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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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

	2018 *RMB'000*	2017 *RMB'000*	Changes
OPERATING RESULTS			
Interest income	**108,333**	91,338	18.6%
Profit for the year attributable to owners of the Company	**68,755**	45,834	50.0%
Basic earnings per share	**0.11**	0.08	37.5%
FINANCIAL POSITION			
Bank balances and cash	**4,337**	10,579	-59.0%
Loans receivable	**814,276**	787,399	3.4%
Share capital	**600,000**	600,000	—
Total assets	**827,458**	804,692	2.8%
Net assets	**811,311**	790,556	2.6%
Dividends			
– Proposed final dividend (per share)	**—**	0.08	N/A

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018
(Amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2018	2017
Interest income	5	**108,332,583**	91,337,808
Interest expense	5	**—**	(97,502)
Interest income, net	5	**108,332,583**	91,240,306
Accrual of provision for impairment losses	14/17	**(3,037,970)**	(7,260,191)
Accrual of provision for guarantee losses	18	**(25,852)**	(58,000)
Administrative expenses	6	**(15,291,369)**	(20,728,037)
Other income/(expenses), net	7	**2,271,534**	(2,161,792)
PROFIT BEFORE TAX		**92,248,926**	61,032,286
Income tax expense	10	**(23,494,218)**	(15,198,399)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**68,754,708**	45,833,887
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**0.11**	0.08
Diluted		**0.11**	0.08

Statement of Financial Position

31 December 2018
(Amounts expressed in RMB unless otherwise stated)

	Notes	As at 31 December 2018	2017
ASSETS			
Cash and cash equivalents	13	**4,337,348**	10,578,504
Loans receivable	14	**814,275,722**	787,399,240
Property and equipment	15	**2,324,103**	2,010,562
Deferred tax assets	16	**5,003,496**	4,465,859
Other assets	17	**1,516,837**	238,158
TOTAL ASSETS		**827,457,506**	804,692,323
LIABILITIES			
Deferred income		**112,070**	397,701
Income tax payable		**8,044,735**	6,642,307
Liabilities from guarantees	18	**83,852**	58,000
Other liabilities	19	**7,905,770**	7,037,944
TOTAL LIABILITIES		**16,146,427**	14,135,952
EQUITY			
Share capital	20	**600,000,000**	600,000,000
Reserves	21	**103,074,536**	95,905,406
Retained earnings		**108,236,543**	94,650,965
TOTAL EQUITY		**811,311,079**	790,556,371
TOTAL EQUITY AND LIABILITIES		**827,457,506**	804,692,323

Statement of Changes in Equity

Year ended 31 December 2018
(Amounts expressed in RMB unless otherwise stated)

		Reserves				
	Paid-in capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Total**
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 and total comprehensive income for the year	—	—	—	—	45,833,887	45,833,887
H shares issued	150,000,000	13,939,564	—	—	—	163,939,564
Appropriation to surplus reserve	—	—	4,583,389	—	(4,583,389)	—
Appropriation to general reserve	—	—	—	1,889,477	(1,889,477)	—
Balance as at 31 December 2017	600,000,000	54,417,191	33,403,729	8,084,486	94,650,965	790,556,371
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**68,754,708**	**68,754,708**
Appropriation to surplus reserve	**—**	**—**	**6,875,471**	**—**	**(6,875,471)**	**—**
Appropriation to general reserve	**—**	**—**	**—**	**293,659**	**(293,659)**	**—**
Dividends paid (Note 11)	**—**	**—**	**—**	**—**	**(48,000,000)**	**(48,000,000)**
Balance as at 31 December 2018	**600,000,000**	**54,417,191**	**40,279,200**	**8,378,145**	**108,236,543**	**811,311,079**

Statement of Cash Flows

Year ended 31 December 2018
(Amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**92,248,926**	61,032,286
Adjustments for:			
Depreciation and amortisation	15	**822,688**	828,382
Accrual of provision for impairment losses	14/17	**3,037,970**	7,260,191
Accrual of provision for guarantee losses	18	**25,852**	58,000
Accreted interest on impaired loans	5	**(285,704)**	(604,784)
Net (gain)/loss on disposal of property and equipment and other assets	7	**(107,864)**	9,998
Interest expense	5	**—**	97,502
Foreign exchange loss, net		**(103)**	64,415
		95,741,765	68,745,990
Increase in loans receivable		**(29,542,265)**	(212,592,542)
Decrease in other assets		**181,568**	134,444
Increase/(decrease) in other liabilities		**161,195**	(2,589,936)
Net cash flows from/(used in) operating activities before tax		**66,542,263**	(146,302,044)
Income tax paid		**(22,629,427)**	(13,982,293)
Net cash flows from/(used in) operating activities		**43,912,836**	(160,284,337)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		**(2,248,679)**	(1,554,345)
Proceeds from disposal of property and equipment		**107,864**	24,515
Net cash flows used in investing activities		**(2,140,815)**	(1,529,830)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	178,049,820
Proceeds from borrowings		**—**	10,000,000
Repayment of borrowings		**(13,280)**	(10,000,000)
Interest paid on borrowings		**—**	(97,502)
Dividends paid		**(48,000,000)**	—
Cash paid for other financing activities		**—**	(9,048,059)
Net cash flows (used in)/from financing activities		**(48,013,280)**	168,904,259
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,241,259)**	7,090,092
Cash and cash equivalents at beginning of the year		**10,578,504**	3,552,827
Effect of foreign exchange rate changes, net		**103**	(64,415)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	**4,337,348**	10,578,504

1. CORPORATE INFORMATION

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

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

In May 2017, the Company conducted a public offering of overseas listed foreign shares ("H shares"). Upon the completion of the H share offering, the issued capital was increased to RMB600 million. The Company's H shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited and trading of its H shares commenced on 8 May 2017.

The Company obtained its business licence with Unified Social Credit No. 91330200711192037M. The legal representative of the Company is Bo Wanlin. Its registered office is located at Beizhou Road, Lidian Village, Guangling District, Yangzhou City.

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

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

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") except when otherwise indicated.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Accounting Policies and Disclosures

The Company has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Company's financial statements, the nature and the impact of the new and revised IFRSs are described below.

(a) IFRS 9 *Financial Instruments* replace 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. After adoption of IFRS 9, the Company continues measuring loans receivable, cash and cash equivalents and other receivables as amortised cost, and the new impairment requirement does not have significant impact as most of the Company's financial assets are short term. Therefore, the adoption of IFRS 9 did not have a material impact on the company's financial performance and condition.

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, 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 principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. 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.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in Accounting Policies and Disclosures (continued)

(c) IFRIC-Int 22, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Company's financial statements as the Company's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3.2 Impact of Issued But Not Yet Effective International Financial Reporting Standards

The Company has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	*Definition of a Business* [2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
IFRS 16	*Leases* [1]
IFRS 17	*Insurance Contracts* [3]
Amendments to IAS 1 and IAS 8	*Definition of Material* [2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement* [1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures* [1]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments* [1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS12 and IAS 23 [1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impact of Issued But Not Yet Effective International Financial Reporting Standards (continued)

Further information about those IFRSs that are expected to be relevant to the Company is as follows:

IFRS 16, replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases - Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees– leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company will adopt IFRS 16 from 1 January 2019. The Company plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Company plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. During 2018, the Company has performed a detailed assessment on the impact of adoption of IFRS 16. As at 31 December 2018, the Company has non-cancellable operating lease commitments of RMB1,496,920 as disclosed in note 26. Other than the recognition of lease liabilities and right-of-use assets, the Company expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies

Revenue recognition

Interest income

Interest income on loans is measured on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e. the original effective interest rate.

Guarantee fee income(applicable from 1 January 2018)

Revenue from the provision of guarantee services is recognised over the period of the guarantee on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Company.

Guarantee fee income (applicable before 1 January 2018)

Guarantee fee income is recognised when guarantee contracts have been entered into and the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow to the Company, and the amount of revenue associated with guarantee contracts can be measured reliably. Guarantee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the statement of profit or loss and other comprehensive income over the period of the guarantee.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Where the Company receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives, residual rates and annual depreciation rates used for this purpose are as follows:

Categories	Estimated useful life	Estimated residual rate	Annual depreciation rate
Motor vehicles	4 to 10 years	0%	10% - 25%
Fixtures and furniture	5 to 10 years	0%	10% - 20%
Leasehold improvements	Over the shorter period of the lease terms and the useful lives of the assets		

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Property and equipment (continued)

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Renminbi (”RMB”), which is the Company’s functional currency. Transactions in foreign currencies are initially recorded in the functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of the advance consideration.

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus transaction costs.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

The Company's financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in accrual of provision for impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

General approach (continued)

The Company may consider a financial asset to be in default taking into account quantitative and qualitative criteria as disclosed in Note 29. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for other receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under IAS39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income and gains in profit or loss.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

The Company's financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include interest-bearing borrowings and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest expense in the statement of profit or loss and other comprehensive income.

Financial guarantee contracts (policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Company measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

Provisions

A provision is recognised when a present (legal or constructive) obligation has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in interest expense in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of Significant Accounting Policies (continued)

Employee benefits

Employee retirement scheme

The employees of the Company which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The entities are required to contribute a certain percentage of payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. The provision and contributions have been included in profit or loss upon incurrence. The Company has no obligation for the payment of pension benefits beyond the contributions described above.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the shareholders and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Company. Dividends for the year/period that are approved after the end of the reporting period is disclosed as an event after the reporting period.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

 (i) has control or joint control over the Company;

 (ii) has significant influence over the Company; or

 (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

(b) the party is an entity where any of the following conditions applies:

 (i) the entity and the Company are members of the same company;

 (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

 (iii) the entity and the Company are joint ventures of the same third party;

 (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

 (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

 (vi) the entity is controlled or jointly controlled by a person identified in (a); and

 (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Impairment losses on loans receivable

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 probabilities of default 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 the forecast economic conditions and the effect on probabilities of default (PDs), losses given default (LGDs) and exposures at default (EADs).

Deferred tax assets and liabilities and current income tax charge

Uncertainties exist with respect to the interpretation of certain tax regulations and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax credit and expense already recorded. The Company makes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the prevailing conditions affecting the Company.

(Amounts expressed in RMB unless otherwise stated)

5. INTEREST INCOME, NET

	Year ended 31 December	
	2018	2017
Interest income on:		
Loans receivable	**108,265,708**	91,250,415
Cash at banks	**25,281**	19,805
Cash at a third party	**41,594**	67,588
Subtotal	**108,332,583**	91,337,808
Interest expense on:		
Borrowing from other institutions	**—**	97,502
Subtotal	**—**	97,502
Interest income, net	**108,332,583**	91,240,306
Included: Interest income on impaired loans (Note 14)	**285,704**	604,784

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2018	2017
Staff costs	**4,513,331**	4,072,934
Tax and surcharges	**700,155**	469,650
Depreciation (Note 15)	**822,688**	828,382
Leasing expense	**622,784**	576,355
Auditor's remuneration	**1,527,123**	1,864,975
Office expenses	**126,670**	185,844
Entertainment expenses	**1,779,576**	2,584,175
Listing expenses	**—**	5,221,535
Service fee	**3,880,966**	3,163,636
Others	**1,318,076**	1,760,551
Total	**15,291,369**	20,728,037

(Amounts expressed in RMB unless otherwise stated)

7. OTHER INCOME/(EXPENSES), NET

	Year ended 31 December 2018	2017
Other income:		
Guarantee fee income	**414,063**	61,921
Government grants	**1,877,500**	1,186,400
Others	**9,758**	8,526
Gain on disposal of fixed assets	**107,864**	—
Subtotal	**2,409,185**	1,256,847
Other expenses:		
Loss on disposal of fixed assets	**—**	(9,998)
Foreign exchange gain or loss	**(104,052)**	(3,325,704)
Fee and commission expense	**(23,599)**	(72,937)
Charitable contributions	**(10,000)**	(10,000)
Subtotal	**(137,651)**	(3,418,639)
Other income/(expenses), net	**2,271,534**	(2,161,792)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

		Year ended 31 December 2018			
Name	**Position**	**Fees**	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
Mr. Bo Wanlin	Executive director	—	500,000	—	500,000
Ms. Bai Li	Executive director and chief executive	—	150,000	59,366	209,366
Ms. Zhou Yinqing	Executive director	—	120,000	47,496	167,496
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	100,867	—	100,867
Mr. Wu Xiankun	Non-executive director	—	20,000	—	20,000
Mr. Bao Zhenqiang	Non-executive director	—	20,000	—	20,000
Mr. Zhang Yi	Supervisor	—	168,571	38,765	207,336
Ms. Wang Chunhong	Supervisor	—	20,000	—	20,000
Ms. Li Guoyan	Supervisor	—	20,000	—	20,000
		—	1,119,438	145,627	1,265,065

(Amounts expressed in RMB unless otherwise stated)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

		Year ended 31 December 2017			
Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	—	500,000	—	500,000
Ms. Bai Li	Executive director and chief executive	—	150,000	59,598	209,598
Ms. Zhou Yinqing	Executive director	—	120,000	47,648	167,648
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	67,953	—	67,953
Mr. Wu Xiankun	Non-executive director	—	13,000	—	13,000
Mr. Bao Zhenqiang	Non-executive director	—	13,000	—	13,000
Mr. Zhang Yi	Supervisor	—	192,052	34,319	226,371
Ms. Wang Chunhong	Supervisor	—	13,000	—	13,000
Ms. Li Guoyan	Supervisor	—	13,000	—	13,000
		—	1,082,005	141,565	1,223,570

No director, supervisor or senior management has waived or agreed to waive any emoluments for the year ended 31 December 2018.

During the year, there was no amount paid or payable by the Company to the directors, the supervisors as the discretionary bonuses.

During the year, there was no amount paid or payable by the Company to the directors, the supervisors, senior management or any of the five highest paid individuals set out in Note 9 below as an inducement to join or upon joining the Company or as compensation for loss of office.

(Amounts expressed in RMB unless otherwise stated)

9. FIVE HIGHEST PAID INDIVIDUALS

Three directors (one was also the chief executive) were amongst the five highest paid individuals during the year (2017: three directors (one was also the chief executive)), details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining two (2017: two) highest paid employees for the year who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2018	2017
Salaries, allowances and benefits in kind	**307,618**	291,225
Pension scheme contributions	**97,155**	58,130
Discretionary bonus	**—**	—
	404,773	349,355

The number of non-director and non-chief executive highest paid employees, whose remuneration fell within the following band, is as follows:

	Year ended 31 December	
	2018	2017
Nil – HKD1,000,000	**2**	2

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
Current income tax	**24,031,855**	14,955,054
Deferred income tax (Note 16)	**(537,637)**	243,345
	23,494,218	15,198,399

(Amounts expressed in RMB unless otherwise stated)

10. INCOME TAX EXPENSE (continued)

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

	Year ended 31 December	
	2018	2017
Profit before tax	**92,248,926**	61,032,286
Tax at the applicable tax rate	**23,062,231**	15,258,072
Income not subject to tax	**—**	(315,080)
Adjustments in respect of current income tax of previous years	**187,500**	—
Expenses not deductible for tax	**244,487**	255,407
Total tax expense for the year at the Company's effective tax rate	**23,494,218**	15,198,399

11. DIVIDENDS

	Year ended 31 December	
	2018	2017
Declared and paid dividends	**48,000,000**	—

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

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

	Year ended 31 December	
	2018	2017
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**68,754,708**	45,833,887
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (i)	**600,000,000**	547,808,219
Basic earnings per share	**0.11**	0.08

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

(i) Weighted average number of ordinary shares

	Year ended 31 December	
	2018	2017
Issued ordinary shares at the beginning of the year	**600,000,000**	450,000,000
Weighted average number of ordinary shares at the end of the year	**600,000,000**	547,808,219

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

13. CASH AND CASH EQUIVALENTS

	31 December	
	2018	2017
Cash at a third party	**6,253**	53,874
Cash at banks	**4,331,095**	10,524,630
	4,337,348	10,578,504

At the end of the reporting period, the cash and cash equivalents of the Company denominated in RMB amounted to RMB 4,335,026 (2017: RMB9,497,826).

14. LOANS RECEIVABLE

	31 December	
	2018	2017
Loans receivable	**841,515,947**	811,973,682
Less: Allowance for loans receivable	**27,240,225**	24,574,442
	814,275,722	787,399,240

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

The types of loans receivable are as follows:

	31 December 2018	2017
Guaranteed loans	**801,348,948**	764,615,334
Collateral-backed loans	**40,166,999**	47,358,348
	841,515,947	811,973,682
Less: Allowance for loans receivable	**27,240,225**	24,574,442
	814,275,722	787,399,240

Movements of allowance for loans receivable are as follows:

	Individually assessed	Collectively assessed	Total
As at 1 January 2017	6,158,384	12,678,430	18,836,814
Charge for the year	1,760,243	4,582,169	6,342,412
Accreted interest on impaired loans (Note 5)	(604,784)	—	(604,784)
As at 31 December 2017	7,313,843	17,260,599	24,574,442

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 year-end stage classification.

	31 December 2018				2017
Internal rating grades	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
Normal	**826,671,468**	**—**	**—**	**826,671,468**	800,984,711
Special mention	**—**	**3,301,005**	**—**	**3,301,005**	2,029,650
Sub-standard	**—**	**—**	**3,237,467**	**3,237,467**	—
Doubtful	**—**	**—**	**1,164,800**	**1,164,800**	3,668,315
Loss	**—**	**—**	**7,141,207**	**7,141,207**	5,291,006
Total	**826,671,468**	**3,301,005**	**11,543,474**	**841,515,947**	811,973,682

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

An analysis of changes in the outstanding exposures and the corresponding expected credit losses ("ECLs") is as follows:

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

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

(Amounts expressed in RMB unless otherwise stated)

15. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Total
Cost:				
At 1 January 2017	605,783	860,568	7,290,632	8,756,983
Additions	1,067,207	10,464	312,000	1,389,671
Disposals	(243,500)	—	—	(243,500)
At 31 December 2017	1,429,490	871,032	7,602,632	9,903,154
Additions	844,670	112,141	179,417	1,136,228
Disposals	(248,526)	—	—	(248,526)
At 31 December 2018	**2,025,634**	**983,173**	**7,782,049**	**10,790,856**
Accumulated depreciation:				
At 1 January 2017	472,369	397,203	6,403,625	7,273,197
Depreciation charge for the year	282,322	133,702	412,358	828,382
Disposals	(208,987)	—	—	(208,987)
At 31 December 2017	545,704	530,905	6,815,983	7,892,592
Depreciation charge for the year	321,858	121,193	379,637	822,688
Disposals	(248,526)	—	—	(248,526)
At 31 December 2018	**619,036**	**652,097**	**7,195,620**	**8,466,753**
Net carrying amount:				
At 31 December 2017	883,786	340,127	786,649	2,010,562
At 31 December 2018	**1,406,598**	**331,076**	**586,429**	**2,324,103**

As at 31 December 2018, one of the Company's motor vehicles with net carrying amounts of RMB670,574 was pledged to secure the instalment loan payable of the Company (2017: Nil).

(Amounts expressed in RMB unless otherwise stated)

16. DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December			
	2018		2017	
	Deductible temporary differences	**Deferred income tax assets**	Deductible temporary differences	Deferred income tax assets
Impairment allowance	**19,818,063**	**4,954,516**	17,407,735	4,351,934
Liabilities from guarantees	**83,852**	**20,963**	58,000	14,500
Deferred income	**112,070**	**28,017**	397,701	99,425
Deferred income tax	**20,013,985**	**5,003,496**	17,863,436	4,465,859

(b) Movements of deferred tax assets

	Impairment allowance	**Liabilities from guarantees**	**Deferred income**	**Total**
At 1 January 2017	4,709,204	—	—	4,709,204
Recognised in profit or loss (Note 10)	(357,270)	14,500	99,425	(243,345)
At 31 December 2017	4,351,934	14,500	99,425	4,465,859
Recognised in profit or loss (Note 10)	602,582	6,463	(71,408)	537,637
At 31 December 2018	**4,954,516**	**20,963**	**28,017**	**5,003,496**

17. OTHER ASSETS

	31 December	
	2018	2017
Prepayments	**1,384,071**	—
Other receivables	**1,088,749**	1,155,937
Less:Allowance for doubtful debt	**955,983**	917,779
	1,516,837	238,158

(Amounts expressed in RMB unless otherwise stated)

17. OTHER ASSETS (continued)

Movements of allowance for doubtful debts are as follows:

	31 December **2018**	2017
As at 1 January	**917,779**	—
Charge for the year	**86,483**	917,779
Amount written off as uncollectible	**(48,279)**	—
As at 31 December	**955,983**	917,779

As comparable companies with credit ratings for most of the counterparties are hard to identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Company based on an ageing analysis of other receivables. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Set out below shows the maximum exposure to credit risk and expected credit losses of other receivables based on the ageing analysis.

	31 December 2018			
Ageing analysis	**Gross carrying amount**		**Expected credit loss**	
	Amount	**Percentage**	**Amount**	**Expected credit loss rate**
Up to 90 days	**29,817**	**2.74%**	**—**	**—**
91 to 365 days	**167,899**	**15.42%**	**64,950**	**38.68%**
Over 365 days	**891,033**	**81.84%**	**891,033**	**100.00%**
Total	**1,088,749**	**100.00%**	**955,983**	**87.81%**

(Amounts expressed in RMB unless otherwise stated)

18. LIABILITIES FROM GUARANTEES

Liabilities from the guarantees are provision made for guarantees. 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 year-end stage classification.

	31 December 2018				2017
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Total
Normal	**4,000,000**	**—**	**—**	**4,000,000**	5,800,000

An analysis of changes in the outstanding exposures and the corresponding expected credit losses ("ECLs") is, as follows:

	Stage 1 (12-month ECL) Collectively assessed	**Total**
Outstanding exposure as at 31 December 2017	5,800,000	5,800,000
New exposure	4,000,000	4,000,000
Exposure derecognised	(5,800,000)	(5,800,000)
At 31 December 2018	**4,000,000**	**4,000,000**

(Amounts expressed in RMB unless otherwise stated)

18. LIABILITIES FROM GUARANTEES (continued)

	Stage 1 (12-month ECL) Collectively assessed	**Total ECL allowance**
ECLs as at 31 December 2017	58,000	58,000
New exposure	83,852	83,852
Exposure derecognised	(58,000)	(58,000)
At 31 December 2018	**83,852**	**83,852**

19. OTHER LIABILITIES

	31 December	
	2018	2017
Payrolls payable	**652,207**	661,573
Installment loan payable	**421,000**	—
Other payables	**6,832,563**	6,376,371
	7,905,770	7,037,944

20. SHARE CAPITAL

	31 December	
	2018	2017
Issued and fully paid	**600,000,000**	600,000,000

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

	Number of shares in issue	**Share capital**
At 1 January 2017,	450,000,000	450,000,000
H shares issued	150,000,000	150,000,000
At 31 December 2017, 1 January 2018 and 31 December 2018	**600,000,000**	**600,000,000**

No movement occurred during the year of 2018.

21. RESERVES

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

Capital reserve

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

Surplus reserve

Surplus reserve represents statutory surplus reserve.

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

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

General reserve

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

For the year ended 31 December 2018, the Company made appropriation to the general reserve amounting to RMB 293,659.

(Amounts expressed in RMB unless otherwise stated)

22. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Company entered into an instalment loan arrangement in respect of purchasing motor vehicles, with a total capital value at the inception of the loan of RMB 434,280 (2017: Nil).

(b) Changes in liabilities arising from financing activities are as follows:

	Borrowing from other institutions
At 1 January 2017	—
Proceeds from borrowings	10,000,000
Repayment of borrowings	(10,000,000)
Interest paid	(97,502)
Interest expense	97,502
At 1 January 2018	—
New instalment loan	434,280
Repayment of the instalment loan	(13,280)
At 31 December 2018	**421,000**

23. RELATED PARTY DISCLOSURES

(a) Leasing

	Year ended 31 December	
	2018	2017
Leasing expense	**571,429**	525,000

Leasing expense was paid to an entity with significant influence over the Company in respect of the Company's office. As at 28 December 2017, the Company agreed with the lessor and renewed the lease contract, the leasing period is from 1 January 2018 to 31 December 2020. The leasing expense of year 2018 is RMB 571,429 (2017: RMB 525,000) (not including VAT).

(Amounts expressed in RMB unless otherwise stated)

23. RELATED PARTY DISCLOSURES (continued)

(b) Key management personnel's remuneration

	Year ended 31 December 2018	2017
Key management personnel's remuneration	**1,432,563**	1,391,217

Remuneration for key management personnel includes amounts paid to certain directors and the chief executive of the Company as disclosed in Note 8.

24. SEGMENT INFORMATION

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

25. CONTINGENT LIABILITIES

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

	31 December 2018	2017
Financial guarantee contracts	**4,000,000**	5,800,000

26. OPERATING LEASES

The Company leases office premises under various operating lease agreements as the lessee. Future minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2018	2017
Within one year	**681,355**	651,355
In the second year	**712,855**	681,355
In the third year	**51,355**	712,855
After three years	**51,355**	102,710
	1,496,920	2,148,275

(Amounts expressed in RMB unless otherwise stated)

27. COMMITMENTS

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

	31 December **2018**	2017
Contracted, but not provided for:		
– Property and equipment	**199,999**	—
– Leasehold improvements	**791,613**	—
	991,612	—

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2018
Financial assets	
Financial assets at amortised cost	
– Cash at banks and a third party	**4,337,348**
– Loans receivable	**814,275,722**
– Other receivables	**132,766**
	818,745,836

	31 December 2017
Financial assets	
Loans and receivables	
– Cash at banks and a third party	10,578,504
– Loans receivable	787,399,240
– Other receivables	238,158
	798,215,902

(Amounts expressed in RMB unless otherwise stated)

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

	31 December 2018
Financial liabilities	
Financial liabilities at amortised cost	
– Other payables	**2,142,882**
	2,142,882

	31 December 2017
Financial liabilities	
Financial liabilities at amortised cost	
– Other payables	1,254,643
	1,254,643

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. The Company manages the loans granted to SMEs, micro-enterprises and individual proprietors with the same rules and procedures. There is also credit risk in off-balance sheet financial instruments, which mainly consist of financial guarantees.

The principal features of the Company's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit assessment, granting of credit limit, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

A loan classification approach has been adopted to manage loan portfolio risk. The loans are categorised as "normal","special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. The core definitions of the five categories of loans receivable are set out below:

- Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay the principal and interest in full on a timely basis.
- Special-mention: borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
- Substandard: borrowers' ability to service their loans is in question and cannot rely entirely on normal business revenues to repay the principal and interest. Losses may ensue even when collateral items or guarantees are invoked.
- Doubtful: borrowers cannot repay the principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

To enhance the credit risk management practices, the Company also launches training programs periodically for credit officers at different levels.

Financial guarantees carry similar credit risk to loans and the Company takes a similar approach on risk management.

The Company's financial assets include cash at banks, loans receivable and other receivables. The credit risk of these assets mainly arose from the counterparties' failure to discharge their contractual obligations, with major exposure equal to the carrying amounts.

Credit risk measurement

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 a credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement

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 the end of each reporting period. 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 at the end of each reporting period 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 the Special-mention category within the five-tier loan classification.

Backstop criteria

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

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

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 a credit impairment of a debtor has 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 due to 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 PD, LGD and EAD. The Company takes into account the quantitative analysis of historical statistics (such as internal rating grade, manners of guarantees and types of collateral, 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 collateral, 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.

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Forward-looking information

The assessment of both 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.

Collateral and other credit enhancements

The Company implements guidelines on the acceptability of specific classes of collateral from customers. The principal collateral types for loans to customers are:

- Real estate, including residential and commercial properties; and
- Equipment.

The Company also focuses on ascertaining legal ownership, condition and the valuation of the collateral. A collateral backed loan is granted on the basis of the fair value of the collateral. The Company continues to monitor the value of the collateral throughout the loan period.

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

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

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

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Analysis of risk concentration

The Company manages its exposure to the concentration of credit risk by customer, geographic region and industry. The customers of the Company are located mainly in rural areas, and they are concentrated in a geographic region, Yangzhou, but the Company provides loans to a wide variety of customers that operate in different industries to mitigate its exposure to such risks. Given the regulatory restriction on the Company's geographical area of operation, there is credit risk arising from the geographic concentration.

Write-off policy

The Company writes off loans and other receivables, in whole or in part, when it was exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectations of recovery include bankrupt, termination or the expected cost significantly greater than the carrying amount of loans and other receivables. The Company may write off loans and other receivables that are still subject to enforcement activity. Where recoveries are made, these are recognised in the statement of profit or loss.

(b) Foreign currency risk

The Company operates principally in the PRC with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in HKD.

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

	Year ended 31 December	
	2018	2017
Changes in HKD exchange rate	**Impact on profit before tax**	Impact on profit before tax
+5%	**116**	53,942
-5%	**(116)**	(53,942)

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Interest rate risk

The Company's exposure to the risk of changes in interest rates relates primarily to its cash at banks, loans receivable and interest-bearing borrowings. All of the Company's loans receivable bear interest at fixed rates. They are much influenced by the mismatch of repricing days of interest-generating assets and interest-bearing liabilities. The Company does not use derivative financial instruments to manage its interest rate risk.

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

	Year ended 31 December	
	2018	2017
Changes in RMB interest rate	**Impact on profit before tax**	Impact on profit before tax
+ 50 basis points	**21,687**	52,893
– 50 basis points	**(21,687)**	(52,893)

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company seeks to manage its liquidity risk by circulating liquidity facilities, considering the maturity date of financial instruments and estimated cash flows from operation.

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

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

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

			31 December 2017			
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and a third party	10,578,504	—	—	—	—	10,578,504
Loans receivable	—	10,988,971	148,483,631	712,900,652	—	872,373,254
Other assets	1,155,937	—	—	—	—	1,155,937
Subtotal	11,734,441	10,988,971	148,483,631	712,900,652	—	884,107,695
Financial liabilities:						
Other liabilities	—	—	1,104,699	139,944	10,000	1,254,643
Subtotal	—	—	1,104,699	139,944	10,000	1,254,643
Net	11,734,441	10,988,971	147,378,932	712,760,708	(10,000)	882,853,052
Off-balance sheet guarantee	—	—	—	5,800,000	—	5,800,000

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(e) Capital management

According to the Opinions on Supporting and Restricting the Rural Micro-Finance Companies in Jiangsu Province (Provisional) (Su Jin Rong Ban Fa [2013] No. 103), the liabilities of micro-finance rural companies should not exceed 100% of net capital and the contingent liabilities should not exceed 250% of the net capital.

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Company monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing borrowings, less cash and cash equivalents. Management regards total equity which includes share capital, reserves and retained earnings as capital. The gearing ratios as at the end of the reporting periods were as follows:

	31 December	
	2018	2017
Instalment loan payable	**421,000**	—
Less: Cash and cash equivalents	**4,337,348**	10,578,504
Net debt	**(3,916,348)**	(10,578,504)
Share capital	**600,000,000**	600,000,000
Reserves	**103,074,536**	95,905,406
Retained earnings	**108,236,543**	94,650,965
Capital	**811,311,079**	790,556,371
Capital and net debt	**807,394,731**	779,977,867
Gearing ratio	**N/A**	N/A

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Company's financial liabilities mainly include other payables.

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

31. EVENTS AFTER THE REPORTING PERIOD

As approved at the board of directors' meeting held on 25 March 2019, the profit distribution plan of 2018 was as follows:

1. 10% of 2018 net profit amounting to 6,875,471 is appropriated to the statutory surplus reserve;

2. RMB 293,659 is appropriated to the general reserve;

Except for the above, there were no significant events after the reporting period.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorised for issue by the Company's board of directors on 25 March 2019.

BUSINESS REVIEW

During the year ended 31 December 2018, the Company continued to pursue business opportunities, strengthen its market position and achieve stable operating results. For the year ended 31 December 2018, the Company recorded gross interest income of approximately RMB108.3 million, representing an increase of approximately 18.6% as compared to approximately RMB91.3 million for the year ended 31 December 2017; and profit after tax of approximately RMB68.8 million, representing an increase of approximately 50.0% as compared to approximately RMB45.8 million for the year ended 31 December 2017. As at 31 December 2018, the Company's balance of outstanding loans (before allowance for impairment losses) was approximately RMB841.5 million, representing an increase of approximately 3.6% as compared to approximately RMB812.0 million as at 31 December 2017. Total assets as at 31 December 2018 were approximately RMB827.5 million, representing an increase of approximately 2.8% as compared to approximately RMB804.7 million as at 31 December 2017, and net assets were approximately RMB811.3 million as at 31 December 2018, representing an increase of approximately 2.6% 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 year ended 31 December 2017 and 2018, we granted loans to 500 and 513 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated:

	Year ended 31 December			
	2018		2017	
	No. of Customers	***%***	*No. of Customers*	*%*
Customer by type				
SMEs and microenterprises	**28**	**5.5**	38	7.6
Individual proprietors	**485**	**94.5**	462	92.4
Total	**513**	**100.0**	500	100.0

Loan portfolio by size

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

	As at 31 December 2018		As at 31 December 2017	
	RMB'000	***%***	*RMB'000*	*%*
Less than or equal to RMB0.5 million				
– Guaranteed loans	**21,088**	**2.5**	18,989	2.3
– Collateralized loans	**7,613**	**0.9**	10,486	1.3
	28,701	**3.4**	29,475	3.6
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	**95,789**	**11.4**	58,650	7.2
– Collateralized loans	**704**	**0.1**	1,522	0.2
	96,493	**11.5**	60,172	7.4
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	**317,150**	**37.6**	319,849	39.4
– Collateralized loans	**10,792**	**1.3**	14,262	1.8
	327,942	**38.9**	334,111	41.2
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	**367,322**	**43.7**	367,128	45.2
– Collateralized loans	**21,058**	**2.5**	21,088	2.6
	388,380	**46.2**	388,216	47.8
Total	**841,516**	**100.0**	811,974	100.0

Loan portfolio by security

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

	As at 31 December 2018		As at 31 December 2017	
	RMB'000	**%**	*RMB'000*	%
Guaranteed loans	**801,349**	**95.2**	764,616	94.2
Collateralized loans	**40,167**	**4.8**	47,358	5.8
included: Guaranteed and collateralized loans	**37,989**	**4.5**	44,376	5.5
Total	**841,516**	**100.0**	811,974	100.0

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

	Year ended 31 December	
	2018	2017
Guaranteed loans	**522**	528
Collateralized loans	**42**	55
included: Guaranteed and collateralized loans	**41**	55
Total	**564**	583

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 . 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 December 2018		As at 31 December 2017	
	RMB'000	**%**	*RMB'000*	%
Normal	**826,672**	**98.2**	800,985	98.6
Special-Mention	**3,301**	**0.5**	2,030	0.3
Substandard	**3,237**	**0.4**	—	0.0
Doubtful	**1,165**	**0.1**	3,668	0.5
Loss	**7,141**	**0.8**	5,291	0.6
Total	**841,516**	**100.0**	811,974	100.0

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

	As at 31 December 2018	As at 31 December 2017
Impaired loan ratio[1]	**1.4%**	1.1%
Balance of impaired loans (RMB'000)	**11,543**	8,959
Total amount of loans receivable (RMB'000)	**841,516**	811,974

	As at 31 December 2018	As at 31 December 2017
Allowance coverage ratio[2]	**236.0%**	274.3%
Allowance for impairment losses (RMB'000)[3]	**27,240**	24,574
Balance of impaired loans (RMB'000)	**11,543**	8,959
Provisions for impairment losses ratio[4]	**3.2%**	3.0%

	As at 31 December 2018	As at 31 December 2017
Balance of overdue loans (RMB'000)	**14,694**	10,989
Total amount of loans receivable (RMB'000)	**841,516**	811,974
Overdue loan ratio[5]	**1.7%**	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 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 18.6% from approximately RMB91.3 million for the year ended 31 December 2017 to approximately RMB108.3 million for the year ended 31 December 2018. This increase was mainly attributable to an increase in the average daily balance of our loans receivable by approximately 17.6% from approximately RMB698.9 million for the year ended 31 December 2017 to approximately RMB822.3 million for the year ended 31 December 2018 and an increase in the average interest rate per annum from 13.1% for the year ended 31 December 2017 to 13.2% for the year ended 31 December 2018.

Interest expense

There was no interest expense for the year ended 31 December 2018 (for the year ended 31 December 2017: approximately RMB0.1 million), primarily because the external borrowing of 2017 had been repaid in November 2017. The Company entered into an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, the loan has not started accruing interest as of 31 December 2018.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB7.3 million and RMB3.0 million for the year ended 31 December 2017 and 2018, respectively. The decrease in accrual of provision for impairment losses is mainly due to the decrease of the amount of new loans granted in 2018 .

Accrual of provision for guarantee losses

During the years ended 31 December 2017 and 2018, we had provided financing guarantee services on an occasional basis, upon our customers request and at our sole discretion. We had accrued the provisions for guarantee losses provided for our outstanding financing guarantee obligation of RMB58,000 and RMB25,852 for the years ended 31 December 2017 and 2018, respectively.

Administrative expenses

Our administrative expenses decreased by approximately 26.2% from approximately RMB20.7 million for the year ended 31 December 2017 to approximately RMB15.3 million for the year ended 31 December 2018. This was primarily due to a decrease in listing expense.

Income tax expense

Income tax expense increased by approximately 54.6% from approximately RMB15.2 million for the year ended 31 December 2017 to approximately RMB23.5 million for the year ended 31 December 2018. Such increase was mainly attributable to an increase in profit before tax.

Management Discussion and Analysis

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income increased by approximately 50.0% from approximately RMB45.8 million for the year ended 31 December 2017 to approximately RMB68.8 million for the year ended 31 December 2018.

Significant investments

The Company has no significant investment during the year ended 31 December 2018.

Material acquisitions or disposals of subsidiaries, affiliated companies and joint ventures

The Company has no material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 December 2018.

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 December 2018.

Foreign exchange risk

The Company operates principally in the People's Republic of China (the "**PRC**") with only limited exposure to foreign exchange rate risk. 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$2,655 as at 31 December 2018. The Company will continue to monitor the situation to ensure the foreign exchange risk is under control.

Liquidity, financial resources and capital structure

As at 31 December 2018, the Company had bank balances and cash of approximately RMB4.3 million (31 December 2017: approximately RMB10.6 million). The Company had no interest-bearing borrowings as at 31 December 2017. As at 31 December 2018, the Company had instalment loan payable and the balance of which was RMB421,000. The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 31 December 2018 (31 December 2017: nil).

During the year ended 31 December 2018, the Company did not use any financial instruments for hedging purposes.

Indebtedness and charges on assets

During the year of 2018, the Company entered into an instalment loan arrangement in respect of purchasing motor vehicles. As at 31 December 2018, the balance of the instalment loan was RMB 421,000, and was secured by the motor vehicles as collateral.

Contingent liabilities

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

	As at 31 December	
	2018	2017
Financial guarantee contracts	**4,000,000**	5,800,000

Use of proceeds

The actual net proceeds from the Listing (after deducting underwriting fees and commissions and listing related expenses) amounted to approximately HK$ 185.4 million (equivalent to approximately RMB161.1 million). As at 31 December 2018, the Company had utilized approximately RMB$145.1 million of the actual 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 31 December 2018, all the proceeds had been used up. The following table sets out the status of our deployment of actual net proceeds as at 31 December 2018:

	Allocated net proceeds *(RMB million)*	**Funds deployed as at 31 December 2018** *(RMB million)*	**Unutilized funds as at 31 December 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	—

DIVIDEND POLICY

The Board adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of the association of the Company (the "**Articles of Association**") and all applicable laws and regulations and the factors set out below.

The Company has adopted a dividend policy pursuant to which it may declare and pay annual dividends to shareholders of not less than 30% of the profit available for distribution, subject to, in each case, the Board's decision after a comprehensive review of the Company's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on payment of dividends and any other factors that the Board may consider relevant, and there is no assurance that dividends may be declared or paid in any given amount for any given financial year.

Depending on the financial conditions of the Company and the conditions and factors of the Company as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate. Any proposed dividend for a financial year will be subject to shareholders' approval. The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the articles of association.

FINAL DIVIDEND

Having duly considered the anticipated incurrence of one-off professional fees and expenses for the purpose of the Company's proposed transfer to a main Board listing and its interim impact on the cash flow of the Company, the Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

During the year ended 31 December 2018 and up to the date of this announcement, there is no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend.

MATERIAL LITIGATION AND ARBITRATION

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 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 year ended 31 December 2018 was approximately RMB4.5 million (for the year ended 31 December 2017: approximately RMB4.1 million).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Company is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Company has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Company understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Company maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

OUTLOOK

During the year of 2018, the Gross Domestic Product ("the **GDP**") of Jiangsu Province exceeded RMB9.0 trillion for the first time, ranking second in China and representing a year-on-year growth rate of 6.7%. For the same period, the GDP of Yangzhou City was approximately RMB546.6 billion, representing a year-on-year growth rate of 7.9%. The steady growth of the economy of Jiangsu Province and Yangzhou City provided a good external economic environment for the business development of the Company. In 2018, the Chinese government introduced a series of policies that were conducive to improving the multi-level credit market and developing inclusive finance. The introduction of these policies has created a fair, transparent and sustainable policy environment and system basis for the development of microfinance companies.

With the successful listing of the Company on GEM of the Stock Exchange on 8 May 2017, the capital base of the Company has been further expanded. Meanwhile, the Company continues to promote the implementation of the strategic plan and meticulous management initiatives to further strengthen the Company's competitive advantages. In terms of business strategies, the Company has expanded our customer base by further penetrating the existing market, while expanding and strengthening our back-office operation support.

The objective of the Company is to become a leading regional microfinance company focusing on meeting the interim business financing needs of 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

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 year ended 31 December 2018.

ANNUAL FINANCIAL BUDGET FOR 2019

Considering the macro-economic situation, financial condition and the business growth of the Company in last three years, the Company has formulated the annual financial budget for 2019 after detailed calculation and analysis and collecting different opinions. The details are set out as follows:

I. The estimated maximum total administrative expenses will be RMB30 million;

II. According to the needs of strategic development and business expansion, the planned maximum capital expenditure of the Company will be RMB4 million, mainly including the expenses for properties renovation, IT system development and purchasing other fixed assets.

The annual financial budget for 2019 of the Company was considered and approved by the Board on 25 March 2019 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 January 2015 in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting, risk management and internal control system, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three members, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of the Audit Committee.

The Company's results and the results announcement for the year ended 31 December 2018 have been reviewed by the Audit Committee. The Audit Committee and Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable 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 being the date of listing of the Company's H shares (the "**H Shares**") on the Stock Exchange and up to the date of this announcement.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the year ended 31 December 2018, the Company adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company (the "**Supervisors**") on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors have confirmed that they have complied with such code of conduct and required standard of dealings during the year ended 31 December 2018 and up to the date of this announcement. The Company continues and will continue to ensure compliance with the code of conduct.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the year of 2018 and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public shareholders.

AUDITOR

The financial statements of the Company for the year ended 31 December 2018 have been audited by Ernst & Young, who will retire and a resolution to re-appoint Ernst & Young as auditor of the Company will be proposed at the annual general meeting of the Company.

The Company did not change its auditors in the preceding 3 years.

EVENTS AFTER THE REPORTING PERIOD

As approved at the board of directors' meeting held on 25 March 2019, the profit distribution plan of 2018 was as follows:

1. 10% of 2018 net profit amounting to RMB6,875,471 is appropriated to the statutory surplus reserve;

2. RMB 293,659 is appropriated to the general reserve;

Except for the above, there were no significant events after the reporting period.

Others

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, China Galaxy International Securities (Hong Kong) Co., Limited ("**China Galaxy**"), save for the compliance adviser agreement dated 16 August 2016 and the supplemental agreement dated 31 March 2017 entered into between the Company and China Galaxy for acting as a compliance adviser and the joint sponsor agreement dated 30 November 2018 entered into between the Company and China Galaxy for acting as a joint sponsor for the Company's proposed transfer of listing from GEM to the Main Board of the Stock Exchange, none of China Galaxy 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 year of 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, 25 March 2019

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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.

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).