

2017 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: 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

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. Wong Yat Tung (*ACIS, ACS*)

Authorized representatives for the Hong Kong Stock Exchange

Mr. Bo Wanlin
Mr. Xu Lei

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

18/F, Tesbury Centre
28, Queen's Road East
Wanchai, Hong Kong

Company website address

www.gltaihe.com

Stock code

8252

Auditors and reporting accountants

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

Company Profile

Legal advisers as to Hong Kong law

Li & Partners
22/F, World-Wide House
Central
Hong Kong

Legal advisers as to PRC law

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing, China 100022

Compliance adviser

China Galaxy International Securities
(Hong Kong) Co., Limited
Units 3501-7, 3513-14, 35/F
Cosco Tower
183 Queen's Road Central
Hong Kong

H Share registrar

Tricor Investor Services Limited
Level 22, 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

- For the six months ended 30 June 2017, the Company recorded a total interest income of approximately RMB 38.6 million, representing an increase of approximately 1.2% as compared to approximately RMB 38.1 million in the corresponding period in 2016.
- For the six months ended 30 June 2017, the profit after tax of the Company amounted to approximately RMB 18.3 million, representing a decrease of approximately 7.7% as compared to approximately RMB 19.9 million in the corresponding period in 2016. After excluding the effect of exchange loss, the profit after tax of the Company amounted to approximately RMB 20.3 million, representing an increase of approximately 2.3% as compared to approximately RMB 19.9 million in the corresponding period in 2016.
- As at 30 June 2017, the balance of outstanding loan of the Company amounted to approximately RMB 699.5 million, representing an increase of approximately 16.7% as compared to approximately RMB 599.4 million in the corresponding period in 2016.

Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2017, the Company continued to pursue business opportunities, strengthened its market position and achieved stable operating results. For the six months ended 30 June 2017, the Company recorded total interest income of approximately RMB 38.6 million, representing an increase of approximately 1.2% as compared to approximately RMB 38.1 million in the corresponding period in 2016; and profit after tax of approximately RMB 18.3 million, which represented a decrease of approximately 7.7% as compared to approximately RMB 19.9 million for the corresponding period in 2016. As at 30 June 2017, the Company's balance of outstanding loans was approximately RMB 699.5 million, representing an increase of approximately 16.7% as compared to approximately RMB 599.4 million as at 31 December 2016. Total assets as at 30 June 2017 were approximately RMB 774.0 million, representing an increase of approximately 29.4% as compared to approximately RMB 598.0 million as at 31 December 2016, and net assets were approximately RMB 763.0 million as at 30 June 2017, representing an increase of approximately 31.4% as compared to approximately RMB 580.8 million as at 31 December 2016.

Following the listing of the Company's H shares (the "**H Shares**") on the Stock Exchange on 8 May 2017 (the "**Listing**"), the Company has deployed the net proceeds from the Listing to expand its loan business. Coupled with an enhanced brand influence, it is expected that the Company will have great development prospects.

FINANCIAL REVIEW

Interest income

Our interest income increased by approximately 1.2% from approximately RMB 38.1 million for the six months ended 30 June 2016 to approximately RMB 38.6 million for the six months ended 30 June 2017. This increase was mainly attributable to an increase in the average daily balance of our loans receivable of approximately 8.0% from approximately RMB 583.8 million for the six months ended 30 June 2016 to approximately RMB 630.7 million for the six months ended 30 June 2017, but partially offset by a decrease in the effective interest rate per annum we charged on our loans, from 13.0% for the six months ended 30 June 2016 to 12.2% for the six months ended 30 June 2017. Our period-on-period interest income movement was also affected by the imposition of value-added tax ("**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.

Interest expense

Our interest expense decreased from RMB 0.6 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017, primarily due to the decrease in our average daily balance of borrowings from approximately RMB 10.1 million for the six months ended 30 June 2016 to nil for the six months ended 30 June 2017.

Management Discussion and Analysis

Reversal/(accrual) of provision for impairment losses

We had reversal of provision for impairment losses of approximately RMB 1.9 million and accrual of provision for impairment losses of RMB 0.7 million for the six months ended 30 June 2016 and 2017, respectively. The accrual of provision for impairment losses for the six months ended 30 June 2017 is primarily attributable to the increase in our balance of loans receivable.

Administrative expenses

Our administrative expenses decreased by approximately 17.4% from approximately RMB 12.9 million for the six months ended 30 June 2016 to approximately RMB 10.6 million for the six months ended 30 June 2017. This was primarily due to a decrease in auditor's remuneration, business tax and surcharges.

Income tax expense

Income tax expense decreased by approximately 5.5% from approximately RMB 6.7 million for the six months ended 30 June 2016 to approximately RMB 6.3 million for the six months ended 30 June 2017. Such decrease was mainly attributable to a decrease in deferred income tax of approximately RMB 0.7 million due to the increase in provision for impairment losses.

Significant Investments

The Company has no significant investment during the six months ended 30 June 2017.

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 2017.

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 as at 30 June 2017.

Foreign exchange risk

The Company operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD after Listing, the balance of which is approximately HK\$ 70.4 million as at 30 June 2017.

Liquidity, financial resources and capital structure

As at 30 June 2017, the Company had bank balances and cash of approximately RMB 84.0 million (31 December 2016: approximately RMB 3.6 million). The Company had no interest-bearing borrowings as at 30 June 2017 and 31 December 2016. The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 30 June 2017 (31 December 2016: nil).

During the period under review, the Company did not use any financial instruments for hedging purposes.

Management Discussion and Analysis

Indebtedness and charges on assets

As at 30 June 2017 and 31 December 2016, the Company did not have any borrowings. As at 30 June 2017, the Company did not pledge any of its assets to secure any banking facility or bank loan.

Contingent liabilities

The Company did not have any material contingent liability in the six months ended 30 June 2017 and up to the date of this report.

Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements in the six months ended 30 June 2017 and up to the date of this report.

Use of proceeds

The actual net proceeds from the Listing (after deducting underwriting fees and commissions and listing related expenses) amounted to approximately HK\$ 185.4 million (equivalent to approximately RMB 164.3 million). As at 30 June 2017, the Company had utilized approximately HK\$ 91.1 million (equivalent to approximately RMB 79.8 million) of the actual net proceeds principally to expand our loan portfolio for our micro and small loan business. The following table sets out the status of our deployment of actual net proceeds as at 30 June 2017:

	Allocated net proceeds <i>(RMB million)</i>	Funds deployed as at 30 June 2017 <i>(RMB million)</i>	Unutilized funds as at 30 June 2017 <i>(RMB million)</i>
Expand our loan portfolio in the following markets			
Hanjiang District and Guangling District	84.6	53.2	31.4
Jiangdu District	10.7	8.0	2.7
Yizheng (county-level city)	21.2	18.4	2.8
Gaoyou (county-level city)	14.8	0.2	14.6
Baoying (county-level city)	16.6	—	16.6
Subtotal:	147.9	79.8	68.1
Working capital and other general corporate purposes	16.4	—	16.4
Total:	<u>164.3</u>	<u>79.8</u>	<u>84.5</u>

Management Discussion and Analysis

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six month period ended 30 June 2017 (2016: RMB 45.0 million).

MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2017, the Company was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Company had 30 full-time employees (30 June 2016: 28 full-time employees). 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 our employees as an incentive. Total remuneration of the Company for the six months ended 30 June 2017 was approximately RMB 1.7 million (for the six months ended 30 June 2016: approximately RMB 1.8 million).

OUTLOOK

In the first half of 2017, the Gross Domestic Product (“GDP”) of Jiangsu Province exceeded RMB 4.0 trillion for the first time, ranking second in China and representing a year-on-year growth rate of 7.2%. For the same period, the GDP of Yangzhou City was approximately RMB 240.6 billion, representing a year-on-year growth rate of 8.0%. The growth rate ranked second in Jiangsu Province. The steady growth of the economy of Jiangsu Province and Yangzhou City provided a good external economic environment for the business development of the Company. In the first half of 2017, the Chinese government introduced a series of policies that were conducive to improving the multi-level credit market and developing inclusive finance. The introduction of these policies has created a fair, transparent and sustainable policy environment and system basis for the development of microfinance companies.

With the successful listing of Taihe Micro-finance on the Stock Exchange on 8 May 2017, the capital base of the Company has been further expanded. Meanwhile, the Company continues to promote the implementation of the strategic plan and meticulous management initiatives to further strengthen the Company's competitive advantages: to strengthen the brand advantage as a well-known microfinance company in Yangzhou City; to strengthen the capital base and continue to maintain a high regulatory rating; to strengthen the standardized and centralized risk management system; to strengthen the ability to provide flexible, convenient and efficient financing services to sustainable; and to strengthen the team advantages of the experienced management team.

In terms of business strategies, the Company has expanded our customer base by further penetrating the existing market, while expanding and strengthening our back-office operation support.

The objective of the Company is to become a leading regional microfinance company focusing on meeting the interim business financing needs of small and medium-sized enterprises, microenterprises 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.

Others

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 2017, interests or short positions of the Directors, supervisors (the "Supervisors") and chief executive of the Company and their associates in any of the shares (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 of the Company 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/Supervisor	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	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 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/Supervisor	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. 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).
- (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 2017, 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 or underlying Shares 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.

Others

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

As at 30 June 2017, 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	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	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	Interest in controlled corporation ⁽⁵⁾	430,100,000 Domestic Shares (L)	95.58% ⁽²⁾	71.68%
Ms. Wang Zhengru	Family interest of spouse ⁽⁶⁾	430,100,000 Domestic Shares (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	189,900,000 Domestic Shares (L)	42.20% ⁽²⁾	31.65%
Mr. Suen Cho Hung, Paul	Beneficial owner	54,000,000(L) H Shares	36.00% ⁽⁷⁾	9.00%
Mr. Lai Ming Wai	Beneficial owner	10,000,000(L) H Shares	6.67% ⁽⁷⁾	1.67%

* For identification purpose only

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 Listing.
- (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 Wenyong (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 Wenyong (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.
- (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 30 June 2017, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 our "**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 identification proposes only

Others

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 2017, none of the Controlling Shareholders, 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 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 system, oversee the audit process and to 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 financial statements of the Company for the six months ended 30 June 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

During the six months ended 30 June 2017, the Company adopted a code of conduct regarding securities transactions by Directors and Supervisors 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, the Directors and Supervisors have confirmed that they have complied with such code of conduct and required standard of dealings since 8 May 2017 and up to the date of this report. The Company continues and will continue to ensure compliance with the code of conduct.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float required by the GEM Listing Rules for the six months ended 30 June 2017 and up to the date of this report.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, 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 2017.

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.

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 June 2017

	Notes	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		(unaudited) RMB	(unaudited) RMB	(unaudited) RMB	(unaudited) RMB
Interest income	2	19,831,214	17,963,871	38,581,815	38,114,191
Interest expense		<u>—</u>	<u>(198,750)</u>	<u>—</u>	<u>(595,772)</u>
Interest income, net		19,831,214	17,765,121	38,581,815	37,518,419
Reversal/(accrual) of provision for impairment losses		(2,339,974)	10,396	(657,730)	1,874,506
Administrative expenses	4	(5,379,526)	(7,057,978)	(10,634,848)	(12,871,793)
Other expense	3	(2,665,940)	(7,460)	(2,671,135)	(10,671)
PROFIT BEFORE TAX		9,445,774	10,710,079	24,618,102	26,510,461
Income tax expense	5	(2,427,674)	(2,573,363)	(6,292,981)	(6,658,112)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>7,018,100</u>	<u>8,136,716</u>	<u>18,325,121</u>	<u>19,852,349</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic	7	<u>0.01</u>	<u>0.02</u>	<u>0.04</u>	<u>0.04</u>
Diluted	7	<u>0.01</u>	<u>0.02</u>	<u>0.04</u>	<u>0.04</u>

Condensed Statement of Financial Position

As at 30 June 2017

	<i>Notes</i>	As at 30 June 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
ASSETS			
Cash and cash equivalents		83,984,857	3,552,827
Loans receivables	8	680,292,657	580,544,326
Property and equipment		2,084,152	1,483,786
Deferred tax assets		4,796,468	4,709,204
Other assets		2,846,557	7,660,783
TOTAL ASSETS		<u>774,004,691</u>	<u>597,950,926</u>
LIABILITIES			
Income tax payable		4,335,685	5,669,546
Other liabilities		6,621,401	11,498,460
TOTAL LIABILITIES		<u>10,957,086</u>	<u>17,168,006</u>
EQUITY			
Share capital	9	600,000,000	450,000,000
Reserves		89,432,540	75,492,976
Retained earnings		73,615,065	55,289,944
TOTAL EQUITY		<u>763,047,605</u>	<u>580,782,920</u>
TOTAL EQUITY AND LIABILITIES		<u>774,004,691</u>	<u>597,950,926</u>

Condensed Statement of Changes in Equity

For the six months ended 30 June 2017

	Paid in capital RMB	Reserves			Retained earnings RMB	Total RMB
		Capital reserve RMB	Surplus reserve RMB	General reserve RMB		
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	—	—	—	—	19,852,349	19,852,349
Dividends paid (Note 6)	—	—	—	—	(45,000,000)	(45,000,000)
Balance as at 30 June 2016 (unaudited)	<u>450,000,000</u>	<u>40,477,627</u>	<u>24,772,271</u>	<u>6,195,009</u>	<u>38,709,674</u>	<u>560,154,581</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
H shares issued (Note 9)	150,000,000	13,939,564	—	—	—	163,939,564
Profit for the period and total comprehensive income	—	—	—	—	18,325,121	18,325,121
Balance as at 30 June 2017 (unaudited)	<u>600,000,000</u>	<u>54,417,191</u>	<u>28,820,340</u>	<u>6,195,009</u>	<u>73,615,065</u>	<u>763,047,605</u>

Condensed Statement of Cash Flow

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
	RMB	RMB
Net cash flows (used in)/ from operating activities	(86,649,774)	63,319,689
Net cash flows used in investing activities	(1,109,676)	(24,663)
Net cash flows from/(used in) financing activities	169,452,152	(54,878,861)
Net increase in cash and cash equivalents	81,692,702	8,416,165
Cash and cash equivalents at beginning of period	3,552,827	417,519
Effect of foreign exchange rate changes on cash and cash equivalents	(1,260,672)	—
Cash and cash equivalents at the end of period	83,984,857	8,833,684

Notes to the Condensed Interim Financial Report

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed 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 condensed financial statements have not been audited by the Company’s auditors, but have been reviewed by the Audit Committee of the Company. 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. OTHER EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB	RMB	RMB	RMB
Fee and commission expense	(9,121)	(7,460)	(14,316)	(10,671)
Charitable contributions	(10,000)	—	(10,000)	—
Loss from foreign exchange, net	(2,646,819)	—	(2,646,819)	—
Total	<u>(2,665,940)</u>	<u>(7,460)</u>	<u>(2,671,135)</u>	<u>(10,671)</u>

Notes to the Condensed Interim Financial Report

4. ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB	RMB	RMB	RMB
Staff costs	776,462	953,468	1,719,021	1,764,937
Business tax and surcharges	107,467	205,132	192,330	884,884
Listing expenses	2,645,288	3,595,006	5,221,535	5,112,467
Depreciation and amortisation	209,212	391,165	402,866	782,020
Leasing expense	144,089	144,089	288,178	288,178
Office expenses	79,610	23,866	129,614	55,423
Auditor's remuneration	150,525	675,782	507,030	1,070,313
Entertainment expenses	392,377	71,135	775,035	710,502
Others	874,496	998,335	1,399,239	2,203,069
Total	<u>5,379,526</u>	<u>7,057,978</u>	<u>10,634,848</u>	<u>12,871,793</u>

5. INCOME TAX EXPENSE

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB	RMB	RMB	RMB
Current income tax	2,974,459	2,492,747	6,380,247	6,033,417
Deferred income tax	(546,785)	80,616	(87,266)	624,695
	<u>2,427,674</u>	<u>2,573,363</u>	<u>6,292,981</u>	<u>6,658,112</u>

Income tax expense for the Six-Month Period represents PRC Enterprise Income Tax.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six month period ended 30 June 2017 (2016: RMB 45.0 million).

Notes to the Condensed Interim Financial Report

7. 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 six month period ended 30 June 2017 as follows:

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB	RMB	RMB	RMB
Earnings				
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>7,018,100</u>	<u>8,136,716</u>	<u>18,325,121</u>	<u>19,852,349</u>
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	<u>539,010,989</u>	<u>450,000,000</u>	<u>494,751,381</u>	<u>450,000,000</u>

(i) Weighted average number of ordinary shares

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Issued ordinary shares at the beginning of the period	450,000,000	450,000,000	450,000,000	450,000,000
Weighted average number of ordinary shares at the end of the period	<u>539,010,989</u>	<u>450,000,000</u>	<u>494,751,381</u>	<u>450,000,000</u>

There were no dilutive potential ordinary shares during the six month period ended 30 June 2017, and therefore, diluted earnings per share are the same as the basic earnings per share.

Notes to the Condensed Interim Financial Report

8. LOANS RECEIVABLES

	As at 30 June 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
Loans receivables	699,478,538	599,381,140
Less: Allowance for impairment losses	(19,185,881)	(18,836,814)
Total:	<u>680,292,657</u>	<u>580,544,326</u>

The types of loans receivables are as follow:

	As at 30 June 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
Guaranteed loans	629,450,894	518,850,072
Loans secured by mortgages	70,027,644	80,531,068
	699,478,538	599,381,140
Less: Allowance for impairment	(19,185,881)	(18,836,814)
	<u>680,292,657</u>	<u>580,544,326</u>

Movements of allowance for impairment losses during the relevant financial year/period are as follows:

	Individually assessed	Collectively assessed	Total
As at 1 January 2016	6,112,962	16,296,271	22,409,233
Charges/(reversals) for the year	1,244,141	(3,617,841)	(2,373,700)
Accreted interest on impaired loans	(1,198,719)	—	(1,198,719)
	<u>6,158,384</u>	<u>12,678,430</u>	<u>18,836,814</u>
As at 31 December 2016	6,158,384	12,678,430	18,836,814
Charges/(reversals) for the period	(73,670)	731,400	657,730
Accreted interest on impaired loans	(308,663)	—	(308,663)
	<u>(73,670)</u>	<u>731,400</u>	<u>657,730</u>
As at 30 June 2017	<u>5,776,051</u>	<u>13,409,830</u>	<u>19,185,881</u>

Notes to the Condensed Interim Financial Report

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

	30 June 2017			Total <i>RMB</i>
	Overdue within 3 months <i>RMB</i>	Overdue more than 3 to 12 months <i>RMB</i>	Overdue more than 1 year <i>RMB</i>	
Guaranteed loans	—	596,000	1,733,570	2,329,570
Loans secured by mortgages	2,000,000	78,499	7,655,100	9,733,599
Total	2,000,000	674,499	9,388,670	12,063,169

	31 December 2016			Total <i>RMB</i>
	Overdue within 3 months <i>RMB</i>	Overdue more than 3 to 12 months <i>RMB</i>	Overdue more than 1 year <i>RMB</i>	
Guaranteed loans	—	712,500	1,680,000	2,392,500
Loans secured by mortgages	87,570	250,000	7,338,680	7,676,250
Total	87,570	962,500	9,018,680	10,068,750

9. SHARE CAPITAL

	As at 30 June 2017 <i>(unaudited)</i>	As at 31 December 2016 <i>(audited)</i>
Issued and fully paid ordinary shares of RMB 1 each	600,000,000	450,000,000

Movements in the Company's share capital are as follows:

	Number of shares issued	Share capital <i>RMB</i>
As at 1 January 2016 and 31 December 2016	450,000,000	450,000,000
Issuance of H shares	150,000,000	150,000,000
As at 30 June 2017	600,000,000	600,000,000

On 8 May 2017, 150,000,000 H shares of nominal value of RMB 1.00 each were issued and listed on the GEM of the Stock Exchange. As at 30 June 2017, the share capital represented 600,000,000 ordinary shares of the Company of RMB 1.00 each.

Notes to the Condensed Interim Financial Report

10. RELATED PARTY DISCLOSURES

(i) Other receivables from related parties

	As at 30 June 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
Key management personnel	107,650	100,000

Other receivables from related parties are interest-free and repayable on demand.

(ii) Leasing

	Six months ended 30 June	
	2017 (unaudited) RMB	2016 (unaudited) RMB
Leasing expense	262,500	262,500

Leasing expense was paid to one of our controlling shareholders in respect of the Company's office. On 10 November 2014, the Company renewed the lease agreement with 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) to lease its premises as office and for operation of the Company, the leasing period is from 1 January 2015 to 31 December 2017. The leasing expense of year 2015 is RMB 500,000 with yearly increment of 5%. The leasing expense for the six months ended 30 June 2017 is RMB 262,500 (six months ended 30 June 2016: RMB 262,500).

(iii) Key management personnel remuneration

	Six months ended 30 June	
	2017 (unaudited) RMB	2016 (unaudited) RMB
Key management personnel remuneration	615,224	570,699

* For identification purpose only