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## **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)**

### **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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This announcement, 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 GEM 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 announcement 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 announcement misleading.

## **FINANCIAL HIGHLIGHTS**

- (1) For the three months ended 31 March 2018, the Company recorded a gross interest income of approximately RMB27.2 million, representing an increase of approximately 45.2% as compared to approximately RMB18.8 million in the corresponding period in 2017.
- (2) For the three months ended 31 March 2018, the profit after tax of the Company amounted to approximately RMB16.0 million, representing an increase of approximately 41.5% as compared to approximately RMB11.3 million in the corresponding period in 2017.
- (3) As at 31 March 2018, the balance of outstanding loan (before allowance for impairment losses) of the Company amounted to approximately RMB839.1 million, representing an increase of approximately 3.3% as compared to approximately RMB812.0 million as at 31 December 2017.

The board of Directors of the Company (the “**Board**”) hereby announces the unaudited results of the Company for the three months ended 31 March 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

## Condensed Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 <i>(unaudited)</i> RMB	2017 <i>(unaudited)</i> RMB
Interest income	2	<b>27,221,587</b>	18,750,601
Interest expense		<u>—</u>	<u>—</u>
Interest income, net		<b>27,221,587</b>	18,750,601
(Accrual)/Reversal of provision for impairment losses		<b>(2,668,651)</b>	1,682,244
Accrual of provision for guarantee losses		<b>(67,472)</b>	—
Administrative expenses	4	<b>(3,209,160)</b>	(5,255,322)
Other income/(expense), net	3	<b>250,411</b>	(5,195)
<b>PROFIT BEFORE TAX</b>		<b>21,526,715</b>	15,172,328
Income tax expense	5	<b>(5,527,098)</b>	(3,865,307)
<b>PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>15,999,617</u></b>	<u>11,307,021</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	7	<b><u>0.03</u></b>	<u>0.03</u>
Diluted	7	<b><u>0.03</u></b>	<u>0.03</u>

# Condensed Statement of Financial Position

As at 31 March 2018

	Notes	As at 31 March 2018 (unaudited) RMB	As at 31 December 2017 (audited) RMB
<b>ASSETS</b>			
Cash and cash equivalents		987,747	10,578,504
Loans receivable	8	811,899,010	787,399,240
Property and equipment		1,815,152	2,010,562
Deferred tax assets		5,019,090	4,465,859
Other assets		731,278	238,158
<b>TOTAL ASSETS</b>		<b>820,452,277</b>	<b>804,692,323</b>
<b>LIABILITIES</b>			
Deferred income		214,491	397,701
Income tax payable		7,226,947	6,642,307
Liabilities from guarantees		125,472	58,000
Other liabilities		6,329,379	7,037,944
<b>TOTAL LIABILITIES</b>		<b>13,896,289</b>	<b>14,135,952</b>
<b>EQUITY</b>			
Share capital	9	600,000,000	600,000,000
Reserves		95,905,406	95,905,406
Retained earnings		110,650,582	94,650,965
<b>TOTAL EQUITY</b>		<b>806,555,988</b>	<b>790,556,371</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>820,452,277</b>	<b>804,692,323</b>

# Condensed Statement of Changes in Equity

For the three months ended 31 March 2018

	Reserves					Total <i>RMB</i>
	Paid in capital <i>RMB</i>	Capital reserve <i>RMB</i>	Surplus reserve <i>RMB</i>	General reserve <i>RMB</i>	Retained earnings <i>RMB</i>	
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)	450,000,000	40,477,627	28,820,340	6,195,009	66,596,965	592,089,941
Balance as at 1 January 2018	<b>600,000,000</b>	<b>54,417,191</b>	<b>33,403,729</b>	<b>8,084,486</b>	<b>94,650,965</b>	<b>790,556,371</b>
Profit for the period and total comprehensive income	—	—	—	—	<b>15,999,617</b>	<b>15,999,617</b>
Balance as at 31 March 2018 (unaudited)	<b>600,000,000</b>	<b>54,417,191</b>	<b>33,403,729</b>	<b>8,084,486</b>	<b>110,650,582</b>	<b>806,555,988</b>

# Condensed Statement of Cash Flow

For the three months ended 31 March 2018

	Three months ended 31 March	
	2018 <i>(unaudited)</i> RMB	2017 <i>(unaudited)</i> RMB
Net cash used in operating activities	<b>(9,653,052)</b>	(1,135,673)
Net cash generated from/(used in) investing activities	<b>99,064</b>	(1,003,232)
Net cash used in financing activities	<b>—</b>	(275,708)
Net decrease in cash and cash equivalents	<b>(9,553,988)</b>	(2,414,613)
Cash and cash equivalents at the beginning of period	<b>10,578,504</b>	3,552,827
Effect of foreign exchange rate changes on cash and cash equivalents	<b>(36,769)</b>	—
Cash and cash equivalents at the end of period	<b>987,747</b>	1,138,214

# Notes to the Condensed Financial Statements

## 1. BASIS OF PREPARATION AND CHANGES OF THE COMPANY'S ACCOUNTING POLICIES

### 1.1 Basis of preparation

The quarterly condensed financial statements for the three months ended 31 March 2018 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 quarterly 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 consolidated financial statements as at 31 December 2017.

The quarterly condensed financial statements for the three months ended 31 March 2018 have not been audited by the Company's auditors.

### 1.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the quarterly condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. 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 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. 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 2018, but do not have an impact on the quarterly condensed financial statements of the Company.

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Currently, most of the Company's financial assets, including loans receivable, cash and cash equivalents and other receivables, which generally had maturity profiles of up to one year, are classified and measured at amortised cost, and the adoption of IFRS 9 has no material impact on the classification and measurement of its financial assets. Based on the nature and classification of financial assets and financial liabilities of the Company recorded on the statement of financial position as at 31 March 2018, the new requirements for classification and measurement for financial assets and financial liabilities under IFRS 9 have no significant impact on the Company's financial position or performance.

## IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company's principal revenue is the interest from the granted loans to customers. The impact arising from the adoption of IFRS 15 on the Company is immaterial.

## 2. INTEREST INCOME

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

## 3. OTHER INCOME/(EXPENSE), NET

	Three months ended 31 March	
	2018	2017
	(unaudited)	(unaudited)
	RMB	RMB
Fee and commission income	183,211	—
Fee and commission expense	(3,895)	(5,195)
Loss from foreign exchange, net	(36,769)	—
Others	107,864	—
Total	<u>250,411</u>	<u>(5,195)</u>



#### 4. ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2018	2017
	( <i>unaudited</i> )	( <i>unaudited</i> )
	RMB	RMB
Staff costs	<b>1,093,494</b>	942,559
Tax and surcharges	<b>267,420</b>	84,863
Listing expenses	—	2,576,247
Depreciation and amortisation	<b>202,931</b>	193,654
Leasing expense	<b>155,696</b>	144,089
Office expenses	<b>58,522</b>	50,004
Auditor's remuneration	—	356,505
Advertising and entertainment expenses	<b>708,093</b>	382,658
Service fees	<b>318,445</b>	156,044
Others	<b>404,559</b>	368,699
Total	<b>3,209,160</b>	5,255,322

#### 5. INCOME TAX EXPENSE

	Three months ended 31 March	
	2018	2017
	( <i>unaudited</i> )	( <i>unaudited</i> )
Current income tax	<b>6,080,329</b>	3,405,788
Deferred income tax	<b>(553,231)</b>	459,519
	<b>5,527,098</b>	3,865,307

Income tax expense for the three-month period ended 31 March represents the People's Republic of China ("PRC") Enterprise Income Tax.

#### 6. DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

## 7. 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:

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>15,999,617</b>	11,307,021
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	<b>600,000,000</b>	450,000,000
Basic and diluted earnings per share	<b>0.03</b>	0.03

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

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>(unaudited)</b>	(unaudited)
Issued ordinary shares at the beginning of the period	<b>600,000,000</b>	450,000,000
Weighted average number of ordinary shares at the end of the period	<b>600,000,000</b>	450,000,000

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.

## 8. LOANS RECEIVABLE

	<b>As at 31 March 2018 (unaudited) RMB</b>	As at 31 December 2017 (audited) RMB
Loans receivables	<b>839,085,678</b>	811,973,682
Less: Allowance for impairment losses	<b>(27,186,668)</b>	(24,574,442)
	<b><u>811,899,010</u></b>	<u>787,399,240</u>

The types of loans receivable are as follow:

	<b>As at 31 March 2018 (unaudited) RMB</b>	As at 31 December 2017 (audited) RMB
Guaranteed loans	<b>789,456,974</b>	764,615,334
Collateral-backed loans	<b>49,628,704</b>	47,358,348
Less: Allowance for loans receivable	<b>(27,186,668)</b>	(24,574,442)
	<b><u>811,899,010</u></b>	<u>787,399,240</u>

Movements of allowance for impairment losses during the relevant financial years are as follows:

	<b>Individually assessed</b>	<b>Collectively assessed</b>	<b>Total</b>
As at 1 January 2017	6,158,384	12,678,430	18,836,814
Charges for the year	1,760,243	4,582,169	6,342,412
Accreted interest on impaired loans	(604,784)	—	(604,784)
	<u>7,313,843</u>	<u>17,260,599</u>	<u>24,574,442</u>
As at 31 December 2017	7,313,843	17,260,599	24,574,442
Charges for the period	1,840,118	841,246	2,681,364
Accreted interest on impaired loans	(69,138)	—	(69,138)
	<u>1,840,118</u>	<u>841,246</u>	<u>2,681,364</u>
<b>As at 31 March 2018</b>	<b><u>9,084,823</u></b>	<b><u>18,101,845</u></b>	<b><u>27,186,668</u></b>

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

	31 March 2018			
	Overdue within 3 months RMB	Overdue more than 3 to 12 months RMB	Overdue more than 1 year RMB	Total RMB
Guaranteed loans	3,227,550	520,000	1,622,876	5,370,426
Collateral-backed loans	—	1,185,000	6,849,215	8,034,215
<b>Total</b>	<b>3,227,550</b>	<b>1,705,000</b>	<b>8,472,091</b>	<b>13,404,641</b>

	31 December 2017			
	Overdue within 3 months RMB	Overdue more than 3 to 12 months RMB	Overdue more than 1 year RMB	Total RMB
Guaranteed loans	1,185,000	52,500	1,993,076	3,230,576
Collateral-backed loans	844,650	—	6,913,745	7,758,395
<b>Total</b>	<b>2,029,650</b>	<b>52,500</b>	<b>8,906,821</b>	<b>10,988,971</b>

## 9. SHARE CAPITAL

	<b>As at 31 March 2018 (unaudited)</b>	As at 31 December 2017 (audited)
Issued and fully paid ordinary shares of RMB1.00 each	<b>600,000,000</b>	600,000,000

## 10. RELATED PARTY DISCLOSURES

### (i) Other receivables from related parties

	<b>As at 31 March 2018 (unaudited) RMB</b>	As at 31 December 2017 (audited) RMB
Key management personnel	<u><b>44,916</b></u>	<u>—</u>

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

### (ii) Leasing

	<b>Three months ended 31 March 2018 (unaudited) RMB</b>	2017 (unaudited) RMB
Leasing expense	<u><b>155,696</b></u>	<u>144,089</u>

Leasing expense was paid to an entity with significant influence over the Company in respect of the Company's office. On 28 December 2017, 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) ("Liantai Guangchang") to lease its premises as office and for operation of the Company, the leasing period is from 1 January 2018 to 31 December 2020. The leasing expense of year 2018 is RMB 600,000 (including VAT) with yearly increment of 5%.

### (iii) Key management personnel remuneration

	<b>Three months ended 31 March 2018 (unaudited) RMB</b>	2017 (unaudited) RMB
Key management personnel remuneration	<u><b>305,277</b></u>	<u>259,293</u>

\* For identification purpose only

# Management Discussion and Analysis

## BUSINESS REVIEW

During the three months ended 31 March 2018, the Company continued to pursue business opportunities, strengthen its market position and achieved rapid growth in operating results. For the three months ended 31 March 2018, the Company recorded gross interest income of approximately RMB27.2 million, representing an increase of approximately 45.2% as compared to approximately RMB18.8 million in the corresponding period in 2017; and profit after tax of approximately RMB16.0 million, representing an increase of approximately 41.5% as compared to approximately RMB11.3 million for the corresponding period in 2017. As at 31 March 2018, the Company's balance of outstanding loan (before allowance for impairment losses) amounted to approximately RMB839.1 million, representing an increase of approximately 3.3% as compared to approximately RMB812.0 million as at 31 December 2017. Total assets as at 31 March 2018 were approximately RMB820.5 million, representing an increase of approximately 2.0% as compared to approximately RMB804.7 million as at 31 December 2017, and net assets were approximately RMB806.6 million as at 31 March 2018, representing an increase of approximately 2.0% as compared to approximately RMB790.6 million as at 31 December 2017.

### 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 three months ended 31 March 2017 and 2018, we granted loans to 82 and 76 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated:

	Three months ended 31 March			
	2018		2017	
	<i>No. of Customers</i>	<i>%</i>	<i>No. of Customers</i>	<i>%</i>
<b>Customer by type</b>				
SMEs and microenterprises	<b>9</b>	<b>11.8</b>	9	11.0
Individual proprietors	<b>67</b>	<b>88.2</b>	73	89.0
<b>Total</b>	<b>76</b>	<b>100.0</b>	82	100.0

## Loan portfolio by size

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

	As at 31 March 2018		As at 31 December 2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Less than or equal to RMB0.5 million</b>				
– Guaranteed loans	<b>15,278</b>	<b>1.8</b>	18,989	2.3
– Collateralized loans	<b>10,935</b>	<b>1.3</b>	10,486	1.3
	<b>26,213</b>	<b>3.1</b>	29,475	3.6
<b>Over RMB0.5 million but less than or equal to RMB1 million</b>				
– Guaranteed loans	<b>58,650</b>	<b>7.0</b>	58,650	7.2
– Collateralized loans	<b>520</b>	<b>0.1</b>	1,522	0.2
	<b>59,170</b>	<b>7.1</b>	60,172	7.4
<b>Over RMB1 million but less than or equal to RMB2 million</b>				
– Guaranteed loans	<b>314,504</b>	<b>37.5</b>	319,849	39.4
– Collateralized loans	<b>17,525</b>	<b>2.0</b>	14,262	1.8
	<b>332,029</b>	<b>39.5</b>	334,111	41.2
<b>Over RMB2 million but less than or equal to RMB3 million</b>				
– Guaranteed loans	<b>401,025</b>	<b>47.8</b>	367,128	45.2
– Collateralized loans	<b>20,649</b>	<b>2.5</b>	21,088	2.6
	<b>421,674</b>	<b>50.3</b>	388,216	47.8
<b>Total</b>	<b>839,086</b>	<b>100</b>	811,974	100

## 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 (including loans granted before 1 January 2018) by security as at the dates indicated:

	As at 31 March 2018		As at 31 December 2017	
	RMB'000	%	RMB'000	%
Guaranteed loans	789,457	94.1	764,616	94.2
Collateralized loans	49,629	5.9	47,358	5.8
included: Guaranteed and collateralized loans	46,660	5.6	44,376	5.5
<b>Total</b>	<b>839,086</b>	<b>100</b>	<b>811,974</b>	<b>100</b>

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

	Three months ended 31 March	
	2018	2017
Guaranteed loans	67	77
Collateralized loans	14	11
included: Guaranteed and collateralized loans	13	11
<b>Total</b>	<b>81</b>	<b>88</b>

## 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 Regulatory Commission ("CBRC"). 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 31 March 2018		As at 31 December 2017	
	RMB'000	%	RMB'000	%
Normal	825,681	98.4	800,985	98.6
Special-Mention	3,228	0.4	2,030	0.3
Substandard	1,705	0.2	—	0.0
Doubtful	116	0.0	3,668	0.5
Loss	8,356	1.0	5,291	0.6
<b>Total</b>	<b>839,086</b>	<b>100</b>	<b>811,974</b>	<b>100</b>



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

	<b>As at 31 March 2018</b>	As at 31 December 2017
Impaired loan ratio <sup>(1)</sup>	<b>1.2%</b>	1.1%
Balance of impaired loans (RMB'000)	<b>10,177</b>	8,959
Total amount of loans receivable (RMB'000)	<b><u>839,086</u></b>	<u>811,974</u>
	<b>As at 31 March 2018</b>	As at 31 December 2017
Allowance coverage ratio <sup>(2)</sup>	<b>267.1%</b>	274.3%
Allowance for impairment losses (RMB'000) <sup>(3)</sup>	<b>27,187</b>	24,574
Balance of impaired loans (RMB'000)	<b>10,177</b>	8,959
Provisions for impairment losses ratio <sup>(4)</sup>	<b><u>3.2%</u></b>	<u>3.0%</u>
	<b>As at 31 March 2018</b>	As at 31 December 2017
Balance of overdue loans (RMB'000)	<b>13,405</b>	10,989
Total amount of loans receivable (RMB'000)	<b>839,086</b>	811,974
Overdue loan ratio <sup>(5)</sup>	<b><u>1.6%</u></b>	<u>1.4%</u>

*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 include 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 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.

## **FINANCIAL REVIEW**

### **Interest income**

Our gross interest income increased by approximately 45.2% from approximately RMB18.8 million for the three months ended 31 March 2017 to approximately RMB27.2 million for the three months ended 31 March 2018. This increase was mainly attributable to an increase in the average daily balance of our loans receivable of approximately 37.3% from approximately RMB597.8 million for the three months ended 31 March 2017 to approximately RMB820.7 million for the three months ended 31 March 2018 and an increase in the average interest rate per annum from 12.5% for the three months ended 31 March 2017 to 13.3% for the three months ended 31 March 2018.

### **Interest expense**

Our interest expense was nil for the three months ended 31 March 2017 and 2018 as there was no borrowings during the three months ended 31 March 2017 and 2018.

### **Reversal/(accrual) of provision for impairment losses**

We had reversal of provision for impairment losses of approximately RMB1.7 million and accrual of provision for impairment losses of RMB2.7 million for the three months ended 31 March 2017 and 2018, respectively. The balance of impaired loans increased from RMB9.0 million as at 31 December 2017 to RMB10.2 million as at 31 March 2018. Our Company has adopted prudent provision policies. The increase in our balance of loans receivable as at 31 March 2018 had led to the accrual of provision for impairment losses.

### **Accrual of provision for guarantee losses**

We had accrual of provision for guarantee losses of nil and RMB67,472 for the three months ended 31 March 2017 and 2018, respectively. Our Company has adopted prudent provision policies. The total provision of guarantee losses increased from RMB58,000 as at 31 December 2017 to RMB125,472 as at 31 March 2018.

### **Administrative expenses**

Our administrative expenses decreased by approximately 38.9% from approximately RMB5.3 million for the three months ended 31 March 2017 to approximately RMB3.2 million for the three months ended 31 March 2018. This was primarily due to the absence of listing expense for the three months ended 31 March 2018.

### **Income tax expense**

Income tax expense increased by approximately 43.0% from approximately RMB3.9 million for the three months ended 31 March 2017 to approximately RMB5.5 million for the three months ended 31 March 2018. Such increase was mainly attributable to an increase in profit before tax.

### **Profit after tax and total comprehensive income**

As a result of the foregoing, our profit after tax and total comprehensive income increased by approximately 41.5% from approximately RMB11.3 million for the three months ended 31 March 2017 to approximately RMB16.0 million for the three months ended 31 March 2018.

### **Significant investments**

The Company has no significant investment during the three months ended 31 March 2018 and up to the date of this announcement.

### **Material acquisitions or disposals of subsidiaries and affiliated companies**

The Company has no material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2018 and up to the date of this announcement.

### **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 31 March 2018.

### **Foreign exchange risk**

The Company operates principally in PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD after being listed on GEM in Hong Kong on 8 May 2017 (the “**Listing**”), the balance of which is approximately HK\$1.02 million as at 31 March 2018. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 31 March 2018, the Company did not have any outstanding hedge instruments.

### **Liquidity, financial resources and capital structure**

As at 31 March 2018, the Company had bank balances and cash of approximately RMB1.0 million (31 December 2017: approximately RMB10.6 million). The Company had no interest-bearing borrowings as at 31 December 2017 and 31 March 2018. The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 31 March 2018 (31 December 2017: nil).

During the three months ended 31 March 2018, 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. Thus a sound liquidity position was able to be maintained throughout the year. The Company continues to assess its customers’ credit and financial positions 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 other flow structure committed by the Company would satisfy the funding needs from time to time.

### **Indebtedness and charges on assets**

As at 31 December 2017 and 31 March 2018, the Company did not have any borrowings. As at 31 March 2018, the Company did not pledge any of its assets to secure any banking facility or bank loan.

## Contingent liabilities

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

	<b>As at 31 March 2018</b>	As at 31 December 2017
Financial guarantee contracts	<b><u>5,800,000</u></b>	<u>5,800,000</u>

We provided guarantee service to two customers in September 2017. The outstanding balance of the guarantee contracts as at 31 March 2018 is RMB3.0 million and RMB2.8 million, respectively. The term of both contracts lasts for one year, which will expire in September 2018. For the three months ended 31 March 2018, the guarantee fee income we recognized from the guarantee contracts is RMB183,211. Our Company has adopted prudent provision policies, the accrual of provision for guarantee losses for the three months ended 31 March 2018 is RMB67,472.

## MATERIAL LITIGATION AND ARBITRATION

As at 31 March 2018, the Company was not involved in any material litigation or arbitration.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Company had 32 full-time employees (31 December 2017: 33 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 three months ended 31 March 2018 was approximately RMB1.1 million (for the three months ended 31 March 2017: approximately RMB0.9 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.

## 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 31 March 2018, 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”), underlying Shares or debentures 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 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	Number of Shares held <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of Shares <sup>(2)</sup>	Approximate percentage of shareholding in the total issued share capital of the Company <sup>(3)</sup>
Mr. Bo Wanlin <sup>(5)</sup>	Interest in controlled corporation <sup>(4)</sup>	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.

- (5) On 12 December 2017, Botai Group and Liantai Guangchang, the controlling shareholders (the “Controlling Shareholders”) of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank as securities for bank facilities in the amount of RMB 40,000,000 and RMB 30,000,000 respectively. As at 31 March 2018, 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, so Mr. Bo Wanlin and Ms. Wang Zhengru is deemed to be interested in 45,000,000 and 35,000,000 Domestic Shares which Botai Group and Liantai Guangchang were deemed to have a security interest. Details are set out in the announcement dated 12 December 2017.

## Associated Corporation

<b>Director</b>	<b>Associated Corporation</b>	<b>Nature of interest</b>	<b>Approximate shareholding percentage in the relevant class of Shares in the Associated Corporation</b>
Mr. Bo Wanlin	Botai Group	Beneficial owner <sup>(1)</sup>	33.33%
		Family interest of spouse <sup>(2)</sup>	16.67%
Ms. Bai Li	Botai Group	Beneficial owner <sup>(1)</sup>	16.67%
Mr. Bo Nianbin	Botai Group	Beneficial owner <sup>(1)</sup>	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. BoWanlin).
- (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 31 March 2018, 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 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

As at 31 March 2018, 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 <sup>(1)</sup>	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company <sup>(3)</sup>
Botai Group <sup>(8)</sup>	Beneficial owner	240,200,000 Domestic Shares (L)	53.38% <sup>(2)</sup>	40.03%
	Interest in controlled corporation <sup>(4)</sup>	189,900,000 Domestic Shares (L)	42.20% <sup>(2)</sup>	31.65%
Mr. Bo Wanlin <sup>(8)</sup>	Interest in controlled corporation <sup>(5)</sup>	430,100,000 Domestic Shares (L)	95.58% <sup>(2)</sup>	71.68%
Ms. Wang Zhengru <sup>(8)</sup>	Family interest of spouse <sup>(6)</sup>	430,100,000 Domestic Shares (L)	95.58% <sup>(2)</sup>	71.68%
Liantai Guangchang <sup>(8)</sup>	Beneficial owner	189,900,000 Domestic Shares(L)	42.20% <sup>(2)</sup>	31.65%
Mr. Suen Cho Hung, Paul	Beneficial owner	43,152,000(L) H Shares	28.77% <sup>(7)</sup>	7.19%
Mr. Lai Ming Wai	Beneficial owner	8,458,000(L) H Shares	5.64% <sup>(7)</sup>	1.41%

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 announcement, 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 announcement, 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. 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). 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.
- (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 as securities for bank facilities in the amount of RMB 40,000,000 and RMB 30,000,000 respectively. As at 31 March 2018, 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, so Mr. Bo Wanlin and Ms. Wang Zhengru are deemed to be interested in 45,000,000 and 35,000,000 Domestic Shares which Botai Group and Liantai Guangchang were deemed to have a security interest. Details are set out in the announcement dated 12 December 2017.

Save as disclosed above, as at 31 March 2018, 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 of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank 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 three months ended 31 March 2018 and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public Shareholders and the Company has maintained the prescribed public float required by the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2018.



## INTERESTS IN COMPETING BUSINESS

### Directors' and Controlling Shareholders' Interest in Competing Business

As at the date of this announcement, each of Controlling Shareholders (as defined in the GEM Listing Rules), 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**") 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; interbank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by CBRC ("**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 31 March 2018, 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 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 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 this quarterly report and the unaudited financial statements of the Company for the three months ended 31 March 2018 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 announcement.

\* *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 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 announcement. 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 announcement, 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 2018.

## **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 during the three months ended 31 March 2018 and up to the date of this announcement.

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

Yangzhou, the PRC, 10 May 2018

*As at the date of this announcement, 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.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website ([www.hkgem.com](http://www.hkgem.com)) for at least 7 days from the date of its publication and on the website of the Company ([www.gltaihe.com](http://www.gltaihe.com)).*