's controlling shareholders (as defined in the GEM Listing Rules)) 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**") 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 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; inter-bank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by China Banking Regulatory Commission ("**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 about Mintai Bank and Zhongcheng Bank and the reasons that our Directors are of the view that such investment and 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, none of the controlling shareholders of the Company, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 31 January 2015 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting, risk management and internal control system, oversee the audit process and provide advice and comments to the Board. The Audit Committee consists of three members, 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 Group’s financial statements for the three months ended 31 March 2017 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 15 to the GEM Listing Rules since 8 May 2017 and up to the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and supervisors of the Company, the Directors and supervisors of the Company have complied with such code of conduct and required standard of dealings since 8 May 2017 and up to the date of this report.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company’s compliance adviser, China Galaxy International Securities (Hong Kong) Co., Limited (the “**Compliance Adviser**”), save for the compliance adviser agreement dated 16 August 2016 and the supplemental agreement dated 31 March 2017 entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Company or in the share capital of any member of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.