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)

THIRD QUARTER RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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, 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 nine months ended 30 September 2018, the Company recorded interest income of approximately RMB81.3 million, representing an increase of approximately 25.6% as compared to approximately RMB64.7 million in the corresponding period in 2017.

(2) For the nine months ended 30 September 2018, profit after tax of the Company amounted to approximately RMB53.4 million, representing an increase of approximately 66.7% as compared to approximately RMB32.0 million in the corresponding period in 2017.

(3) As at 30 September 2018, the balance of outstanding loans (before allowance for impairment losses) of the Company amounted to approximately RMB827.1 million, representing an increase of approximately 1.9% 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 nine months ended 30 September 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

	Notes	**Three months ended 30 September**		**Nine months ended 30 September**	
		2018	2017	**2018**	2017
		(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
		RMB	*RMB*	***RMB***	*RMB*
Interest income	2	**26,691,373**	26,105,260	**81,263,439**	64,687,075
Interest expense		**—**	(30,693)	**—**	(30,693)
Interest income, net		**26,691,373**	26,074,567	**81,263,439**	64,656,382
Reversal/(accrual) of provision for impairment losses		**947,265**	(2,786,964)	**(1,465,216)**	(3,444,694)
Reversal/(accrual) of provision for guarantee losses		**173,544**	(61,192)	**58,000**	(61,192)
Administrative expenses	4	**(3,593,974)**	(4,234,734)	**(9,486,541)**	(14,869,582)
Other income/(expenses), net	3	**816,655**	(592,129)	**1,109,533**	(3,263,264)
PROFIT BEFORE TAX		**25,034,863**	18,399,548	**71,479,215**	43,017,650
Income tax expense	5	**(6,380,675)**	(4,710,392)	**(18,107,362)**	(11,003,373)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**18,654,188**	13,689,156	**53,371,853**	32,014,277
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic	7	**0.03**	0.02	**0.09**	0.06
Diluted	7	**0.03**	0.02	**0.09**	0.06

Condensed Statement of Financial Position

	Notes	As at 30 September 2018 *(unaudited)* RMB	As at 31 December 2017 *(audited)* RMB
ASSETS			
Cash and cash equivalents		**1,945,673**	10,578,504
Loans receivable	8	**801,295,354**	787,399,240
Property and equipment		**1,626,145**	2,010,562
Deferred tax assets		**4,626,725**	4,465,859
Other assets		**1,014,096**	238,158
TOTAL ASSETS		**810,507,993**	804,692,323
LIABILITIES			
Deferred income		**—**	397,701
Income tax payable		**8,454,673**	6,642,307
Liabilities from guarantees		**—**	58,000
Other liabilities		**6,125,096**	7,037,944
TOTAL LIABILITIES		**14,579,769**	14,135,952
EQUITY			
Share capital	9	**600,000,000**	600,000,000
Reserves		**95,905,406**	95,905,406
Retained earnings		**100,022,818**	94,650,965
TOTAL EQUITY		**795,928,224**	790,556,371
TOTAL EQUITY AND LIABILITIES		**810,507,993**	804,692,323

Condensed Statement of Changes in Equity

		Reserves				
	Paid in capital *RMB*	**Capital reserve** *RMB*	**Surplus reserve** *RMB*	**General reserve** *RMB*	**Retained earnings** *RMB*	**Total** *RMB*
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	150,000,000	13,939,564	—	—	—	163,939,564
Profit for the period and total comprehensive income	—	—	—	—	32,014,277	32,014,277
Balance as at 30 September 2017 (unaudited)	600,000,000	54,417,191	28,820,340	6,195,009	87,304,221	776,736,761
Balance as at 1 January 2018	**600,000,000**	**54,417,191**	**33,403,729**	**8,084,486**	**94,650,965**	**790,556,371**
Profit for the period and total comprehensive income	**—**	**—**	**—**	**—**	**53,371,853**	**53,371,853**
Dividends paid (Note 6)	**—**	**—**	**—**	**—**	**(48,000,000)**	**(48,000,000)**
Balance as at 30 September 2018 (unaudited)	**600,000,000**	**54,417,191**	**33,403,729**	**8,084,486**	**100,022,818**	**795,928,224**

Condensed Statement of Cash Flow

	Nine months ended 30 September	
	2018	2017
	(unaudited)	*(unaudited)*
	RMB	*RMB*
Net cash generated from/(used in) operating activities	**39,599,883**	(167,314,602)
Net cash used in investing activities	**(128,672)**	(1,529,829)
Net cash (used in)/generated from financing activities	**(48,079,585)**	179,452,153
Net (decrease)/increase in cash and cash equivalents	**(8,608,374)**	10,607,722
Cash and cash equivalents at the beginning of period	**10,578,504**	3,552,827
Effect of foreign exchange rate changes on cash and cash equivalents	**(24,457)**	—
Cash and cash equivalents at the end of period	**1,945,673**	14,160,549

Notes to the Condensed Financial Statements

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

1.1 Basis of preparation

The condensed financial statements for the three months and nine months ended 30 September 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 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 condensed financial statements for the three months and nine months ended 30 September 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 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 unaudited condensed financial statements of the Company.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. In October 2017, the IASB issued an amendment to IFRS 9 Financial Instruments. This allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after 1 January 2019, but early application is permitted. The Company adopted IFRS 9 and its amendments from 1 January 2018.

Classification and Measurement

In IFRS 9, financial assets are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the financial assets and their contractual cash fl ow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future.

Business model

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Characteristics of the contractual cash flows

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement.

Impairment

IFRS 9 requires that the measurement of impairment of a financial asset be changed from "incurred loss model" to "expected credit loss model" ("**ECL model**") and this way of measurement applies to financial assets measured at amortized cost.

*Measurement of Expected Credit Loss ("**ECL**")*

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Company discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Company calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the balance sheet date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Company will measure the impairment allowance of the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

The Company shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Company shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Company conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and debtor's creditworthiness (e.g., the likelihood of default by debtors and the corresponding losses). The Company adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information

Criteria for judging significant increases in credit risk

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Company, internal rating grade, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the increase in remaining lifetime probability of default is considered significant comparing with the one at initial recognition.

Qualitative criteria

- Significant adverse change in debtor's operation or financial status.
- Be classified into Special Mention category within five-tier loan classification.

Backstop criteria

- The debtor's contractual payments (including principal and interest) are more than 30 days past due

Definition of credit-impaired financial asset

The standard adopted by the Company to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Company assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the debtor;

- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;

- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily caused by a single event.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Company measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company takes into account the quantitative analysis of historical statistics (such as internal rating grade, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Company's PD is adjusted based on the results of the internal rating grade, taking into account the forward looking information and deducting the prudential adjustment to reflect the debtor's PD under the current macroeconomic environment;

- LGD refers to the Company's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Company should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Company identifies the key economic indicators that affect the credit risk and ECL, such as GDP growth, Central Bank base rates and price indices.

The Impact of adopting IFRS 9

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 30 September 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 new 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.

1.3 Changes of significant accounting judgements, estimates and assumptions

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's internal rating grade model, which assigns PDs to the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs.

2. INTEREST INCOME

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

3. OTHER INCOME/(EXPENSES), NET

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
	RMB	*RMB*	***RMB***	*RMB*
Fee and commission income	**75,797**	—	**375,190**	—
Fee and commission expense	**(10,677)**	(3,414)	**(19,823)**	(17,730)
Charitable contributions	**—**	—	**(10,000)**	(10,000)
Gain/(Loss) from foreign exchange, net	**1,535**	(584,538)	**(104,042)**	(3,231,357)
Government grants	**750,000**	—	**750,000**	—
Others	**—**	(4,177)	**118,208**	(4,177)
Total	**816,655**	(592,129)	**1,109,533**	(3,263,264)

4. ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
	RMB	*RMB*	***RMB***	*RMB*
Staff costs	**1,185,063**	1,075,375	**3,296,629**	2,794,396
Tax and surcharges	**155,642**	141,970	**598,831**	334,300
Listing expenses	**—**	—	**—**	5,221,535
Depreciation and amortization	**196,016**	210,304	**604,772**	613,170
Leasing expense	**155,696**	144,088	**467,088**	432,266
Office expenses	**18,592**	33,698	**94,642**	163,312
Auditor's remuneration	**—**	—	**—**	507,030
Advertising and entertainment expenses	**625,053**	1,690,716	**1,563,088**	2,465,751
Service fees	**855,992**	604,237	**1,863,067**	1,114,816
Others	**401,920**	334,346	**998,424**	1,223,006
Total	**3,593,974**	4,234,734	**9,486,541**	14,869,582

5. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	**2018**	2017
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
	RMB	*RMB*	***RMB***	*RMB*
Current income tax	**6,016,336**	3,375,093	**18,268,228**	9,755,340
Deferred income tax	**364,339**	1,335,299	**(160,866)**	1,248,033
	6,380,675	4,710,392	**18,107,362**	11,003,373

Income tax expense for the three-month period and nine-month period ended 30 September 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 nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

The payment of cash dividends for the year ended 31 December 2017 of RMB0.08 per share, amounting to approximately RMB48,000,000 was approved by all the then shareholders at the annual general meeting of the Company held on 17 May 2018.

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:

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Earnings				
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation (RMB)	**18,654,188**	13,689,156	**53,371,853**	32,014,277
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	**600,000,000**	600,000,000	**600,000,000**	530,219,780
Basic earnings per share (RMB)	**0.03**	0.02	**0.09**	0.06

(i) Weighted average number of ordinary shares

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Issued ordinary shares at the beginning of the period	**600,000,000**	600,000,000	**600,000,000**	450,000,000
Weighted average number of ordinary shares at the end of the period	**600,000,000**	600,000,000	**600,000,000**	530,219,780

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

	As at 30 September 2018 *(unaudited)* **RMB**	As at 31 December 2017 *(audited)* RMB
Loans receivables	**827,097,874**	811,973,682
Less: Allowance for loans receivable	**25,802,520**	24,574,442
	801,295,354	787,399,240

The types of loans receivable are as follow:

	As at 30 September 2018 *(unaudited)* **RMB**	As at 31 December 2017 *(audited)* RMB
Guaranteed loans	**781,487,561**	764,615,334
Collateral-backed loans	**45,610,313**	47,358,348
	827,097,874	811,973,682
Less: Allowance for loans receivable	**25,802,520**	24,574,442
	801,295,354	787,399,240

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

Outstanding exposure

	30 September 2018				31 December 2017
Internal rating grade Performing	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
Normal	**814,583,589**	**—**	**—**	**814,583,589**	800,984,711
Special mention	**—**	**3,309,910**	**—**	**3,309,910**	2,029,650
Sub-standard	**—**	**—**	**1,475,533**	**1,475,533**	—
Doubtful	**—**	**—**	**—**	**—**	3,668,315
Loss	**—**	**—**	**7,728,842**	**7,728,842**	5,291,006
Total	**814,583,589**	**3,309,910**	**9,204,375**	**827,097,874**	811,973,682

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	Stage 1	Stage 2	Stage 3	Total
Outstanding exposure as at 31 December 2017	800,984,711	2,029,650	8,959,321	811,973,682
New exposures	667,507,634	3,309,910	—	670,817,544
Exposure repaid	(653,665,428)	(797,445)	(1,230,479)	(655,693,352)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	—	—	—	—
Transfers to Stage 3	(243,328)	(1,232,205)	1,475,533	—
At 30 September 2018	**814,583,589**	**3,309,910**	**9,204,375**	**827,097,874**

	Stage 1	Stage 2	Stage 3	Total ECL *allowance*
ECLs as at 31 December 2017	17,057,494	203,105	7,313,843	24,574,442
New/(reversal)	192,228	240,380	(552,704)	(120,096)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	—	—	—	—
Transfers to Stage 3	(5,079)	(123,589)	128,668	—
Net remeasurement of ECL arising from transfer of stage	—	—	404,200	404,200
Changes to inputs used for ECL	(23,729)	—	967,703	943,974
At 30 September 2018	**17,220,914**	**319,896**	**8,261,710**	**25,802,520**

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

	30 September 2018			
	Overdue within 3 months	**Overdue more than 3 to 12 months**	**Overdue more than 1 year**	**Total**
	RMB	***RMB***	***RMB***	***RMB***
Guaranteed loans	**3,105,850**	**1,271,376**	**1,401,306**	**5,778,532**
Collateral-backed loans	**204,060**	**204,157**	**6,327,536**	**6,735,753**
Total	**3,309,910**	**1,475,533**	**7,728,842**	**12,514,285**

	31 December 2017			
	Overdue within 3 months	Overdue more than 3 to 12 months	Overdue more than 1 year	Total
	RMB	*RMB*	*RMB*	*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
Total	2,029,650	52,500	8,906,821	10,988,971

9. SHARE CAPITAL

	As at 30 September 2018	As at 31 December 2017
	(unaudited)	*(audited)*
Issued and fully paid ordinary shares of RMB1 each	**600,000,000**	600,000,000

10. RELATED PARTY DISCLOSURES

(i) Other receivables from related parties

	As at 30 September 2018 (unaudited) RMB	As at 31December 2017 (audited) RMB
Key management personnel	**65,000**	—

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

(ii) Leasing

	Nine months ended 30 September 2018 (unaudited) RMB	2017 (unaudited) RMB
Leasing expense	**428,571**	393,750

Leasing expense was paid to an entity with significant influence over the Company in respect of the Company's office. In 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**"), 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

	Nine months ended 30 September 2018 (unaudited) RMB	2017 (unaudited) RMB
Key management personnel remuneration	**1,021,240**	862,352

* *For identification purpose only*

Management Discussion and Analysis

BUSINESS REVIEW

During the nine months ended 30 September 2018, the Company continued to pursue business opportunities, strengthen its market position and achieved growth in operating results. For the nine months ended 30 September 2018, the Company recorded interest income of approximately RMB81.3 million, representing an increase of approximately 25.6% as compared to approximately RMB64.7 million in the corresponding period in 2017; and profit after tax of approximately RMB53.4 million, representing an increase of approximately 66.7% as compared to approximately RMB32.0 million for the corresponding period in 2017. As at 30 September 2018, the Company's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB827.1 million, representing an increase of approximately 1.9% as compared to approximately RMB812.0 million as at 31 December 2017. Total assets as at 30 September 2018 were approximately RMB810.5 million, representing an increase of approximately 0.7% as compared to approximately RMB804.7 million as at 31 December 2017, and net assets were approximately RMB795.9 million as at 30 September 2018, representing an increase of approximately 0.7% 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 nine months ended 30 September 2017 and 2018, we granted loans to 403 and 423 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated below:

	Nine months ended 30 September			
	2018		2017	
	No. of Customers	***%***	*No. of Customers*	*%*
Customer by type				
SMEs and microenterprises	**24**	**5.7**	29	7.2
Individual proprietors	**399**	**94.3**	374	92.8
Total	**423**	**100.0**	403	100.0

Loan portfolio by size

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

	As at 30 September 2018		As at 31 December 2017	
	RMB'000	***%***	*RMB'000*	*%*
Less than or equal to RMB0.5 million				
– Guaranteed loans	**20,310**	**2.5**	18,989	2.3
– Collateralized loans	**9,069**	**1.0**	10,486	1.3
	29,379	**3.5**	29,475	3.6
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	**84,763**	**10.2**	58,650	7.2
– Collateralized loans	**2,706**	**0.3**	1,522	0.2
	87,469	**10.5**	60,172	7.4
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	**308,941**	**37.5**	319,849	39.4
– Collateralized loans	**16,207**	**2.0**	14,262	1.8
	325,148	**39.5**	334,111	41.2
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	**367,474**	**44.4**	367,128	45.2
– Collateralized loans	**17,628**	**2.1**	21,088	2.6
	385,102	**46.5**	388,216	47.8
Total	**827,098**	**100**	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 30 September 2018		As at 31 December 2017	
	RMB'000	**%**	*RMB'000*	%
Guaranteed loans	**781,488**	**94.5**	764,616	94.2
Collateralized loans	**45,610**	**5.5**	47,358	5.8
included: Guaranteed and collateralized loans	**42,921**	**5.2**	44,376	5.5
Total	**827,098**	**100**	811,974	100

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

	Nine months ended 30 September	
	2018	2017
Guaranteed loans	**431**	432
Collateralized loans	**29**	35
included: Guaranteed and collateralized loans	**28**	35
Total	**460**	467

ASSET QUALITY

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

	As at 30 September 2018		As at 31 December 2017	
	RMB'000	**%**	*RMB'000*	%
Normal	**814,583**	**98.5**	800,985	98.6
Special-Mention	**3,310**	**0.4**	2,030	0.3
Substandard	**1,476**	**0.2**	—	0.0
Doubtful	—	**0.0**	3,668	0.5
Loss	**7,729**	**0.9**	5,291	0.6
Total	**827,098**	**100**	811,974	100

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

	As at 30 September 2018	As at 31 December 2017
Impaired loan ratio [(1)]	**1.1%**	1.1%
Balance of impaired loans (RMB'000)	**9,205**	8,959
Total amount of loans receivable (RMB'000)	**827,098**	811,974

	As at 30 September 2018	As at 31 December 2017
Allowance coverage ratio [(2)]	**280.3%**	274.3%
Allowance for impairment losses (RMB'000) [(3)]	**25,803**	24,574
Balance of impaired loans (RMB'000)	**9,205**	8,959
Provisions for impairment losses ratio [(4)]	**3.1%**	3.0%

	As at 30 September 2018	As at 31 December 2017
Balance of overdue loans (RMB'000)	**12,514**	10,989
Total amount of loans receivable (RMB'000)	**827,098**	811,974
Overdue loan ratio [(5)]	**1.5%**	1.4%

Notes:

(1) Represents the balance of impaired loans divided by the total amount of loans receivable.

(2) Represents the allowance for impairment losses on all loans divided by the balance of impaired loans. The allowance for impairment losses on all loans includes provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover the probable loss in our loan portfolio.

(3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.

(4) Represents the allowance for impairment losses divided by the total amount of loans receivable. Provisions for impairment losses ratio measures the cumulative level of provisions.

(5) Represents the overdue loans, being loans with whole or part of the principal and/or interest that was overdue for one day or more, divided by the total amount of loans receivable.

FINANCIAL REVIEW

Interest income

Our interest income increased by approximately 25.6% from approximately RMB64.7 million for the nine months ended 30 September 2017 to approximately RMB81.3 million for the nine months ended 30 September 2018. This increase was mainly attributable to an increase in the average daily balance of our loans receivable of approximately 21.6% from approximately RMB674.6 million for the nine months ended 30 September 2017 to approximately RMB820.3 million for the nine months ended 30 September 2018 as a result of the deployment of net proceeds raised from the initial public offering of our H shares, the increase of interest income was also attributable to an increase of average interest rate per annum from 12.7% for the nine months ended 30 September 2017 to 13.2% for the nine months ended 30 September 2018.

Interest expense

Our interest expense was RMB0.03 million and nil for the nine months ended 30 September 2017 and 2018, respectively as the balance of interest-bearing borrowings as at 30 September 2017 was RMB10 million and there were no borrowings during the nine months ended 30 September 2018.

Reversal/accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB3.4 million and RMB1.5 million for the nine months ended 30 September 2017 and 2018, respectively. The decrease in accrual of provision for impairment losses is mainly due to an overall improvement of our loan quality.

Reversal/accrual of provision for guarantee losses

We had accrual of provision for guarantee losses of RMB61,192 for the nine months ended 30 September 2017 and reversal of provision for guarantee losses of RMB58,000 for the nine months ended 30 September 2018. We provided guarantee service to two customers in September 2017 and the contracts had expired in September 2018, the balance of provision for guarantee losses has been reversed accordingly.

Administrative expenses

Our administrative expenses decreased by approximately 36.2% from approximately RMB14.9 million for the nine months ended 30 September 2017 to approximately RMB9.5 million for the nine months ended 30 September 2018. This decrease was primarily due to the absence of listing expense for the nine months ended 30 September 2018.

Other income/(expense), net

We had net other expense of RMB3.3 million for the nine months ended 30 September 2017 and net other income of approximately RMB1.1 million for the nine months ended 30 September 2018, which is primarily due to the decrease of loss from foreign exchange. Our 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$13.7 million and HK$0.04 million as at 30 September 2017 and 2018 respectively.

The government grant of RMB0.8 million in 2018 is provided by the government of Guangling District as a special funds support to our Company's listing in GEM.

Income tax expense

Income tax expense increased by approximately 64.6% from approximately RMB11.0 million for the nine months ended 30 September 2017 to approximately RMB18.1 million for the nine months ended 30 September 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 66.7% from approximately RMB32.0 million for the nine months ended 30 September 2017 to approximately RMB53.4 million for the nine months ended 30 September 2018.

Significant investments

The Company has no significant investment during the nine months ended 30 September 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 nine months ended 30 September 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 during the nine months ended 30 September 2018 and up to the date of this announcement.

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 Listing, the balance of which is approximately HK$0.04 million as at 30 September 2018. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. As at 30 September 2018, the Company did not have any outstanding hedge instruments.

Liquidity, financial resources and capital structure

As at 30 September 2018, the Company had bank balances and cash of approximately RMB1.9 million (31 December 2017: approximately RMB10.6 million). The Company had no interest-bearing borrowings as at 31 December 2017 and 30 September 2018. The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 30 September 2018 (31 December 2017: nil).

During the nine months ended 30 September 2018, the Company did not use any financial instruments for hedging purposes.

Treasury policy

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

Indebtedness and charges on assets

As at 31 December 2017 and 30 September 2018, the Company did not have any borrowings. As at 30 September 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:

	As at 30 September 2018	As at 31 December 2017
	RMB	*RMB*
Financial guarantee contracts	**—**	5,800,000

We provided guarantee service to two customers in September 2017. The term of both contracts lasts for one year which expired in September 2018, and the provision for guarantee loss which amounted to RMB58,000 as at 31 December 2017 were reversed accordingly. For the nine months ended 30 September 2018, the guarantee fee income we recognized from the guarantee contracts was RMB355,927.

Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements in the nine months ended 30 September 2018 and up to the date of this announcement.

Use of proceeds

The 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 RMB161.1 million). As at 30 September 2018, the Company had utilized approximately RMB145.1 million of the net proceeds to expand our loan portfolio for our micro and small loan business, and approximately RMB16.0 million as general working capital. As at 30 September 2018, all the proceeds had been used up. The following table sets out the status of our deployment of actual net proceeds as at 30 September 2018:

	Allocated net proceeds *(RMB million)*	**Funds deployed as at 30 September 2018** *(RMB million)*	**Unutilized funds as at 30 September 2018** *(RMB million)*
Expand our loan portfolio in the following markets			
Hanjiang District and Guangling District	83.0	83.0	—
Jiangdu District	10.4	10.4	—
Yizheng (county-level city)	20.9	20.9	—
Gaoyou (county-level city)	14.5	14.5	—
Baoying (county-level city)	16.3	16.3	—
Subtotal:	145.1	145.1	—
Working capital and other general corporate purposes	16.0	16.0	—
Total:	**161.1**	**161.1**	**—**

MATERIAL LITIGATION AND ARBITRATION

As at 30 September 2018, the Company was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 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 nine months ended 30 September 2018 was approximately RMB3.3 million (for the nine months ended 30 September 2017: approximately RMB2.8 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.

Other

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 September 2018, interests or short positions of the Directors, supervisors (the "**Supervisors**") and the 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 (1)	Approximate shareholding percentage in the relevant class of Shares (2)	Approximate percentage of shareholding in the total issued share capital of the Company (3)
Mr. Bo Wanlin (5)	Interest in controlled corporation (4)	430,100,000 Domestic Shares (L)	95.58%	71.68%
Ms. Bai Li	Beneficial owner	10,000,000 Domestic Shares (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000 Domestic Shares (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000 Domestic Shares (L)	0.16%	0.12%

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the domestic shares of the Company (the "**Domestic Shares**").

(2) The calculation is based on the percentage of shareholding in Domestic Shares (namely, ordinary shares in the Company capital, with a nominal value of RMB 1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities).

(3) The calculation is based on the total number of 600,000,000 Shares in issue.

(4) Jiangsu Botai Group Co., Ltd. (江蘇柏泰集團有限公司) ("**Botai Group**") is directly interested in approximately 40.03% in the Company. The disclosed interest represents the interest in the Company held by Botai Group which is in turn held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.01% by Mr. Bo Nianbin, approximately 25.01% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this announcement. 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 30 September 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

Director	**Associated Corporation**	**Nature of interest**	**Approximate shareholding percentage in the relevant class of Shares in the Associated Corporation**
Mr. Bo Wanlin	Botai Group	Beneficial owner (1)	33.33%
		Family interest of spouse (2)	16.67%
Ms. Bai Li	Botai Group	Beneficial owner (1)	25.01%
Mr. Bo Nianbin	Botai Group	Beneficial owner (1)	25.01%

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 25.01% by Mr. Bo Nianbin, approximately 25.01% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this announcement.

(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 September 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 30 September 2018, so far as the Directors are aware, each of the following persons has an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered into the register referred to in section 336 of the SFO:

Shareholders	Nature of interest	Number of Shares held (1)	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company (3)
Botai Group (8)	Beneficial owner	240,200,000 Domestic Shares(L)	53.38% (2)	40.03%
	Interest in controlled corporation (4)	189,900,000 Domestic Shares(L)	42.20% (2)	31.65%
Mr. Bo Wanlin (8)	Interest in controlled corporation (5)	430,100,000 Domestic Shares(L)	95.58% (2)	71.68%
Ms. Wang Zhengru (8)	Family interest of spouse (6)	430,100,000 Domestic Shares(L)	95.58% (2)	71.68%
Liantai Guangchang (8)	Beneficial owner	189,900,000 Domestic Shares(L)	42.20% (2)	31.65%
Mr. Suen Cho Hung, Paul	Beneficial owner	23,646,000 H Shares(L)	15.76% (7)	3.94%
Mr. Lai Ming Wai	Beneficial owner	8,458,000 H Shares(L)	5.64% (7)	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 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO.

(5) As at the date of this announcement, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.01% by Mr. Bo Nianbin, approximately 25.01% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

(6) Ms. Wang Zhengru, the spouse of Mr. Bo Wanlin, is deemed to be interested in Mr. Bo Wanlin's interest in the Company by virtue of the SFO.

(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 30 September 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 30 September 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 nine months ended 30 September 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

The Company did not purchase, sell or redeem any of the Company's listed securities during the nine months ended 30 September 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 a passive investor.

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

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

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

Save as disclosed above, as at 30 September 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 systems, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of our audit committee. The Audit Committee had reviewed the 2018 third quarterly report and the unaudited financial statements of the Company for the nine months ended 30 September 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.

* *For identification purpose only*

CORPORATE GOVERNANCE

The Company has complied with the requirements of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules during the nine months ended 30 September 2018 and up to the date of this announcement.

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 during the nine months ended 30 September 2018 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 nine months ended 30 September 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 nine months ended 30 September 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, 8 November 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) for at least 7 days from the date of its publication and on the website of the Company (www.gltaihe.com).