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 on Main Board: 1915)

(Stock code: 8252)

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Joint Sponsors

中國銀河國際
CHINA GALAXY INTERNATIONAL

TUS Corporate Finance Limited

On 23 April 2019, an application was made by the Company to the Stock Exchange for the Transfer of Listing. The Company has applied for the listing of, and permission to deal in, 150,000,000 H Shares in issue on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 5 July 2019 and all pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the H Shares.

The last day of dealings in the H Shares on GEM (stock code: 8252) will be 16 July 2019. Dealings in the H Shares on the Main Board (stock code: 1915) will commence at 9:00 a.m. on 17 July 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the H Shares, which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the H Shares and the H Share Registrar following the Transfer of Listing.

Reference is made to the announcement issued by the Company on 23 April 2019 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to Chapter 9A of and Appendix 28 to the Main Board Listing Rules.

TRANSFER OF LISTING OF THE H SHARES FROM GEM TO THE MAIN BOARD

On 23 April 2019, an application was made by the Company to the Stock Exchange for the Transfer of Listing. In particular, the Company has applied for the listing of, and permission to deal in, 150,000,000 H Shares in issue on the Main Board by way of the Transfer of Listing. The approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 5 July 2019 for the H Shares to be listed on Main Board and de-listed from GEM.

The Board confirms that all pre-conditions for the Transfer of Listing have been fulfilled in relation to the Company and the H Shares.

The Company shall submit a written report in respect of the Transfer of Listing to the CSRC within 15 working days upon the listing of and commencement of dealings in the H Shares on the Main Board.

REASONS FOR THE TRANSFER OF LISTING

The H Shares have been listed on GEM since 8 May 2017. The Company is a rural microfinance company in Yangzhou City, dedicated to serving SMEs, microenterprises and individual proprietors in Yangzhou City by offering flexible, accessible and efficient micro and small loan services aiming to best match customers' interim business financing needs.

The Board believes that the Transfer of Listing will:

- enhance the corporate profile of the Company and increase the Company's brand awareness and market reputation, which in turn will further increase the confidence of its investors and stakeholders;

- enhance the Company's ability to secure quality customers and its bargaining power in business negotiations in general; and

- enhance the trading liquidity of the H Shares as well as the fund raising capability of the Company.

The Board is of the view that the Transfer of Listing will benefit the Company's future growth and development and create long-term value to its Shareholders, and thus is in the interest of the Company and its Shareholders as a whole.

As at the date of this announcement, the Board has no intention to change the nature of business of the Company following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALING IN THE H SHARES ON THE MAIN BOARD

The H Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 8 May 2017, the date on which the H Shares were first listed on GEM. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Subject to continued compliance with the stock admission requirements of HKSCC, the H Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS for dealings in the H Shares on the Main Board.

The last day of dealings in the H Shares on GEM (stock code: 8252) will be 16 July 2019. Dealings in the H Shares on the Main Board (stock code: 1915) will commence at 9:00 a.m. on 17 July 2019.

The Transfer of Listing will have no effect on the existing share certificates in respect of the H Shares, which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the H Shares are traded in the board lot of 2,000 H Shares each and are traded in Hong Kong dollars. The Hong Kong registrar of the Company (in respect of the H Shares) is Tricor Investor Services Limited. No change will be made to the English and Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the H Shares and the H Share Registrar following completion of the Transfer of Listing.

SHARE OPTION SCHEME

As at the date of this announcement, the Company does not have any share option schemes, nor any outstanding options, warrants or similar rights or convertible equity securities in issue which will be transferred to the Main Board.

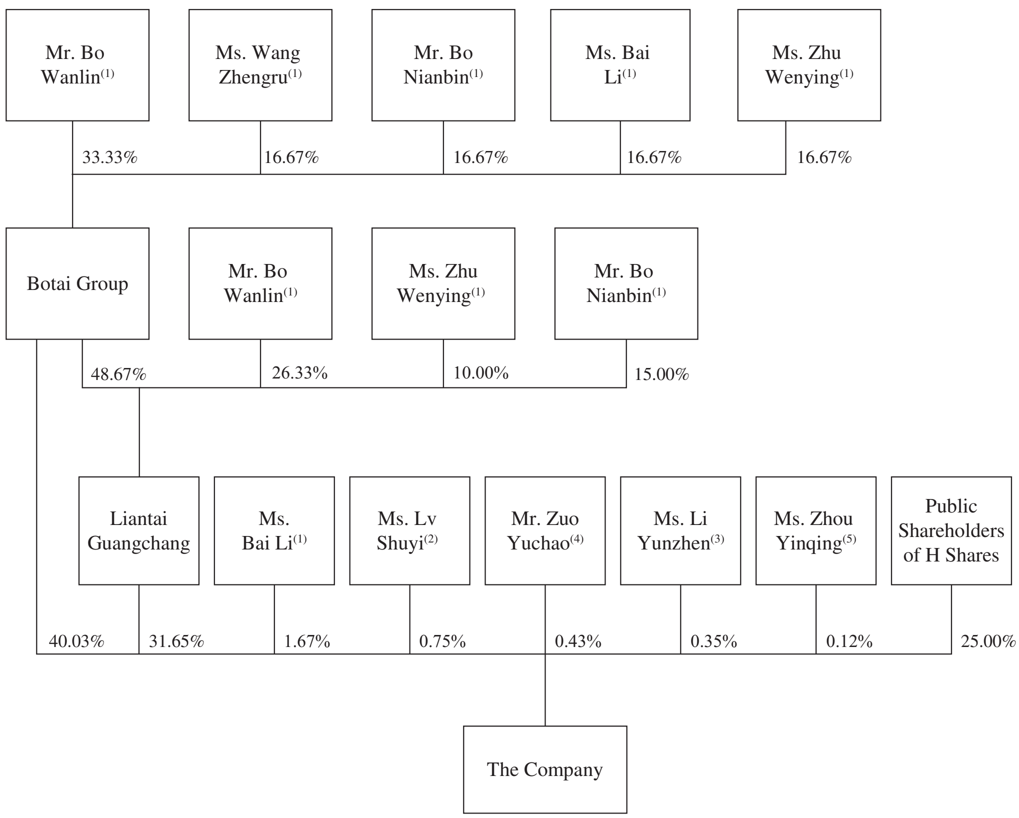
EXISTING STRUCTURE AND SHAREHOLDING DISTRIBUTION

Based on a review of (i) the register of members of the Company; (ii) results of a shareholding analysis report compiled based on enquiries made pursuant to section 329 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) as commissioned by the Company; and (iii) the CCASS shareholding disclosure search results and the disclosure of interests search results from the Stock Exchange website, as at the Latest Practicable Date, the Company is of the view that (a) it has not less than 300 Shareholders; (b) not more than 50% of the Shares in public hands are beneficially owned by the three largest public Shareholders; and (c) save as the

Shareholders who have filed disclosure of interests notice with the Stock Exchange, the Company does not have any public Shareholder which holds more than 5% of the shareholding of the Company. Accordingly, the requirements under Rule 8.08(2) and 8.08(3) of the Main Board Listing Rules have been complied with.

Shareholding Structure of the Company

The following diagram sets forth the shareholding and corporate structure of the Company as at 8 May 2017 (being the date on which the H Shares were first listed on GEM) and 1 January 2018 (being the commencement of the latest full financial year prior to completion of the Transfer of Listing):



* *Percentages are approximate only and may not add up to 100 due to rounding*

Notes:

1. Ms. Wang Zhengru is spouse of Mr. Bo Wanlin; Mr. Bo Nianbin and Ms. Bai Li are son and daughter, respectively, of Mr. Bo Wanlin; and Ms. Zhu Wenying is mother of Mr. Bo Wanlin.

2. Ms. Lv Shuyi has no relationship with the Company (other than being a Shareholder). Thus, her shareholdings are counted as public float under both the GEM Listing Rules and the Main Board Listing Rules.

3. Ms. Li Yunzhen was a former supervisor of the Company until 15 January 2015 and a former director of the Company until 6 May 2013. Besides that Ms. Li has no relationship with the Company (other than being a Shareholder). Thus, her shareholdings are counted as public float under both the GEM Listing Rules and the Main Board Listing Rules.

4. Mr. Zuo Yuchao is a non-executive Director and accordingly is a connected person of the Company.

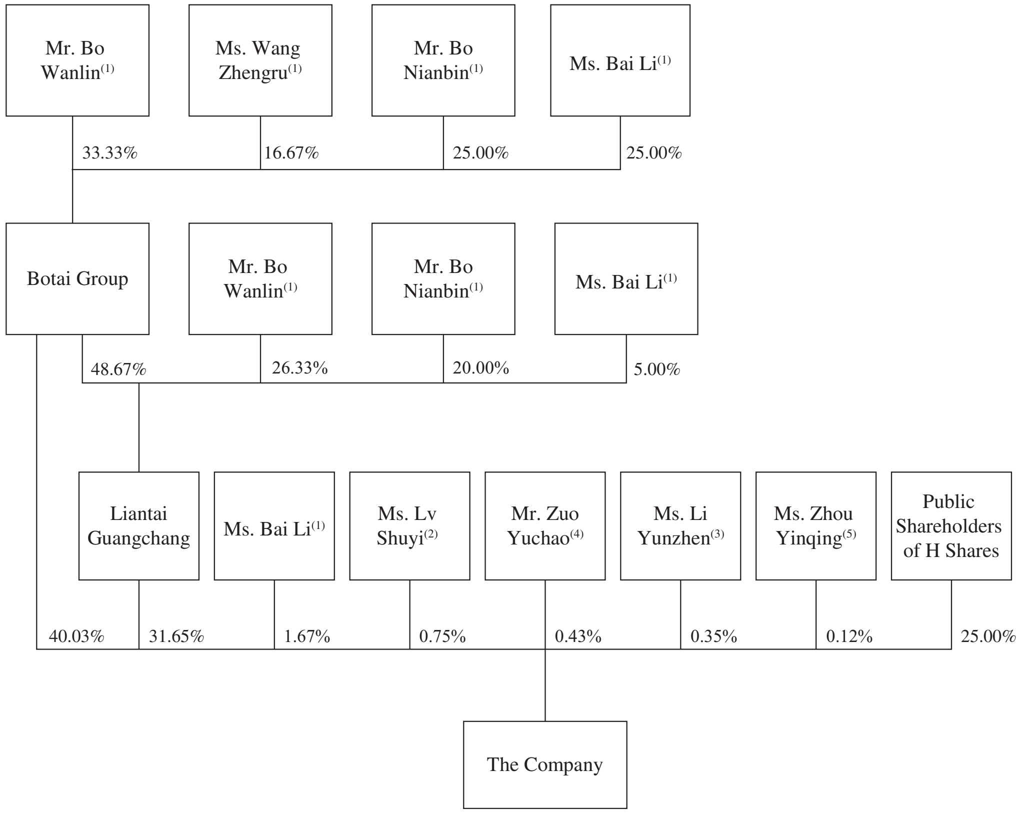
5. Ms. Zhou Yinqing is an executive Director and accordingly is a connected person of the Company.

As disclosed in the announcement of the Company issued on 12 December 2017, Botai Group and Liantai Guangchang, both being Controlling Shareholders, pledged 45,000,000 and 35,000,000 Domestic Shares in favor of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively. The bank facilities were used to supplement the working capital and promote the business development of Botai Group and Liantai Guangchang.

The Share Transfers

For reason of family succession planning as further particularised below, on 9 July 2018 Ms. Zhu Wenying transferred (i) her entire shareholding in Botai Group (approximately 16.67% of the total issued share capital of Botai Group) to Mr. Bo Nianbin and Ms. Bai Li, as a result of which each of Mr. Bo Nianbin and Ms. Bai Li held approximately 25.00% of the total issued share capital of Botai Group; and (ii) her entire shareholding in Liantai Guangchang (approximately 10.00% of the total issued share capital of Liantai Guangchang) to Mr. Bo Nianbin and Ms. Bai Li, as a result of which Mr. Bo Nianbin held approximately 20.00% and Ms. Bai Li held 5.00% of the total issued share capital of Liantai Guangchang. The Share Transfers did not affect the respective interest of Botai Group and Liantai Guangchang in the Company, and both Botai Group and Liantai Guangchang have remained owned as to 100% by the Bo Family subsequent to the Share Transfers and up to the Latest Practicable Date, amongst which Mr. Bo Wanlin and his spouse, Ms. Wang Zhengru continued to control 50% of the voting rights of Botai Group, and Mr. Bo Wanlin together with Botai Group continued to control more than 50% of the voting rights of Liantai Guangchang. Accordingly, the control of the Company has remained in the hands of the Bo Family subsequent to the Share Transfers and accordingly, there was no change in control of the Company as a result of the Share Transfers. The Share Transfers were carried out as part of the family arrangement within the Bo Family as a succession planning of Ms. Zhu Wenying, and were legally completed on 9 July 2018.

The following diagram sets forth the shareholding and corporate structure of the Company subsequent to the Share Transfers and as at the Latest Practicable Date:



* *Percentages are approximate only*

Notes:

1. Ms. Wang Zhengru is spouse of Mr. Bo Wanlin, and Mr. Bo Nianbin and Ms. Bai Li are son and daughter, respectively, of Mr. Bo Wanlin, all being members of the Bo Family.

2. Ms. Lv Shuyi has no relationship with the Company (other than being a Shareholder). Thus, her shareholdings will be counted as public float under both the GEM Listing Rules and the Main Board Listing Rules.

3. Ms. Li Yunzhen was a former supervisor of the Company until 15 January 2015 and a former director of the Company until 6 May 2013. Besides that Ms. Li has no relationship with the Company (other than being a Shareholder). Thus, her shareholdings will be counted as public float under both the GEM Listing Rules and the Main Board Listing Rules.

4. Mr. Zuo Yuchao is a non-executive Director and accordingly is a connected person of the Company.

5. Ms. Zhou Yinqing is an executive Director and accordingly is a connected person of the Company.

As disclosed in the Prospectus, Mr. Bo Wanlin, Ms. Wang Zhengru, Mr. Bo Nianbin, Ms. Bai Li and Ms. Zhu Wenying were parties acting in concert whereby Ms. Wang Zhengru, Mr. Bo Nianbin, Ms. Bai Li and Ms. Zhu Wenying agreed to vote in concert with Mr. Bo Wanlin at Shareholders' meetings of the Company. The Bo Family (as led by Mr. Bo Wanlin), Botai Group and Liantai Guangchang have remained as a group of Controlling Shareholders of the Company since the GEM Listing Date. Subsequent to the Share Transfers, Mr. Bo Wanlin, Ms. Wang Zhengru, Mr. Bo Nianbin and Ms. Bai Li remained to be parties acting in concert in respect of their direct and indirect shareholdings in the Company, whereas Ms. Zhu Wenying ceased to be a concert party under the Bo Family.

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares

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

Shareholders	Nature of interest	Number of Shares held [1]	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company[3]
Botai Group[8]	Beneficial owner	240,200,000 Domestic Shares (L)	53.38%[2]	40.03%
	Interest in controlled corporation[4]	189,900,000 Domestics Shares (L)	42.20%[2]	31.65%
Mr. Bo Wanlin	Interest in controlled corporation[5]	430,100,000 Domestic Shares (L)	95.58%[2]	71.68%
Ms. Wang Zhengru	Family interest of spouse[6]	430,100,000 Domestic Shares (L)	95.58%[2]	71.68%
Liantai Guangchang[8]	Beneficial owner	189,900,000 Domestic Shares (L)	42.20%[2]	31.65%
Mr. Suen Cho Hung, Paul[9]	Beneficial owner	19,208,000 H Shares (L)	12.81%[7]	3.20%
Mr. Lai Ming Wai[9]	Beneficial owner	10,090,000 H Shares (L)	6.73%[7]	1.68%

Notes:

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

2. The calculation is based on the percentage of shareholding in the Domestic Shares.

3. The calculation is based on the total number of 600,000,000 Shares in issue as at the date of this announcement.

4. As at the date of this announcement, Liantai Guangchang is held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO.

5. As at the date of this announcement, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and his spouse Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

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

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

8. On 12 December 2017, Botai Group and Liantai Guangchang, both being Controlling Shareholders, pledged 45,000,000 and 35,000,000 Domestic Shares in favor of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively.

9. Both Mr. Suen Cho Hung, Paul and Mr. Lai Ming Wai are Independent Third Parties (other than being Shareholders).

Save as disclosed above, as at the date of this announcement, so far as known to the Directors, no interests or short positions of the substantial shareholders of the Company and other persons in any Shares and debentures or underlying Shares of the Company were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

GENERAL MANDATE TO ISSUE SHARES

The general mandate granted at the AGM held on 12 June 2019 to the Directors to issue, allot and deal with unissued shares of the Company, whether Domestic Shares or H Shares, of not exceeding 20% of each of the Domestic Shares and the H Shares then in issue, respectively, will continue to be valid and remain in effect pursuant to Rule 9A.12 of the Main Board Listing Rules until the earliest of:

(a) the conclusion of the next AGM; or

(b) the expiration of the period within which the next AGM is required by the Articles of Association or other applicable laws to be held; or

(c) the revocation or variation of such authority by a special resolution of the shareholders of the Company in a general meeting.

PUBLIC FLOAT

The Directors confirm that not less than 25% of the total issued share capital of the Company is held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. The Directors also confirm that the H Shares in issue represent not less than 25% of the total number of issued Shares as at the date of this announcement. Accordingly, the minimum 25% public float requirement under Rule 8.08(1)(a) of the Main Board Listing Rules and the requirements under paragraph 7(2) of Appendix 28 to the Main Board Listing Rules have been complied with.

CONTROLLING SHAREHOLDERS

The Bo Family, Botai Group and Liantai Guangchang are the Controlling Shareholders.

Competing Interests

As at the date of this announcement, Botai Group and Liantai Guangchang each held approximately 10% interest in Mintai Bank as passive investors, and Botai Group held approximately 8% interest in Zhongcheng Bank in the capacity as a passive investor.

Mintai Bank and Zhongcheng Bank are principally engaged in the business of taking public deposit; providing short term, medium term and long term loans; domestic exchange settlement; notes acceptance and discount; inter-bank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by the CBRC.

The Directors are of the view that the Company serves a relatively different customer base as compared with Mintai Bank and Zhongcheng Bank and the competition between the principal businesses of Mintai Bank and Zhongcheng Bank and that of the Company is limited and not extreme. Therefore, the equity interests in Mintai Bank and Zhongcheng Bank owned by the Controlling Shareholders or their respective associate(s) would unlikely to result in competition, whether directly or indirectly, with the principal business of the Company in material aspects. For further details on the analysis of competing interests in relation to Mintai Bank and Zhongcheng Bank, please refer to the section headed “Relationship with the Controlling Shareholders — Other Businesses Invested by our Controlling Shareholders” in the Prospectus.

Save as disclosed above, as at the date of this announcement, none of the Controlling Shareholders, Directors or their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with the Company's principal business, which would require disclosure under Rule 8.10 of the Main Board Listing Rules as applied by paragraph 10(11) of Appendix 28 of the Main Board Listing Rules.

Exempt Continuing Connected Transaction

As at the date of this announcement, there is an ongoing continuing connected transaction between the Company and Liantai Guangchang. Since 2010, the Company has been leasing premises from Liantai Guangchang for use as a branch office. On 28 November 2017, the Company entered into a new lease agreement (the "**Lease Agreement**") with Liantai Guangchang to renew the said lease for a term of three years from 1 January 2018 to 31 December 2020. Since each of the applicable percentage ratios (other than the profits ratio) in respect of the Lease Agreement is less than 5% on an annual basis and the annual rental payment does not exceed HK$3,000,000, the transaction contemplated under the Lease Agreement constituted a de minimis continuing connected transaction and is exempt from reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Main Board Listing Rules.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively.

BUSINESS OF THE COMPANY

Overview

The Company is a rural microfinance company in Yangzhou City, dedicated to serving SMEs, microenterprises and individual proprietors in Yangzhou City. According to the Yangzhou Small Loan Industry Association* (揚州市小額貸款公司行業協會), the Company was the first microfinance company in Yangzhou City authorised by Jiangsu Finance Office to conduct micro and small loan business across Yangzhou City. The Company has been accredited an "AA" grading since 5 February 2015 and subsequently accredited an "AAA" grading since 7 December 2017 by Jiangsu Finance Office pursuant to the Microfinance Companies Regulatory Grading Scheme in recognition of its quality micro and small loan business.

According to the Frost & Sullivan Report, the Company was the largest licensed microfinance company in Yangzhou City in 2018 in terms of registered capital, revenue and outstanding loan balance, with a market share of approximately 7.9%, 15.1% and 10.6% in terms of total registered capital, revenue and outstanding loan balance, respectively, among the microfinance companies in Yangzhou City.

The Company has a relatively broad customer base comprising primarily SMEs, microenterprises and individual proprietors who are engaged in a variety of industries, a majority of which are also under the PBOC's classification of AFR (三農). The Company solicits customers principally through door-to-door visit by account managers, referrals from former and existing customers and its two operation points located in Guangling District and Hanjiang District in Yangzhou City. The Company also promotes its brand and services through its official website.

The Company offers loans under two formats, namely (i) term loans and (ii) loans under credit facility. A term loan provides a customer a fixed amount of short-term loan at an agreed interest rate, whereas credit facility allows a customer to apply for and subject to the Company's review and approval, to drawdown short-term loan(s) in one or more tranches within a pre-approved credit limit.

The loans granted by the Company to its customers can be principally categorised into: (i) loans backed by guarantees, (ii) loans secured by collaterals, and (iii) loans backed and secured by both guarantees and collaterals. During the Track Record Period and up to the Latest Practicable Date, the Company had not offered any unsecured loans to customers.

During the Track Record Period, the Company granted loans to its customers in principal amounts ranging from RMB12,000 to RMB3,000,000, with maturity generally within 12 months. The Company's customers are engaged in a diversity of industries, such as manufacturing, construction, wholesale and retail, transportation, warehousing and postal, etc. The Directors consider the relatively small individual loan size coupled with the diversity of industries and businesses of the customers serve to alleviate the risk of concentration and position the Company to better withstand periodic business and economic cycles of different industries.

During the Track Record Period, no loans were granted to, or backed by guarantees provided by, connected persons of the Company. The Company had granted loans with term extension in aggregate amount of approximately RMB3 million for the year ended 31 December 2016, but has ceased granting any loan extension since 1 January 2017.

During the Track Record Period, the Company also provided financial guarantee services on an occasional basis. More particularly, the Company provided financial guarantee services to two customers during the year ended 31 December 2017 in respect of two private-placement bonds with principal amount of RMB2.8 million and RMB3.0 million respectively, both of which had a term of one year and matured in the year ended 31 December 2018, and were fully repaid without triggering any repayment obligations on the part of the Company arising from the financial guarantee services provided. During the year ended 31 December 2018, the Company further provided financial guarantee services to another customer in respect of a bank loan with a principal amount of RMB4.0 million and a term of one year to be expired in the year ending 31 December 2019. As a result of the foregoing, the Company had outstanding guarantee obligations of RMB5.8 million, RMB4.0 million and RMB4.0 million as at 31 December 2017 and 2018 and 31 March 2019, respectively. Pursuant to the relevant guarantee agreements entered into with these three customers, the Company was entitled to receive guarantee fees of 8.4% per annum on the principal amount of each of the two private-placement bonds issued, and a fixed guarantee fee of RMB160,000 for its financial guarantee on the bank loan, respectively. The Company adopts credit risk management measures for its guarantee services that are similar to those for its loan business, and generally requires customers to provide third-party counter-guarantees for the benefit of the Company, so that those third parties are jointly and severally liable for the loans that the Company has guaranteed. The Company does not have any current intention to expand the scale of its financial guarantee services and plans only to offer financial guarantee services on an occasional basis, depending on the circumstances and at the Company's sole discretion.

Key Operational Statistics and Loan Portfolio

Certain key operational statistics of the Company during the Track Record Period are set out below:

	Year ended or as at 31 December			Three months ended or as at 31 March
	2016	2017	2018	2019
Total outstanding loans receivable as at the end of the period *(RMB'000)*	599,381	811,974	841,516	853,956
Total outstanding loans receivable less allowance for impairment losses as at the end of the period *(RMB'000)*	580,544	787,399	814,276	824,969

	Year ended or as at 31 December			Three months ended or as at 31 March
	2016	**2017**	**2018**	**2019**
Total amount of new loans granted during the period (*RMB'000*)	679,025	950,560	914,790	132,650
Number of new loans granted during the period	463	583	564	81
Weighted average interest rate per annum[1]	13.4%	14.2%	14.1%	12.2%
Effective interest rate per annum[2]	12.7%	13.1%	13.2%	12.9%
Outstanding amount of overdue loans as at the end of the period *(RMB'000)*[3]	10,069	10,989	14,694	14,644
Overdue loan ratio as at the end of the period[4]	1.7%	1.4%	1.7%	1.7%
Outstanding amount of impaired loans as at the end of the period *(RMB'000)*[5]	9,981	8,959	11,543	14,644
Impaired loan ratio as at the end of the period[6]	1.7%	1.1%	1.4%	1.7%
Allowance for impairment losses as at the end of the period *(RMB'000)*[7]	18,837	24,575	27,240	28,987
Provisions for impairment losses ratio as at the end of the period[8]	3.1%	3.0%	3.2%	3.4%
Allowance coverage ratio as at the end of the period[9]	188.7%	274.3%	236.0%	198.0%
Loan rejection ratio during the period[10]	6.7%	7.2%	7.1%	6.9%
Loan-to-value ratio of collateralised loans[11]	10.6%-74.3%	8.2%-100%[12]	8.2%-78.4%	22.2%-40.2%

Notes:

1. The weighted average interest rate per annum refers to the weighted average of the interest rates of new loans granted during the period.

2. The effective interest rate per annum is calculated by dividing the interest income derived from loans (not including any default interest) by the average daily balance of loans receivable for the periods indicated.

3. Overdue loans refer to loans with whole or part of the principal and/or interest overdue for one day or more.

4. The overdue loan ratio is calculated by dividing the outstanding amount of overdue loans as at the dates indicated by the total outstanding loans receivable as at the dates indicated.

5. Impaired loans refer to the loans identified as "individually impaired", which included "substandard", "doubtful" and "loss" loans under the "Five-Tier Principle" loan classification approach pursuant to the Guideline for Loan Credit Risk Classification (貸款風險分類指引).

6. The impaired loan ratio is calculated by dividing the outstanding amount of impaired loans as at the dates indicated by the total outstanding loans receivable as at the dates indicated.

7. Allowance for impairment losses reflects the management's estimate of the probable loss in loan portfolio.

8. Provisions for impairment losses ratio represents the allowance for impairment losses as at the dates indicated divided by the total amount of loans receivable as at the dates indicated. Provisions for impairment losses ratio measures the cumulative level of provisions.

9. Allowance coverage ratio represents the allowance for impairment losses on all loans as at the dates indicated divided by the balance of impaired loans as at the dates indicated. The allowance for impairment losses on all loans includes provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance the Company set aside to cover probable loss in its loan portfolio.

10. Loan rejection ratio is calculated by dividing the number of loan applications rejected during the period by the total number of loan applications during the period.

11. The loan-to-value ratio of a collateralized loan (with and without guarantee) is calculated by dividing the amount of the collateralised loan and/or maximum amount of credit facility granted by the collateral value supported by the relevant valuation reports.

12 The high end of the Company's loan-to-value ratio of collateralised loans of 100% for the year ended 31 December 2017 was arising from two isolated collateralised loans with guarantee. Excluding these two loans, the high end of the Company's loan-to-value ratio of collateralised loans for the year ended 31 December 2017 was approximately 81.1%.

The following sets out further analysis of the Company's loan portfolio during the Track Record Period by way of various categorisations:

(a) Loan portfolio by loan format

The following table sets forth the Company's outstanding loans by loan format as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Terms loans	465,628	77.7	701,134	86.3	777,090	92.3	790,353	92.6
Loans under credit facility	133,753	22.3	110,840	13.7	64,426	7.7	63,603	7.4
Total	599,381	100	811,974	100	841,516	100	853,956	100

(b) Loan portfolio by security

The following table sets forth the balance of the Company's outstanding loans by security as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Guaranteed loans	518,850	86.6	764,616	94.2	801,349	95.2	814,869	95.4
Collateralised loans	80,531	13.4	47,358	5.8	40,167	4.8	39,087	4.6
included: Guaranteed and collateralised loans	*77,466*	*12.9*	*44,376*	*5.5*	*37,989*	*4.5*	*36,927*	*4.3*
Total	599,381	100	811,974	100	841,516	100	853,956	100

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

	Year ended 31 December			Three months ended 31 March
	2016	2017	2018	2019
Guaranteed loans	395	528	522	78
Collateralised loans	68	55	42	3
included: Guaranteed and collateralised loans	67	55	41	3
Total	463	583	564	81

Guaranteed loans

During the Track Record Period, a substantial portion of the loans granted by the Company were guaranteed loans, which were not secured by collateral. The following table sets forth the details of the outstanding guaranteed loans by guarantor type as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By the guarantee status among borrowers				
Cross guarantee among the borrowers	3,016	—	—	—
Non-cross guarantee	515,834	764,616	801,349	814,869
Total	518,850	764,616	801,349	814,869
By the manner in which a single guarantor provides guarantees				
Common guarantor[1]	99,863	175,983	241,086	285,838
- *Common guarantor guaranteeing for different borrowers*	65,937	154,406	212,307	252,783
- *Common guarantor guaranteeing for a single borrower*	33,926	21,577	28,779	33,055
Non-common guarantor	418,987	588,633	560,263	529,031
Total	518,850	764,616	801,349	814,869

Note:

1. Common guarantors refer to guarantors who guaranteed more than one loan either for different borrowers or for a single borrower who obtained more than one loan during the relevant period.

During the Track Record Period, a majority of the guarantors for loans granted by the Company were individual guarantors who are generally shareholder(s), authorised representative(s), business associate(s), friend(s) and family member(s) of the relevant borrower, while the enterprise guarantors are generally company(ies) controlled by the relevant borrower and/or the borrower's controlling shareholder(s) or corporate business associate(s) of the borrower or its/their respective controlling shareholder(s), which are considered to have sufficient assets, of sound financial condition, and/or with established operating history. When considering whether to accept a guarantor, the Company generally assesses the guarantor's financial position, repayment ability and source of repayment, and typically assigns an internal overall credit limit for the guarantor. Despite that the Company's guaranteed loans had increased and accounted for approximately 86.6%, 94.2%, 95.2% and

95.4% of the outstanding loans receivable as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, the overall impaired loan ratio remained low and had been consistently below 2% (of approximately 1.7%, 1.1%, 1.4% and 1.7%) as at the same dates. As such, the Directors believe that the increasing proportion of the Company's guaranteed loans does not necessarily imply a deterioration in the quality of the Company's loan portfolio or the creditworthiness of the Company's customers.

Collateralised loans

During the Track Record Period, the collaterals provided by the Company's customers primarily comprised land use rights and building ownership rights. The following tables set forth the Company's outstanding collateralised loans by the nature of underlying collateral and the priority of the secured rights on the collaterals as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By the nature of collaterals				
Land use rights	30,644	3,500	3,500	3,500
Building ownership rights	46,871	41,847	34,656	33,576
Others[1]	3,016	2,011	2,011	2,011
Total	80,531	47,358	40,167	39,087

Note:

1. Others mainly include machineries and equipment.

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
By the priority of secured rights on the collaterals				
First priority	25,435	17,099	9,023	5,404
Second priority	50,069	18,631	8,750	8,376
Third and lower priority	5,027	6,455	19,864	22,798
Other[1]	—	5,173	2,530	2,509
Total	80,531	47,358	40,167	39,087

Note:

1. Other represents outstanding loans receivable secured by more than one collateral with different priorities of secured rights.

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
Number of loans by the nature of collaterals				
Land use rights	12	2	2	2
Building ownership rights	51	50	35	32
Others[1]	2	1	1	1
Total	65	53	38	35

Note:

1. Others mainly include machinery and equipment.

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
Number of loans by the priority of secured rights on the collaterals				
First priority	23	16	9	7
Second priority	40	30	18	16
Third and lower priority	2	4	9	10
Other[1]	—	3	2	2
Total	65	53	38	35

Note:

1. Other represents outstanding loans receivable secured by more than one collateral with different priorities of secured rights.

The Company adopts a policy whereby the maximum loan amount granted on the back of real property collaterals (absent any additional guarantee) should not exceed 70% of its appraised value. In the case where higher priority(ies) of a mortgage has been granted to banks or other financial institutions, the corresponding outstanding loan amount backed by such higher priority mortgages will be deducted from the "70% appraised value" for the purpose of determining the maximum loan amount. This ensures that regardless of the priority that the Company has claim over its collaterals, the "residual appraised value" of such real property collaterals available for claims by the Company would remain more than sufficient to cover the maximum loan amount to be granted by the Company. On such premise, the Company considers that its credit risk exposure should not be materially affected by the priority of claims it has over the real property collaterals pledged to it, and therefore a lower priority of claim over its collaterals does not necessarily imply, and should not be taken as, a deterioration of the Company's asset quality.

(c) Loan portfolio by size

The following table sets forth the Company's outstanding loans by size as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Less than or equal to RMB0.5 million								
- Guaranteed loans	10,275	1.7	18,989	2.3	21,088	2.5	20,030	2.3
- Collateralised loans	8,470	1.5	10,486	1.3	7,613	0.9	6,700	0.8
	18,745	3.2	29,475	3.6	28,701	3.4	26,730	3.1
Over RMB0.5 million but less than or equal to RMB1 million								
- Guaranteed loans	34,935	5.8	58,650	7.2	95,789	11.4	102,849	12.0
- Collateralised loans	5,549	0.9	1,522	0.2	704	0.1	703	0.1
	40,484	6.7	60,172	7.4	96,493	11.5	103,552	12.1
Over RMB1 million but less than or equal to RMB2 million								
- Guaranteed loans	368,303	61.4	319,849	39.4	317,150	37.6	327,984	38.5
- Collateralised loans	17,288	2.9	14,262	1.8	10,792	1.3	10,594	1.2
	385,591	64.3	334,111	41.2	327,942	38.9	338,578	39.7
Over RMB2 million but less than or equal to RMB3 million								
- Guaranteed loans	105,337	17.6	367,128	45.2	367,322	43.7	364,006	42.6
- Collateralised loans	49,224	8.2	21,088	2.6	21,058	2.5	21,090	2.5
	154,561	25.8	388,216	47.8	388,380	46.2	385,096	45.1
Total	**599,381**	**100**	**811,974**	**100**	**841,516**	**100**	**853,956**	**100**

(d) Loan portfolio by industry

The following table sets forth the Company's outstanding loans by different industries as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Guaranteed loans								
Manufacturing	48,188	8.0	82,154	10.1	66,348	7.9	66,966	7.8
Construction	340,815	56.9	447,074	55.1	473,667	56.3	480,844	56.3
Wholesale and retail	60,349	10.1	134,796	16.6	159,140	18.9	163,688	19.2
Transportation, warehousing and postal	20,561	3.4	8,396	1.0	11,060	1.3	10,976	1.3
Others	48,937	8.2	92,196	11.4	91,134	10.8	92,395	10.8
Subtotal outstanding guaranteed loans	518,850	86.6	764,616	94.2	801,349	95.2	814,869	95.4
Collateralised loans								
Manufacturing	23,004	3.8	7,477	0.9	9,793	1.2	9,719	1.2
Construction	17,750	3.0	7,132	0.9	12,508	1.5	15,527	1.8
Wholesale and retail	16,754	2.8	8,819	1.1	5,521	0.7	5,086	0.6
Transportation, warehousing and postal	50	0.0	3,642	0.4	131	0.0	131	0.0
Others	22,973	3.8	20,288	2.5	12,214	1.4	8,624	1.0
Subtotal outstanding collateralized loans	80,531	13.4	47,358	5.8	40,167	4.8	39,087	4.6
Total	599,381	100	811,974	100	841,516	100	853,956	100

(e) Loan portfolio by customer type

The following table sets forth the Company's outstanding loans by customer type as at the dates indicated:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer by type				
SMEs and microenterprises	75,352	78,090	53,689	56,699
Individual proprietors	524,029	733,884	787,827	797,257
Total	599,381	811,974	841,516	853,956

The following table sets forth the Company's outstanding loans by new and repeat customers as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
New customers[1]	53,403	196,039	96,429	22,489
Repeat customers[2]	545,978	615,935	745,087	831,467
Total	599,381	811,974	841,516	853,956

Notes:

1. New customers are customers to whom the Company granted loans for the first time.

2. Repeat customers are customers who have previously obtained loans from the Company. The loan application review and approval process for a new loan application by a repeat customer is the same as that for a new loan application by a new customer.

Interest Rate

The Company's revenue comprises principally interest income arising from interest the Company charged on its loans extended to customers. The Company generally adopts an initial standard rate which is benchmarked to the statutory and guiding interest rate ceilings stipulated under applicable regulatory rules, regulations and guidance, details of which are set out under the paragraph headed "Industry Overview and Competitive Landscape — Regulatory Policies on Interest Rates" below. Depending on factors such as the prevailing market condition, government policy, as well as the background, credit history and financial status of a loan applicant, whether any securities are provided, the value of collaterals, the quality of the guarantee, and the intended use and term of the loan, and upon request from and negotiations with the loan applicant, the Company may offer an interest rate lower than that of such standard rate on a case-by-case basis. The Company does not charge additional administration fees or handling charges besides interest payments.

Source of Funding

During the Track Record Period, the Company financed its business mainly through its internally generated funds, proceeds from the GEM Listing and, from time to time, short-term borrowings from Jinnong Company, a company entrusted by Jiangsu Finance Office to operate and manage a fund pool where microfinance companies in

Jiangsu Province may obtain short-term loans from the fund pool to facilitate their temporary liquidity needs. Since 1 January 2018 and up to the Latest Practicable Date, save for the instalment loan arrangement for purchasing a motor vehicle, the Company had not obtained any external borrowings.

Provisioning Policies and Asset Quality

The Company adopts a loan classification approach to manage its loan portfolio. The Company categorises its 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 CBRC. According to the "Five-Tier Principle", the Company categorises its loans as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk as follows:

Normal: Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay 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 they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals 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.

The following table sets forth the Company's outstanding loans by the "Five-Tier Principle" category as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*
Normal	588,991	98.2	800,985	98.6	826,672	98.2	839,312	98.3
Special-Mention	409	0.1	2,030	0.3	3,301	0.5	—	—
Substandard	5,092	0.9	—	—	3,237	0.4	3,167	0.4
Doubtful	1,790	0.3	3,668	0.5	1,165	0.1	4,353	0.5
Loss	3,099	0.5	5,291	0.6	7,141	0.8	7,124	0.8
Total	599,381	100	811,974	100	841,516	100	853,956	100

According to the Company's accounting policies, if there is objective evidence indicating that the cash flow for a particular loan is expected to decrease, and the amount can be estimated, the Company will record such loan as an impaired loan and recognise a relevant amount of impairment loss. The loans that are categorised as "substandard", "doubtful" or "loss" are typically considered as impaired loans and are assessed individually for recognition of impairment loss by evaluating the loss expected to be incurred on the balance sheet date. For "normal" and "special-mention" loans, given that they are not impaired, the Company makes collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio.

The Company had a relatively low impaired loan ratio of approximately 1.7%, 1.1%, 1.4% and 1.7% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively. The Directors believe the Company's ability to maintain relatively low impaired loan ratios was mainly attributable to (i) the Company's long operating history in serving the Yangzhou market for over 10 years, during which the Company has acquired in-depth knowledge of local market and credit environment; (ii) its strong capital base, coupled with the relatively small individual loan size, which enables the Company to maintain a diverse customer base relative to the size of its capital base, thereby mitigating risks associated with its loan portfolio; and (iii) its comprehensive risk management system as a listed company (for more details, please refer to the paragraph headed "Risk Management" in this section), thereby enabling the Company to effectively identify, manage and minimise the credit risk.

Major Customers

The Company has a relatively broad customer base comprising primarily SMEs, microenterprises and individual proprietors. The following table sets forth the number of customers to whom the Company has granted loans for the periods indicated:

	Year ended 31 December						**Three months ended 31 March**	
	2016		**2017**		**2018**		**2019**	
	No. of Customers	*%*	*No. of Customers*	*%*	*No. of Customers*	*%*	*No. of Customers*	*%*
Customer by type								
SMEs and microenterprises	26	6.8	38	7.6	28	5.5	7	9.0
Individual proprietors	355	93.2	462	92.4	485	94.5	71	91.0
Total	381	100	500	100	513	100	78	100

For the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019, interest income from the Company's largest customer amounted to approximately RMB1.3 million, RMB1.3 million, RMB1.2 million and RMB0.3 million, respectively, which accounted for approximately 1.8%, 1.4%, 1.1% and 1.2% of the Company's total interest income on loans receivable, respectively. For the same periods, interest income from the Company's top five customers amounted to approximately RMB5.7 million, RMB5.2 million, RMB4.9 million and RMB1.5 million, respectively, which accounted for approximately 7.6%, 5.7%, 4.6% and 5.4% of the Company's total interest income on loans receivable, respectively.

To the best knowledge of the Directors, having made reasonable enquiries, none of the Directors, Supervisors, or their respective close associates or Shareholders who owned more than 5% of the Company's issued share capital had an interest in the Company's top five customers during the Track Record Period, and all of the top five customers during the Track Record Period were Independent Third Parties.

Due to the business nature of the Company, the Company has no major suppliers.

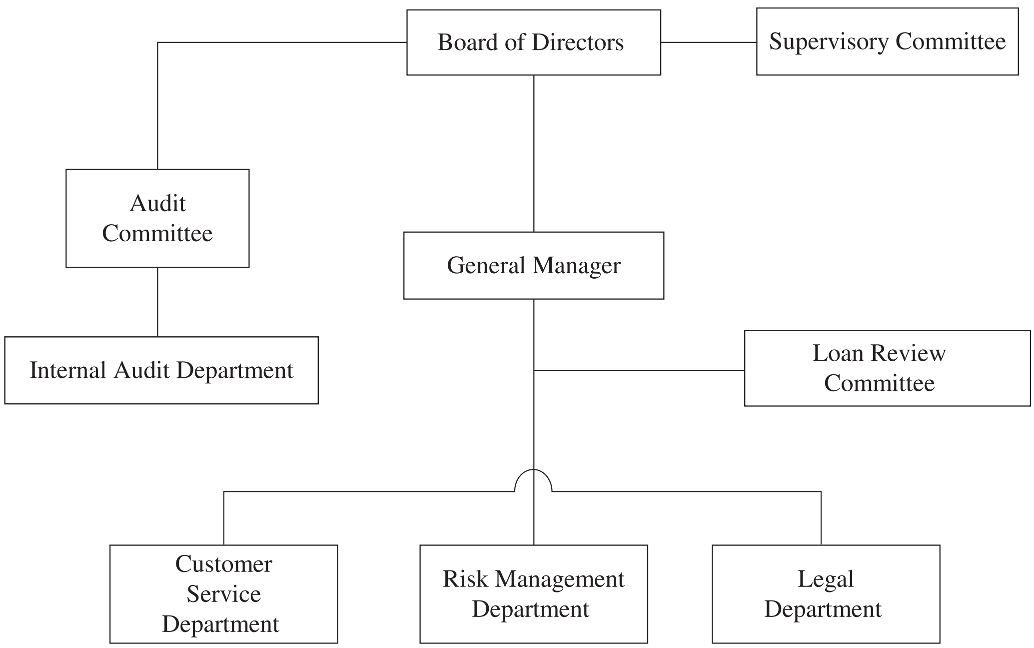
Risk Management

As a microfinance company, credit risk is the most significant risk inherent to the Company's business. The Company has put in place a risk management system with the aim of addressing the credit risks specific to its business and operational environment as a local microfinance company. The Company's risk management system encompasses pre-loan due diligence, loan application review and approval, and post-loan monitoring and collection. The Company incorporates a policy of "separation of due diligence and approval (審貸分離)" through a multi-layer risk management structure comprising (i) the loan review committee; (ii) the general manager; (iii) the risk management department; (iv) the legal department; and (v) the customer service department. With a separation of duty between pre-loan due diligence and loan approval, the Company can ensure the effectiveness of its risk management and risk control efforts. The Company strives to achieve an optimal balance between an acceptable and manageable credit risk level and an efficient use of available funds to improve returns for the Shareholders.

In addition to credit risks, the Company also faces risks relating to its operations and compliance. In this regard, the Company has adopted and implemented streamlined processes and procedures aiming to achieve operational efficiency and effectiveness while ensuring compliance with all applicable laws and regulations. To enhance the efficiency of operations and strengthen risk management capacity, the Company has utilised an OA system to assist in carrying out risk management, internal control and compliance functions. The Company's OA system supports certain key procedures in loan transactions, from loan application, pre-loan due diligence, loan application review and approval to post-loan monitoring. Certain key compliance monitoring functions, such as identification of connected loan applicants and/or guarantors and monitoring of regulatory compliance benchmarks, are incorporated into the OA system to facilitate automatic alert and, where appropriate, blockage of a loan approval process to safeguard continuous regulatory compliance.

Organisation structure of the Company's risk management system

The following chart illustrates the organisation structure of the Company's risk management system:



The Board takes ultimate responsibility for the overall risk management. It oversees the risk management functions through the general manager, the loan review committee, the risk management department and other departments and committees as set out below:

- **General Manager**: The Company's general manager, Ms. Bai Li, is the chairman of the loan review committee. She is also responsible for reviewing and approving applications for loans not exceeding a prescribed amount.

- **Loan Review Committee**: The loan review committee is responsible for reviewing and approving applications for loans exceeding a prescribed amount. The loan review committee currently comprises six members and is headed by the general manager who is vested with the right to veto a loan application. The following table sets forth the members of the Company's loan review committee and a summary of their relevant experience and qualification:

Name	Position(s)	Nature of experience/qualification	Approximate years of relevant working experience
Bai Li	Executive Director, Chief Executive and General Manager	Financing experience	20 years
Zhou Yinqing	Executive Director and Deputy General Manager	Accounting and finance experience; Intermediate level of accounting	23 years
Xu Lei	Deputy General Manager	Audit and risk management experience; Passing certificates for securities practitioners and fund practitioners granted by the Securities Association of China and Asset Management Association of China, respectively	11 years
Zhang Xuejuan	Manager of General Office	Administrative management experience	14 years
Gu Qian	Responsible Officer of the Legal Department	Banking laws compliance experience	6 years
Representative from the Company's external general legal counsel	External Legal Advisers	Qualified PRC Lawyer	N/A

- **Risk Management Department**: The risk management department is primarily responsible for compiling risk management policies, managing risks associated with pre-loan due diligence and post-loan monitoring, reviewing, verifying and ensuring completeness of loan application materials, advising on risk management related matters and arranging trainings in risk management.
- **Supervisory Committee**: The supervisory committee oversees the Board and senior management on risk management and compliance perspectives.
- **Audit Committee**: The audit committee is responsible for reviewing and supervising the Company's financial reporting, risk management and internal control systems, overseeing the audit process and providing advices and recommendations to the Board.
- **Internal Audit Department**: The internal audit department is responsible for formulating annual audit plans, conducting internal audits according to the annual audit plans, and if applicable, liaising with and assisting external consultant(s) in conducting internal audits.
- **Legal Department**: The legal department is responsible for legal and compliance risk management. It monitors the updates of applicable laws, rules, regulations and guidelines, arranges legal and compliance trainings, drafts and reviews legal documents, and assists in loan collection and enforcement of collaterals.

- **Customer Service Department**: The customer service department is responsible for preliminary review on loan applications, conducting pre-loan due diligence, post-loan monitoring, and sales and marketing.

Credit risk management

Credit risk is the principal risk inherent to the Company's business. The Company's risk management system encompasses pre-loan due diligence, loan application review and approval, and post-loan monitoring and collection to effectively identify, manage and minimise the credit risk in connection with each loan the Company grants, as illustrated below:

Pre-loan due diligence → Loan application review and approval → Post-loan monitoring and collection

Pre-loan due diligence

Upon receiving a loan application, account manager of the Company will conduct a preliminary review on the loan application materials containing certain basic information of the loan applicant to consider whether the loan application is eligible for further processing. A loan application that does not meet the basic customer eligibility requirements of the Company is liable to be rejected at this initial stage without proceeding further. If a loan application is accepted based on the preliminary assessment, the Company will proceed with a detailed due diligence on the applicant. The scope of such detailed due diligence generally includes (i) collecting further business and financial information on the applicant; (ii) conducting on-site visits and interviews with the applicant; and (iii) assessing "soft data" from third party sources.

Depending on the type of a secured loan, the Company also conducts due diligence on the guarantor of the loan application primarily in the same manner as that of the loan applicant; and/or conducts due diligence on the proposed collaterals typically through physical inspection and obtaining the certificate of title or other ownership documents of the collateral to ascertain the ownership title and validity. For real property collaterals, the Company also requires a property valuation report to be issued by an independent valuer for assessing the value of the collateral.

Based on the results of due diligence review, the account managers will prepare and submit a due diligence report for internal review and approval. The risk management department will review the due diligence report to ensure that the documents and information contained therein are sufficient and in order. For loans exceeding a prescribed amount, the risk management department will separately compile a risk assessment report based on separate due diligence conducted independently from the account manager.

Loan application review and approval

The Company's loan application review and approval processes vary by loan size. Loans exceeding a prescribed amount (i.e. RMB500,000 or above as currently applicable) must be approved by the Company's loan review committee through collective decision-making. A loan application will be rejected if less than four members of the loan review committee vote in favor of such application, and notwithstanding the above, the general manager is vested with the right to veto a loan application. On the other hand, loans not exceeding the prescribed amount are subject to review and approval by the Company's general manager.

Post-loan monitoring

The Company continues to monitor customers' ability to repay loans after drawdown. The account managers conduct periodic site visits and gather updated information to evaluate whether there are indications that customers may have difficulty in making timely repayments, and whether there are any changes in the appearance and condition of the collaterals which may affect their market value. The account managers are required to prepare periodic post-loan monitoring memoranda and reports, which are regularly reviewed by the risk management department to identify any potential risk of defaults at an early stage, and bring forth to the management's attention as and when appropriate.

Collection

In general, customers are required to pay monthly interest on loans and repay the principal amount of the loans upon maturity of the loan, and occasionally the Company may accept monthly instalments of part principal plus interest. To ensure timely payment, the account managers generally remind customers of their payment obligations before the relevant due dates. In case of payment defaults, the account managers will pay on-site visits to remind the customer of the overdue situation and if necessary, arrange meeting with the default customer to negotiate a repayment plan. If the customer persists in failing to follow through with the repayment plan, the risk management department and legal department will initiate collection by having recourse to the guarantor and/or initiating foreclosure of the collateral associated with the defaulted loan. As at 30 April 2019, the Company had fully recovered principal amount of overdue loans of approximately RMB2.4 million, RMB2.5 million, nil and nil among the overdue loans outstanding as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively, for which it took approximately less than two months up to approximately 3.5 years to fully recover the principal amount of those overdue loans from the defaulted customers, approximately ten months up to approximately 4.9 years to fully recover the principal amount of those overdue loans from the guarantors and approximately 2.8 years up to approximately 6.1 years to fully recover the principal amount of those overdue loans through foreclosure proceedings. The Board is of the view that the time required for recovering an overdue loan varies on a case-by-case basis, depending on factors such as time required to reach an agreement with the defaulting customer(s)/guarantor(s) on a repayment plan or repayment schedule, and where appropriate, time involved in the foreclosure proceedings. Despite that the loan recovery processes may be time consuming and may not be ultimately successful, the Company considers it has provided sufficient allowance for impairment losses, and therefore notwithstanding that from time to time the Company may encounter difficulties or require extended time in recovering payments from defaulting customers or their guarantors, it is not expected to lead to material and adverse impacts on the Company's business, financial conditions and results of operations.

INDUSTRY OVERVIEW AND COMPETITIVE LANDSCAPE

The Company is a rural microfinance company in Yangzhou City, Jiangsu Province. Jiangsu Province is an eastern-central coastal province in China, generating more than one-tenth of the national nominal GDP and having the second-highest nominal GDP (of approximately RMB9,259.5 billion) in China in 2018. Yangzhou City, on the other hand, is a prefecture-level city in central Jiangsu Province. Nominal GDP of Yangzhou City has grown from approximately RMB369.8 billion in 2014 to approximately RMB546.6 billion in 2018 with a CAGR (2014 — 2018) of 10.3%, and is forecasted to reach approximately RMB766.6 billion by 2023 with a CAGR (2019 — 2023) of 6.8% according to the Frost & Sullivan Report.

In tandem with economic development and growth, the number of registered MSMEs (i.e. medium-, small- and micro-enterprises) in Jiangsu Province and Yangzhou City increased from approximately 1.7 million and 49,900 in 2014 to approximately 3.3 million and 131,000 in 2018, with a CAGR of approximately 18.5% and 27.3%, respectively. According to the Frost & Sullivan Report, the number of registered MSMEs in Jiangsu Province and Yangzhou City is forecasted to continue to increase to approximately 5.8 million and 294,000 respectively by 2023. In addition, according to the Frost & Sullivan Report, the number of individual proprietors (referring to families or individuals that conduct businesses with law registration) in Jiangsu Province and Yangzhou City increased from approximately 3.7 million and 164,100 in 2014 to approximately 5.9 million and 337,200 in 2018, with a CAGR of approximately 12.3% and 19.7%, respectively. According to the Frost & Sullivan Report, the number of individual proprietors in Jiangsu Province and Yangzhou City is forecasted to continue to increase to approximately 9.4 million and 637,500, respectively, by 2023.

According to the Frost & Sullivan Report, the number of registered small loan companies in China has experienced a slight decrease, from 8,791 in 2014 to 8,133 in 2018 with a CAGR of -1.9%, mainly driven by the tightening of regulations especially on registered capital issued by the State and local governments and market entry mechanism. At the same time, the number of registered small loan companies in Jiangsu Province and Yangzhou City also experienced a trend of decrease, from 631 and 67 in 2014 to 574 and 56 in 2018. Going forward, even though the existing small loan companies may experience growth on their scale of business driven by the consistent financial needs of MSMEs, fierce competition and market consolidation is expected to drive the number of the registered small loans companies to decrease further.

In terms of finance supply by small loan companies, according to the Frost & Sullivan Report, due to the closure of multiple unqualified small loan companies and the development of banking system in rural area, the total outstanding principal balance of finance supply of small loans companies in Jiangsu Province and Yangzhou City had both experienced a decrease during the period of 2014 to 2018, from approximately RMB114.7 billion and RMB10.1 billion to RMB80.4 billion and RMB7.9 billion, representing a CAGR of -8.5% and (to a lesser extent for Yangzhou City) -5.8%, respectively. Absent any major change in policy direction towards the tightening of supervision and regulation of non-bank MSMEs financing sector, the decreasing trend is expected to continue, with a forecasted total outstanding principal balance of finance supply of small loan companies in Jiangsu Province and Yangzhou City reaching RMB60.7 billion and RMB6.7 billion, respectively, by 2023.

Along with the decrease in total outstanding principal balance of finance supply of small loans companies in the region from 2014 to 2018, the total registered capital of small loans companies in both Jiangsu Province and Yangzhou City decreased from approximately RMB92.9 billion and RMB9.2 billion in 2014 to approximately RMB70.4 billion and RMB7.6 billion in 2018, respectively, according to the Frost & Sullivan Report. According to the Frost & Sullivan Report, microfinance companies in Yangzhou City accounted for approximately 10.8%, 12.9% and 9.9% of the total registered capital, revenue and outstanding loan balance of the microfinance companies in Jiangsu Province in 2018, respectively. Due to market consolidation and fierce competition, it is expected that the total registered capital of small loans companies in Yangzhou City will continue to exhibit a slight decreasing trend and reach approximately RMB6.4 billion by 2023.

Notwithstanding the negative trends as discussed above, there are also drivers to support the continuous development of China's microfinance market, amongst which:

Rapid development of MSMEs and growing consumption demands of residents —The profound economic structural reform in China, including supply-side structural reform and domestic consumption stimulus, has created favorable development foundation for MSMEs. Additionally, policies regarding preferential tax treatments, expanding financing channels, and encouragement of innovations and entrepreneurship are expected to improve the development potential of MSMEs.

Furthermore, China has stepped into a new era of growth under the "new norm", in which the economic growth model has begun to shift from an investment-driven model towards a consumption-driven model, and as a direct result, residents' demand for financial services and products has increased drastically, which lays a favorable foundation for the further development of China microfinance industry.

Unmet finance demands of MSMEs and rural residents under the current financial system —Traditional banking financial institutions still dominate the main funding channel under the current financial system in China, where large enterprises remain predominantly preferred, while MSMEs and rural individual borrowers are generally unable to meet the risk appetite of banking financial institutions. Under such conditions, there exists tremendous gap in financing for MSMEs and rural individual borrowers, which provides substantial development room for the industry.

Factors including affluent funding sources, comprehensive risk management capability, effective user acquisition and retention and industry experience and expertise are also considered key factors for microfinance companies to compete and succeed in the MSME financing environment in China.

Operating within the aforesaid competitive landscape, the Company has succeeded in achieving top ranking in both Jiangsu Province and Yangzhou City. More particularly, the Company was ranked third in terms of revenue, registered capital and outstanding loan balance among the registered small loan companies in Jiangsu Province in 2017, and first in terms of revenue, registered capital and outstanding loan balance among the registered small loan companies in Yangzhou City in 2018.

Government policies encouraging commercial banks to offer loans to MSMEs

To resolve financing difficulties of MSMEs, the central government continuously encourages and stimulates commercial banks to offer loans to MSMEs. However, the terms and conditions of loans offered by microfinance companies and commercial banks are different in certain aspects. For instance, according to the Frost & Sullivan Report, commercial banks generally tend to provide loans with relatively longer terms (typically from one to five years) and with larger principal amount to medium-sized enterprises. According to the Frost & Sullivan Report, depending on the scale and scope of business of a borrower, commercial banks generally tend to offer loans in the size of up to RMB10 million and RMB5 million, respectively, to small and micro enterprises and individual proprietors. In addition, commercial banks remain relatively reliant on collaterals on issuance of loans to small and micro enterprises and individual proprietors. On the other hand, microfinance companies tend to offer short term loans (generally within 12 months) with relatively small principal amount (e.g. RMB3,000,000 or below), and serve small and micro enterprises and individual proprietors which typically do not have sufficient credits and acceptable collaterals to obtain traditional bank financing. To satisfy the financing needs of various types of MSMEs and individual proprietors, microfinance companies are still critical in providing funds to entities that require short term and small amount of loans and entities that cannot fulfill the requirements of commercial banks.

Moreover, according to the Frost & Sullivan Report, the number of microfinance companies in Jiangsu Province and Yangzhou City has experienced a trend of decrease for the past five years while the number of MSMEs and individual proprietors has experienced a constant increase. Therefore, as a local leading microfinance company with years of industry experience and solid capital, the Company is expected to thrive, driven by increasing finance demand of MSMEs and individual proprietors in Jiangsu Province and Yangzhou City.

Based on the above, the Directors are of the view that the competition (if any) between microfinance companies and commercial banks did not, and will not, have any material impact on the Company's results of operations and business prospects.

Regulatory Policies on Interest Rates

The maximum interest rate that a microfinance company can charge is governed by the laws, rules and policies at both national and provincial level. Operations of microfinance companies are supervised and managed by authorised authorities at provincial level, which may set different interest rate ceilings for their supervising regions. Therefore, the maximum interest rates that can be charged by microfinance companies may vary from province to province. Given that the Company's business is confined within the region of Jiangsu Province, the Company is required to comply with the rules and normative documents issued by applicable authorities of Jiangsu Province.

At national level, the Provisions of the Supreme People's Court on several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) issued by the Supreme People's Court of the PRC stipulated that effective from 1 September 2015, interest on the loans with interest rates up to 24% per annum is valid and enforceable.

In addition, pursuant to the Guiding Opinions on the Pilot Operation of Microfinance Companies (關於小額貸款公司試點的指導意見) jointly issued by the CBRC and the People's Bank of China on 4 May 2008, the interest rate charged by a microfinance company cannot be lower than 0.9 of the PBOC Benchmark Interest Rate.

At provincial level, pursuant to the Circular Concerning Further Support of the Sustainable and Sound Development of Microfinance Companies (關於進一步支持小額貸款公司持續健康發展的通知) issued by the Jiangsu Finance Office, since 1 January 2015, the annual interest rate charged by microfinance companies in Jiangsu

Province for a single loan shall not exceed four times of the PBOC Benchmark Interest Rate and the annual average interest rate charged for all loans in amount of RMB500,000 or above shall not exceed 18%. The Jiangsu Finance Office further issued the Guiding Opinions on Enhancing the Sustainable and Sound Development of Microfinance Companies (關於促進小額貸款公司持續健康發展的指導意見), which stipulated that effective from 16 November 2017, subject to compliance with applicable laws, rules and regulations, interest rates shall be determined by microfinance companies and borrowers through negotiations. In addition, the Notice on Issuing Jiangsu Microfinance Companies Regulatory Grading Index Scheme (Amended) (關於印發江蘇省小額貸款公司監管評級指標體系(修訂)的通知) and the Jiangsu Microfinance Companies Regulatory Grading Index Scheme (Amended) (江蘇省小額貸款公司監管評級指標體系(修訂)) issued by the Jiangsu Finance Office on 5 January 2018 stipulated that, among others, if the average interest rate on loans charged by a microfinance company is 18% or above, points will be deducted under the Microfinance Companies Regulatory Grading Scheme.

During the Track Record Period, the interest rate ceiling allowable for the microfinance companies in Jiangsu Province was four times of the PBOC Benchmark Interest Rate for the period from 1 January 2016 up to 15 November 2017 and 24% per annum after 15 November 2017. The PBOC Benchmark Interest Rate has been on a decreasing trend since 2014 and remained unchanged since 24 October 2015, details of which are set out below:

	The PBOC Benchmark Interest Rate (%)		
Adjustment Date	**Within 1 year (including 1 year)**	**1 to 5 years (including 5 years)**	**More than 5 years**
2014.11.22	5.60	6.00	6.15
2015.03.01	5.35	5.75	5.90
2015.05.11	5.10	5.50	5.65
2015.06.28	4.85	5.25	5.40
2015.08.26	4.60	5.00	5.15
2015.10.24	4.35	4.75	4.90

According to the Frost & Sullivan Report, the central government kept removing various restrictions on adjustment of interest rate to realise interest rate marketisation. In 2013, the PBOC removed the restriction on fluctuation on interest rates of loans. In October 2015, the PBOC further removed the restriction on fluctuation on deposit interest rate. Even though the PBOC Benchmark Interest Rate has remained unchanged since October 2015, the actual interest rates have been priced based on a market-oriented approach in recent years. According to the Frost & Sullivan Report, due to the minor recession of housing market, the central government is expected to keep implementing loose monetary policy, and thus the PBOC Benchmark Interest Rate is expected to remain unchanged or even decrease in the future.

RISK FACTORS

There are certain risks involved in the Company's operations and many of these risks are beyond the Company's control, which include but are not limited to the following risks:

Any change in interest rates may have a negative impact on the income and operating results of the Company.

The Company generates income principally from interest it charges on loans granted to its customers and incurs interest expenses it pays to obtain funding, including interest on its bank borrowing as well as borrowings from other institutions. Therefore, the Company's profitability is closely correlated to interest margin, being the difference between interest rates charged to its customers and the interest costs it pays to obtain funding. A narrowing of interest rate spread to the Company would have an adverse impact on its income and financial position. While the Company only had minimal external borrowings in 2017 and did not have external borrowing except for the instalment loan arrangement for purchasing a motor vehicle in 2018, there is no assurance that it will not acquire external borrowings in the future. If the Company's funding costs increase and it is unable to adjust its lending interest rates in a timely manner, or at all, the Company's interest margin will decline. In addition, the Company is also subject to some national and regional guiding policies regarding interest rate. If the Company is required to reduce its interest rates charged as a result of changes in applicable interest rate ceiling allowable for microfinance companies or any decrease of the prevailing PBOC Benchmark Interest Rate from time to time, or if the Company resolves to reduce its interest rates charged as a result of intensifying competition or any other reasons, its interest rate spread may be adversely affected, which may in turn have a negative impact on the Company's profitability and business prospects.

The Company's business is heavily regulated and supervised by national, provincial, municipal and local government authorities. If the Company fails to respond to the changes in applicable regulatory requirements in a timely manner or at all, its business operations may be adversely affected or even be terminated.

As a rural microfinance company, the Company operates in a heavily regulated industry. The microfinance industry in China is subject to extensive laws, rules, regulations, policies and measures at the national, provincial, municipal and local levels. These laws, rules, regulations, policies and measures are issued by different national, provincial, municipal and local government authorities. As such, the Company's business operations are subject to the supervision of all the relevant regulatory authorities as well as the discretion of different authorities with respect to the interpretation, implementation and enforcement of relevant laws, rules, regulations, policies and measures. Given the complexity, uncertainties and frequent changes in these laws, rules, regulations, policies and measures, including changes in their interpretation and implementation, the Company's business operations may be adversely affected if the Company does not respond to such changes in a timely manner, or if the Company fails to fully comply with the applicable laws, rules, regulations, policies and measures as a result of such changes or any uncertainties as to the interpretation, implementation and enforcement of such laws, rules, regulations, policies and measures. Any non-compliance incident may subject the Company to administrative penalties and restrictions on its business activities or, at worst termination of its business operations, and thus may adversely affect the Company's business, results of operations and prospects.

Compliance with new laws and regulations may place restrictions on the Company's business activities or cause the Company to incur significant costs. New laws and regulations may prohibit the Company from expanding its business presence into other areas in Jiangsu Province or limit its operations in districts which the Company is currently operating or intending to operate. The Company's ability to continue its operations or expand its business into other cities or regions in which it does not currently operate depends on its ability to obtain or maintain the relevant operating licenses and/or approvals from relevant government authorities. Failure to obtain or maintain any of these licenses or approvals in a timely manner or at all as a result of any changes in laws and regulations or in any interpretation, implementation or enforcement of laws and regulations that are unfavorable to the Company may prevent the Company from conducting or expanding business as planned.

The Company mainly relies on the creditworthiness of customers and/or their guarantors, which may limit the Company's ability to recover payments from defaulting customers.

The Company's business is exposed to credit risks from its customers. During the Track Record Period, a substantial portion of the Company's loans were guaranteed loans without any collaterals. As at 31 December 2016, 2017 and 2018 and 31 March 2019, approximately 86.6%, 94.2%, 95.2% and 95.4% of the Company's outstanding loans were guaranteed loans without collaterals, respectively. The Company's ability to recover payments from defaulting customers of guaranteed loans may be more limited than those secured with collateral. If a customer defaults on a guaranteed loan, the Company may in turn pursue and demand the guarantor to repay the principal amount and any interest accrued. If the Company is unable to locate the guarantor, or the guarantor no longer has sufficient or any financial resources to repay the loan, the Company may not be able to fully recover the principal amount of loans and outstanding interest or at all.

If the Company is unable to receive full repayment from defaulting customers' guarantors, the Company may have to apply for foreclosure on the assets (if any) of the defaulting customers and their guarantors, such as land use rights and/or building ownership rights, through court orders. The Company may also apply to court to enforce its unsecured interest against these assets as attachment through legal proceedings. However, the application to attach assets of another person or liquidating or realising the value of such assets may be time consuming and may not ultimately be possible. In addition, the enforcement process may be difficult for legal and practicable reasons. Furthermore, the defaulting customers and their guarantors may have concealed, transferred or disposed of their assets beforehand, which make it difficult or impossible for the Company to apply for attachment. Moreover, if the attached assets are subject to mortgage or other prior third parties' rights, the Company's interests will be ranked behind the secured creditors and these prior third parties. The Company's unsecured rights may not be enforced until after the secured creditors and/or other prior third parties have received full payment, thereby limiting or even preventing the Company from benefiting from such assets. As a result, the Company may not be able to recover the full amount of loans and outstanding interest or at all in case of defaults, and in turn the Company's financial condition and results of operations may be materially and adversely affected.

The Company's customers primarily comprise SMEs, microenterprises and individual proprietors, and thus the Company is subject to greater credit risks and its credit risk management may not be adequate to protect against customer defaults.

The Company's customers, primarily comprising SMEs, microenterprises and individual proprietors, generally have less established business track record, fewer financial resources or lower borrowing capacity than larger enterprises, and may be more vulnerable to adverse market, economic or regulatory conditions. In particular, the business of SMEs, microenterprises and individual proprietors may be adversely affected by regional financial markets turmoil and changes in the macro credit policies. Conditions such as inflation, economic downturns, policy changes, adjustments of industry structure and other factors beyond the Company's control may result in deterioration of the customers' business operations, financial conditions and repayment ability, thereby increasing the Company's credit risk. While the Company has put in place a standardised and centralised risk management system and adopted a policy of "separation of due diligence and approval (審貸分離)" to address and manage its credit risk, there can be no assurance that such system will be effective in avoiding all undue credit risk.

If the Company fails to effectively manage credit risk of its loans and maintain a low impaired loan ratio, its business, financial conditions and results of operations may be materially and adversely affected.

Effective management of loans and credit risk is fundamental to the sustainability of the Company's business. Any deterioration in the quality of the Company's loans and undue increase in loan impairment will materially and adversely affect the Company's results of operations. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the Company's outstanding amount of impaired loans was approximately RMB10.0 million, RMB9.0 million, RMB11.5 million and RMB14.6 million, respectively, and its impaired loan ratio was approximately 1.7%, 1.1%, 1.4% and 1.7%, respectively. The Company may not be able to effectively control the level of its impaired loans in the future. The Company's impaired loan ratio may increase due to factors that are beyond the Company's control, such as slowdown in economic growth of China, Jiangsu Province or Yangzhou City, or other adverse macroeconomic or industry trends. These factors may have a negative impact on the financial, operational and liquidity conditions of the Company's customers, which in turn may affect their ability to repay loans. If the Company cannot manage such credit risks and its impaired loan amount and/or impaired loan ratio increases as a result, its business, financial conditions and results of operations may be materially and adversely affected.

As the Company's business and operations are confined to Yangzhou City, any adverse changes of the economy or regulatory environment of Yangzhou City may materially and adversely affect its business, financial conditions and results of operations.

During the Track Record Period, the Company only operated its business in Yangzhou City. As such, the Company's ability to geographically diversify its economic risks is limited by the local markets and economy. The Directors currently expect that the Company's business will continue to be concentrated in Yangzhou City in the near term. As a result, the Company's business and financial performance will continue to depend on the stability of the economy in Yangzhou City. Any significant downturn in the local economy or the implementation of local policies unfavorable to SMEs, microenterprises or individual proprietors in general may result in a decrease in demand for the Company's loans, have a negative impact on customers' ability to repay loans on a timely basis or at all, and adversely affect the values of real property collaterals provided by customers, all of which may materially and adversely affect the financial conditions and results of operations of the Company.

Any changes in the trend of banking industry may negatively affect the Company's business model.

On the one hand, commercial banks and rural banks are in general reluctant to provide financing services to SMEs, microenterprises and individual proprietors as the loan amounts are relatively small; and on the other hand, such SMEs, microenterprises and individual proprietors usually lack sufficient credit support or credit history to obtain loans from commercial and rural banks. The Company believes that this norm will remain so in the foreseeable future notwithstanding the efforts of the Central Government to encourage lending by banking financial institutions to SMEs. Regardless, it is uncertain if such trend will change or if there will be any change in regulatory requirements which will make these potential customers more attractive to commercial and rural banks. In the event that the commercial and rural banks expand their business to target for SMEs, microenterprises and individual proprietors by providing lending terms which are comparable to or better than the Company's, the Company may experience decrease in demand of business and/or require to substantially adjust its interest charges to attract customers and as a result, the Company's business and results of operations would be adversely affected.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

The Company may, from time to time, be involved in legal proceedings arising in its ordinary course of business. These legal proceedings mainly involve claims initiated by the Company to recover payment of overdue loans from its customers. As at the Latest Practicable Date, to the best of the Directors' knowledge after having made reasonable enquiries, there was no litigation or arbitration proceedings pending or threatened against the Company which would have a material adverse effect on its financial condition or operating results.

The Directors confirm that since GEM Listing and up to the Latest Practicable Date, the Company has complied with applicable laws and regulations in all material aspects for its business operations.

The microfinance industry in China is a highly regulated industry. The following table summarises the key normative requirements and the compliance status regarding the Company's micro and small loan business.

Key requirements	Compliance status
(1) The total balance of small loans shall account for no less than 70% of the total balance of loans.	During the Track Record Period, small loans, being loans in the amount of RMB3 million or below, accounted for 100% of the total balance of the Company's loans. Therefore, the Company was in compliance with the relevant requirements throughout the Track Record Period.
(2) The total balance of AFR(三農)-related loans shall account for no less than 70% of the total balance of loans.	As at 31 December 2016, 2017 and 2018 and 31 March 2019, the total balance of the AFR (三農)-related loans of the Company accounted for approximately 87.3%, 85.9%, 88.2% and 87.9% of the total balance of loans, respectively. Therefore, the Company was in compliance with the relevant requirement throughout the Track Record Period.
(3) The total balance of business loans (經營性貸款) with a term longer than three months shall account for no less than 70% of the total balance of loans.	As at 31 December 2016, 2017 and 2018 and 31 March 2019, the total balance of business loans of the Company with a term longer than three months accounted for approximately 100%, 99.8%, 100% and 99.5% of the total balance of loans, respectively. Therefore, the Company was in compliance with the relevant requirement throughout the Track Record Period.
(4) The balance of the loans to a single borrower shall not exceed 3% of the net capital (unless in exceptional circumstances and with prior approval from the finance office of the municipal level, may exceed 3% but in any event shall not exceed 5% of the net capital).	As at 31 December 2016, 2017 and 2018 and 31 March 2019, the Company's maximum balance of loans to a single borrower accounted for approximately 2.6%, 1.3%, 1.0% and 1.1% of its net capital, respectively. Therefore, the Company was in compliance with the relevant requirements throughout the Track Record Period.

(5) (i) Pursuant to the Circular Concerning Further Support of the Sustainable and Sound Development of Microfinance Companies (關於進一步支持小額貸款公司持續健康發展的通知) (the "**2015 Circular**"), (a) for loans in the amount of RMB500,000 or below, the annualised interest rate charged for a single loan shall not exceed four times of PBOC Benchmark Interest Rate; and (b) for loans in the amount exceeding RMB500,000, the weighted average interest rate charged for all such loans shall not exceed 18%, while the highest annualised interest rate charged for a single loan shall not exceed four times of the PBOC Benchmark Interest. Pursuant to the Guiding Opinions on Enhancing the Sustainable and Sound Development of Microfinance Companies (關於促進小額貸款公司持續健康發展的指導意見), which took effect on 16 November 2017, subject to compliance with applicable laws, rules and regulations (including the provisions mentioned in (ii) below), interest rates shall be determined by microfinance companies and borrowers through negotiations.

(ii) Pursuant to the Provisions of the Supreme People's Court on several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), interest on the loans with interest rates up to 24% per annum is valid and enforceable.

The Company was in compliance with the relevant requirements throughout the Track Record Period, details of which are set out below:

		From 1 January 2016 to 31 December 2016	**From 1 January 2017 to 15 November 2017**	**From 16 November 2017 to 31 March 2019**
(i)(a)	Highest annualised interest rate of a single loan in the amount of RMB500,000 or below	17.4%	17.4%	—
(i)(b)	Highest annualised interest rate of a single loan in amount exceeding RMB500,000	17.4%	17.4%	—
	Weighted average annual interest rate of all loans in amount exceeding RMB500,000	13.0%	14.4%	—
(ii)	Highest annualised interest rate of a single loan	—	—	17.4%

(6) (i) For microfinance companies accredited an "AA" grading pursuant to the Microfinance Companies Regulatory Grading Scheme in Jiangsu Province, the maximum amount of financing that a microfinance company could obtain was capped at 100% of its net capital, among which bank financing shall not exceed 50% of its net capital and financing from other institutions shall not exceed 40% of its net capital. Furthermore, financing by shareholder's loan shall not exceed 80% of paid-in capital, where the amount of loans granted by a single shareholder shall not exceed 80% of such shareholder's paid-in capital amount.

(ii) For microfinance companies accredited an "AAA" grading pursuant to the Microfinance Companies Regulatory Grading Scheme in Jiangsu Province, the maximum amount of financing that a microfinance company could obtain was capped at 100% of its net capital, among which bank financing shall not exceed 100% of its net capital and financing from other institutions shall not exceed 50% of its net capital. Furthermore, financing by shareholder's loan shall not exceed 100% of paid-in capital, where the amount of loans granted by a single shareholder shall not exceed 100% of such shareholder's paid-in capital amount.

The Company has been accredited an "AA" grading since 5 February 2015 and subsequently accredited an "AAA" grading since 7 December 2017.

The Company was in compliance with the relevant requirements throughout the Track Record Period, details of which are set out below:

	For the year ended 31 December			For the three months ended 31 March
	2016	**2017**	**2018**	**2019**
Maximum daily outstanding financing from banks during the relevant period *(RMB '000)* (A)	—	—	470	421
Maximum daily outstanding financing from other institutions during the relevant period *(RMB'000)* (B)	35,000	10,000	—	—
Maximum daily outstanding Shareholder's loan amount during the relevant period *(RMB '000)* (C)	—	—	—	—
Maximum daily balance of financing amount during the relevant period *(RMB'000)* (D)	35,000	10,000	470	421
The Company's net capital *(RMB'000)* (E)[(Note)]	552,018	591,230	777,274	825,131
Paid-in capital during the relevant period *(RMB '000)* (F)	450,000	450,000/ 600,000	600,000	600,000
Paid-in capital of the Shareholder who granted loans to the Company *(RMB '000)* (G)	—	—	—	—
Maximum bank financing to net capital ratio during the period (A/E)(%)	—	—	0.06	0.05
Maximum financing from other institutions to net capital ratio during the period (B/E) (%)	6.34	1.69	—	—
Maximum financing by Shareholder's loan to paid-in capital ratio during the period (C/F) (%)	—	—	—	—
Shareholder's loan to such Shareholder's paid-in capital ratio(C/G) (%)	—	—	—	—
Maximum balance of financing to net capital ratio during the period (D/E)(%)	6.34	1.69	0.06	0.05

Note: The minimum net capital (as at the end of each month) during the relevant period is used in the above calculations for demonstrative purpose.

(7)	Microfinance companies which have obtained bank financing or commenced guarantee business shall not grant loans to their shareholders, unless with approval from the finance office of the municipal level in the case of exceptional circumstances.	During the Track Record Period, the Company had not granted any loans to its Shareholders. Therefore, the Company was in compliance with the relevant requirements throughout the Track Record Period.
(8)	In case a microfinance company grants loans to its related parties other than its shareholders, the balance of loans to such related parties shall not exceed the limit set for small loans by the municipality in which it operates (i.e. RMB3 million). In the event that such balance exceeds RMB1.5 million, the microfinance company shall make filings with the finance office of the municipal level before granting such loan.	During the Track Record Period, the Company had not granted any loans to its related parties. Therefore, the Company was in compliance with the relevant requirements throughout the Track Record Period.
(9)	The registered capital of a microfinance company in Yangzhou City shall not be less than RMB20 million.	The Company had a registered capital of not less than RMB20 million throughout the Track Record Period. Therefore, the Company was in compliance with the relevant requirements throughout the Track Record Period.
(10)	The largest shareholder and its related parties shall not hold more than 60% shareholding in a microfinance company.	During the Track Record Period and up to the Latest Practicable Date, the largest shareholder, the Botai Group, and its related parties held in aggregate more than 60% shareholding in the Company. Nonetheless, based on the consultation with the Jiangsu Finance Office, which confirmed that it approved the incorporation of the Company in accordance with the Pilot Opinions of Rural Microfinance Organisations (省政府辦公廳關於開展農村小額貸款組織試點工作的意見 (試行)) (which did not restrict the shareholding ratio of the shareholders), the legal advisers to the Company as to PRC laws confirmed that such restriction on shareholding ratio held by the largest shareholder and its related parties is not applicable to the Company as the Company was incorporated before the relevant government circulars came into effect.

KEY FINANCIAL INFORMATION OF THE COMPANY

ADOPTION OF IFRS 9

Beginning from 1 January 2018, IFRS 9 "Financial Instruments" has replaced IAS 39 "Financial Instruments", pursuant to which recognition and measurement for financial instruments would focus in three aspects, namely classification and measurement, impairment, and hedge accounting.

Under IFRS 9, the classification and measurement of financial assets depend on the Company's business model and its contractual cash flow characteristics and result in financial assets being classified and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the Company's own credit risk are to be included in other comprehensive income. After adoption of IFRS 9, the Company continues measuring loans receivable, cash and cash equivalents and other receivables as amortised cost, which is similar with IAS39.

The impairment requirements apply to financial assets measured at amortised cost and financial guarantee contracts. Generally, the application of the new impairment requirements of IFRS 9 is expected to increase the credit loss allowances of many entities, particularly banks and similar financial institutions. However, the increase in the loss allowance will vary by the entities' portfolio and current practices. Entities with shorter term and higher quality financial instruments are likely to be less significantly affected.

Under IAS 39, the Company is required to assess at each balance sheet date whether there is any objective evidence of impairment. If any such evidence exists, the Company is required to do a detailed impairment calculation to determine whether an impairment loss should be recognised. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate. Assets that are individually assessed and for which no impairment exists are grouped with financial assets with similar credit risk statistics and collectively assessed for impairment. Estimates of future cash flow for a group of financial assets should be based on historical loss experience for assets with credit risk characteristics similar to those in the group, and historical loss experience should be adjusted on the basis of current observable data to reflect the effect of current conditions. The Company uses annual historical probability of default as a primary indicator of historical loss experience to make collectively assessment.

According to the IFRS 9 impairment requirements, an entity should recognise a loss allowance for either 12-month or lifetime expected credit losses ("ECLs"), depending on whether there has been a significant increase in credit risk on the financial assets since initial recognition. For credit exposures without significant increase in credit risk since initial recognition, 12-month ECLs are provided for credit losses that result from default events that are possible within the next 12 months. For those credit exposures with a significant increase in credit risk since initial recognition, lifetime ECLs are required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

Probability of default ("PD") is the key measuring parameters of ECLs, which 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 cumulative probability that a long-term loan or receivable will default at any time within 12 months ("12-month PD") usually will be substantially lower than the cumulative probability it will default at any time over its remaining expected life ("life-time PD"). As a result, 12-month ECLs usually will be lower, often substantially so, than lifetime ECLs. Most of the Company's financial assets, including loans receivable, cash and cash equivalents and other receivables, are generally had maturity profiles of up to one year. Consequently, the 12-month ECLs are the same as lifetime ECLs for those financial assets.

The 12-month PD used for impairment assessment under IFRS 9 is adjusted by the Company based on annual historical PD used under IAS 39, taking into account the forward-looking information. The Company identifies certain key economic indicators for the forward-looking information, such as GDP growth, etc. As the Company believes that the macroeconomic environment will remain stable in the coming year, after taking into account the forward-looking information, there is no significant difference between the annual historical PD used for impairment assessment under IAS 39 and the estimation for the 12-month PD under IFRS 9.

Except for the PD, the key measuring parameters of ECLs include the Company's expectation of the extent of the loss resulting from the default exposure ("LGD") and 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 ("EAD") as well. The estimates of LGD and EAD are basically the same under both IAS 39 and IFRS 9 for the Company. In summary, the new impairment requirement of IFRS 9 does not have any material impact on the measurement of the Company's financial assets.

Considering the above, the Directors are of the view that the adoption of IFRS 9 from 1 January 2018 did not have a material impact on the Company's financial performance and condition.

Summary Statement of Profit or Loss and Other Comprehensive Income

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
Interest income	74,495	91,338	108,333	27,222	27,176
Interest expense	(596)	(98)	—	—	(82)
Net interest income	73,899	91,240	108,333	27,222	27,094
Reversal/(accrual) of provision for impairment losses	2,374	(7,260)	(3,038)	(2,669)	(1,802)
Accrual of provisions for guarantee losses	—	(58)	(26)	(67)	(3)
Administrative expenses	(22,593)	(20,728)	(15,291)	(3,209)	(7,111)
Net other income/(expense)	453	(2,162)	2,271	250	31
Profit before tax	54,133	61,032	92,249	21,527	18,209
Income tax expense	(13,653)	(15,198)	(23,494)	(5,527)	(4,390)
Profit after tax and total comprehensive income for the year	40,480	45,834	68,755	16,000	13,819

Summary Statement of Financial Position

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Assets				
Cash and cash equivalents	3,553	10,579	4,337	5,613
Loans receivable	580,544	787,399	814,276	824,969
Property and equipment	1,484	2,011	2,324	7,308
Deferred tax assets	4,709	4,465	5,004	5,123
Other assets	7,661	238	1,517	312
Total assets	597,951	804,692	827,458	843,325
Liabilities				
Deferred income	—	398	112	75
Income tax payable	5,670	6,642	8,045	6,285
Liabilities from guarantees	—	58	84	86
Lease liabilities	—	—	—	2,702
Other liabilities	11,498	7,038	7,906	9,046
Total liabilities	17,168	14,136	16,147	18,194
Net assets	580,783	790,556	811,311	825,131

COMPONENTS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Net interest income

The Company generates interest income from the interest on loans it grants to customers and on cash it deposits at banks and a third party. The Company incurs interest expense on borrowings from other institutions. The following table sets forth the breakdown of the Company's interest income and interest expense for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
Interest income on:					
Loans receivable [1]	74,401	91,250	108,266	27,184	27,173
Cash at banks	8	20	25	11	2
Cash at a third party	86	68	42	27	1
Subtotal	74,495	91,338	108,333	27,222	27,176
Interest expense on:					
Lease liabilities	—	—	—	—	75
Borrowing from other institutions	596	98	—	—	7
Subtotal	596	98	—	—	82
Net interest income	73,899	91,240	108,333	27,222	27,094

Note:

(1) Interest income on loans receivable includes interest income on impaired loans, which amounted to approximately RMB1.2 million, RMB0.6 million and RMB0.3 million for the years ended 31 December 2016, 2017 and 2018, respectively, and approximately RMB0.1 million and RMB0.1 million for the three months ended 31 March 2018 and 2019, respectively.

The following table sets forth the Company's average daily balance of loans receivable and corresponding effective interest rate per annum for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
				(Unaudited)	*(Unaudited)*
Average daily balance of loans receivable *(RMB'000)*	584,541	698,917	822,252	820,669	841,998
Effective interest rate per annum [(1)]	12.7%	13.1%	13.2%	13.3%	12.9%

Note:

(1) Calculated by dividing the loan interest income (not including any default interest) by the average daily balance of the loans receivable for the periods indicated.

Interest income

The Company's interest income on loans receivable is mainly affected by two factors: the daily balance of loans receivable and the effective interest rates that it charges to its customers. The size of the Company's average daily balance of loans receivable is highly dependent on the availability and source of its fundings, which in turn is directly affected by the size of its capital base. The Company's average daily balance of loans receivable increased from approximately RMB584.5 million for the year ended 31 December 2016 to approximately RMB698.9 million for the year ended 31 December 2017, and further to approximately RMB822.3 million for the year ended 31 December 2018, mainly attributable to (i) the increase in share capital from RMB450.0 million as at 31 December 2016 to RMB600.0 million as at 31 December 2017 as a result of the completion of its GEM Listing in May 2017; and (ii) the net profits less dividend paid generated by the Company during the three years ended 31 December 2016, 2017 and 2018.

Interest income of the Company remained stable of approximately RMB27.2 million for the three months ended 31 March 2018 and 2019. Despite that there was a decrease in effective interest rate from 13.3% for the three months ended 31 March 2018 to 12.9% for the three months ended 31 March 2019, the average daily balance of the Company's loans receivable increased by approximately 2.6%, from approximately RMB820.7 million as at 31 March 2018 to approximately RMB842.0 million for the three months ended 31 March 2019.

The Company generally adopts an initial standard rate for each loan with reference to and in compliance with relevant statutory and guiding interest rate ceilings. Depending on factors such as the background, credit history and financial status of the loan applicant, whether any securities are provided, the value of collateral, the quality of the guarantee, the intended purpose and term of the loan, and upon request from and negotiations with a loan applicant, the Company may agree to offer an interest rate lower than that of the standard rate on a case-by-case basis.

The Company's loans are granted under one of the two formats, namely (i) term loans, and (ii) loans under credit facility. The following table sets forth the loan interest income by loan format for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2016		2017		2018		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000* (Unaudited)	*%*
Interest income from:										
Term loans	52,581	70.7	73,520	80.6	96,177	88.8	23,435	86.2	25,337	93.2
Loans under credit facility	21,820	29.3	17,730	19.4	12,089	11.2	3,749	13.8	1,836	6.8
Total	74,401	100	91,250	100	108,266	100	27,184	100	27,173	100

Interest expense

The Company's interest expense, comprising interest on borrowings from other institutions, was approximately RMB0.6 million, RMB0.1 million and nil for the years ended 31 December 2016, 2017 and 2018, respectively, and approximately nil and RMB0.1 million for the three months ended 31 March 2018 and 2019, respectively. Interest expenses incurred during the years ended 31 December 2016 and 2017 were primarily affected by the average daily balance of the Company's borrowings and the interest rate charged on the borrowings. There was no interest expense for the year ended 31 December 2018 primarily because all external borrowings had been repaid in November 2017. Interest expense for the three months ended 31 March 2019 was accrued from (i) an instalment loan arrangement in respect of purchasing a motor vehicle at the end of 2018; and (ii) recognised lease liabilities in relation to the lease contracts of the office, as the Company applied, for the first time, IFRS 16 Leases, since 1 January 2019.

Reversal/(accrual) of provision for impairment losses

For the year ended 31 December 2016, the Company had reversal of provision for impairment losses of approximately RMB2.4 million. For the two years ended 31 December 2017 and 2018, the Company had accrual of provision for impairment losses of approximately RMB7.3 million and RMB3.0 million, respectively. For the three months ended 31 March 2019, the Company had accrual of provision for impairment losses of approximately RMB1.8 million. The Company reviews its loan portfolio periodically (at intervals of no longer than six months) to assess whether there is any evidence of impairment and if so, the appropriate amount to be made. The Company's management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss. For more details, please refer to the paragraph headed "Selected Items of the Statement of Financial Position — Loans receivable — Allowance for impairment losses" in this section.

Accrual of provisions for guarantee losses

During the Track Record Period, the Company had provided financial guarantee services on an occasional basis, upon customers' request and at the Company's sole discretion. The Company had accrual of provisions for guarantee losses of RMB58,000, RMB25,852 and RMB2,490 for its outstanding financing guarantee obligation for the two years ended 31 December 2017 and 2018, and for the three months ended 31 March 2019, respectively. For details of the Company's financial guarantee services, please refer to the section headed "Business of the Company" in this announcement.

Administrative expenses

The Company's administrative expenses included staff costs, business tax and surcharges, depreciation, leasing expense, auditor's remuneration, office expenses, entertainment expenses, listing expenses, service fees, Transfer of Listing expenses and others. The following table sets forth a breakdown of the Company's administrative expenses for the periods indicated:

	Year ended 31 December			**Three months ended 31 March**	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
Staff costs	3,660	4,073	4,513	1,093	1,178
Business tax and surcharges	1,025	470	700	267	150
Depreciation	1,415	828	823	203	435
Leasing expense	577	576	623	156	—
Auditor's remuneration	2,424	1,865	1,527	—	336
Office expenses	119	186	127	59	35
Entertainment expenses	1,648	2,584	1,779	708	555
Listing expenses	8,274	5,221	—	—	—
Service fees	1,678	3,164	2,729	318	633
Transfer of Listing expenses	—	—	1,152	—	3,394
Others	1,773	1,761	1,318	405	395
Total	22,593	20,728	15,291	3,209	7,111

The Company's administrative expenses amounted to approximately RMB22.6 million, RMB20.7 million and RMB15.3 million for the three years ended 31 December 2016, 2017 and 2018, and approximately RMB3.2 million and RMB7.1 million for the three months ended 31 March 2018 and 2019, respectively, which accounted for approximately 30.6%, 22.7%, 14.1%, 11.8% and 26.2% of the net interest income during the years/periods indicated. Staff costs accounted for approximately 16.2%, 19.6%, 29.5%, 34.1% and 16.6% of the administrative expenses for the three years ended 31 December 2016, 2017 and 2018, and for the three months ended 31 March 2018 and 2019, respectively. Auditor's remuneration accounted for approximately 10.7%, 9.0%, 10.0%, nil and 4.7% of the administrative expenses for the three years ended 31 December 2016, 2017 and 2018, and for the three months ended 31 March 2018 and 2019, respectively. In preparation for the GEM Listing, the Company engaged certain professional parties during the years ended 31 December 2016 and 2017 and incurred listing expenses of approximately RMB8.3 million and RMB5.2 million, respectively. In connection with the Transfer of Listing, the Company engaged certain professional parties and incurred Transfer of Listing expenses during the year ended 31 December 2018 and the three months ended 31 March 2019 of approximately RMB1.2 million and RMB3.4 million, respectively. Service fees mainly referred to other professional fees, annual listing fee and Stock Exchange service fees, which accounted for approximately 7.4%, 15.3%, 17.8%, 9.9% and 8.9% of the administrative expenses for the three years ended 31 December 2016, 2017 and 2018, and for the three months ended 31 March 2018 and 2019, respectively. Other administrative expenses mainly comprised travelling expenses, automobile expenses, marketing expenses, utilities charges and system maintenance expenses.

Net other income/(expense)

The Company's net other income/(expense) comprised primarily of guarantee fee income, government grants, foreign exchange loss, fee and commission expenses, charitable contributions and gain or loss on disposal of fixed assets/repossessed assets. The following table sets forth the details of the net other income/(expense) for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Other income:					
Guarantee fee income	—	62	414	183	37
Government grants	476	1,186	1,878	—	—
Gain on disposal of fixed assets	—	—	107	108	—
Others	—	9	10	—	—
Subtotal	476	1,257	2,409	291	37
Other expense:					
Foreign exchange loss	—	(3,326)	(104)	(37)	—#
Fee and commission expenses	(23)	(73)	(24)	(4)	(6)
Charitable contributions	—	(10)	(10)	—	—
Loss on disposal of fixed assets/ repossessed assets	—	(10)	—	—	—
Subtotal	(23)	(3,419)	(138)	(41)	(6)
Net other income/(expense)	453	(2,162)	2,271	250	31

\# *The amount is less than RMB1,000.*

As part of the government's incentive to promote the development of microfinance companies in Yangzhou City, the Company received government grants of approximately RMB0.5 million, RMB1.2 million and RMB1.9 million for the three years ended 31 December 2016, 2017 and 2018, respectively. No government grant was recognised for the three months ended 31 March 2018 and 2019. The Company recorded guarantee fee income of approximately RMB61,921, RMB0.4 million, RMB0.2 million and RMB37,219 for the two years ended 31 December 2017 and 2018, and for the three month ended 31 March 2018 and 2019, respectively, for financial guarantee services provided to its customers. The Company also recorded a foreign exchange loss of approximately RMB3.3 million and RMB0.1 million for the years ended 31 December 2017 and 2018, respectively, primarily due to the depreciation of HK$ denominated net proceeds arising from the GEM Listing in May 2017. Fee and commission expenses incurred during the Track Record Period were mainly bank charges and handling fees.

Income tax expense

The Company's income tax expense for the years ended 31 December 2016, 2017 and 2018 was approximately RMB13.7 million, RMB15.2 million and RMB23.5 million, respectively, and the effective tax rate, calculated as income tax expense divided by profit before tax for the same periods was approximately 25.2%, 24.9% and 25.5%, respectively.

For the three months ended 31 March 2018 and 2019, the Company recognised income tax expense of approximately RMB5.5 million and RMB4.4 million, with the corresponding effective tax rates of approximately 25.7% and 24.1%, respectively.

The Directors confirmed that the Company was not subject to any dispute or unsolved tax issues with the relevant tax authorities in China during the Track Record Period.

Profit and total comprehensive income for the year

As a result of the foregoing, the Company had profit for the year of approximately RMB40.5 million, RMB45.8 million and RMB68.8 million for the three years ended 31 December 2016, 2017 and 2018, respectively and approximately RMB16.0 million and RMB13.8 million for the three months ended 31 March 2018 and 2019, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION

Three months ended 31 March 2019 compared to the three months ended 31 March 2018

Interest income

For the three months ended 31 March 2019, the Company recorded interest income of approximately RMB27.2 million, which remained stable as compared to that for the three months ended 31 March 2018. While there was a decrease in average effective interest rate from 13.3% for the three months ended 31 March 2018 to

12.9% for the three months ended 31 March 2019, it was offset by an increase in the average daily balance of its loans receivable of approximately 2.6% from approximately RMB820.7 million for the three months ended 31 March 2018 to approximately RMB842.0 million for the three months ended 31 March 2019.

Interest expense

For the three months ended 31 March 2019, the Company's interest expenses of approximately RMB0.1 million was accrued from (i) an instalment loan arrangement in respect of purchasing a motor vehicle at the end of 2018; and (ii) lease liabilities in relation to the lease contracts in respect of the office, as the Company applied, for the first time, IFRS 16 Leases since 1 January 2019. No interest expense was incurred for the three months ended 31 March 2018.

Accrual of provision for impairment losses

The Company had accrual of provision for impairment losses of approximately RMB2.7 million and RMB1.8 million for the three months ended 31 March 2018 and 2019, respectively. Such decrease in accrual of provision for impairment losses was mainly attributable to the smaller extent of increase in loans receivable as at 31 March 2019 as compared to that as at 31 March 2018. The Company's loans receivable increased by approximately RMB12.5 million from approximately RMB841.5 million as at 31 December 2018 to approximately RMB854.0 million as at 31 March 2019, which was lower than the increase in loan receivables of approximately RMB27.1 million for the corresponding three months period in 2018. The Company's balance of impaired loans increased from approximately RMB11.5 million as at 31 December 2018 to approximately RMB14.6 million as at 31 March 2019, and its impaired loan ratio increased from approximately 1.4% for the year ended 31 December 2018 to approximately 1.7% for the three months ended 31 March 2019. The Company's overdue loan ratio, on the other hand, remained stable with approximately 1.7% for the year ended 31 December 2018 and the three months ended 31 March 2019.

Accrual of provision for guarantee losses

The Company had accrual of provision for guarantee losses of RMB67,472 and RMB2,490 for the three months ended 31 March 2018 and 2019, respectively. Such decrease in provision for guarantee losses was mainly attributable to the release of guarantee obligations in respect of two financial guarantee contracts during the year ended 31 December 2018.

Administrative expenses

The Company's administrative expenses increased by approximately 121.6% from approximately RMB3.2 million for the three months ended 31 March 2018 to approximately RMB7.1 million for the three months ended 31 March 2019. Such increase was primarily due to the incurrence of professional service fees of approximately RMB3.4 million in relation to the Transfer of Listing for the three months ended 31 March 2019, which no such professional service fees was incurred for the corresponding period in 2018.

Net other income

Net other income of the Company for the three months ended 31 March 2019 amounted to RMB30,686, representing a decrease by approximately 87.6% from approximately RMB0.3 million for the three months ended 31 March 2018. The short-fall was primarily due to the decrease in gain on disposal of fixed assets and financial guarantee fees.

Income tax expense

Income tax expense of the Company decreased by approximately 20.6% from approximately RMB5.5 million for the three months ended 31 March 2018 to approximately RMB4.4 million for the three months ended 31 March 2019. Such decrease was primarily due to the decrease in profit before tax for the three months ended 31 March 2019 as compared to the corresponding period of 2018. The effective tax rate was approximately 25.7% and 24.1% for the three months ended 31 March 2018 and 2019, respectively. The lower effective tax rate for the three months ended 31 March 2019 as compared to the corresponding period of 2018 was primarily due to the current income tax adjustments of previous years which amounted to approximately RMB0.3 million.

Profit and total comprehensive income for the year

As a result of the foregoing and in particular the increase in professional service fee in relation to the Transfer of Listing, the Company's profit and total comprehensive income for the period decreased by approximately 13.6% from approximately RMB16.0 million for the three months ended 31 March 2018 to approximately RMB13.8 million for the three months ended 31 March 2019.

Year ended 31 December 2018 compared to the year ended 31 December 2017

Interest income

The Company's 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 primarily attributable to (i) a slight increase in the average effective interest rate per annum the Company charged on its loans granted, from approximately 13.1% for the year ended 31 December 2017 to approximately 13.2% for the year ended 31 December 2018; and (ii) an increase in the Company's average daily balance of its loans receivable by approximately 17.6% from approximately RMB698.9 million as at 31 December 2017 to approximately RMB822.3 million as at 31 December 2018, as a result of the full year impact in 2018 of the proceeds raised from the GEM Listing and the net profit generated by the Company in 2017, partially offset by the payment of dividend in the amount of RMB48.0 million in 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 all external borrowing had been repaid in November 2017. The Company entered into an instalment loan arrangement in respect of purchase a motor vehicle at the end of 2018 and no interest was accrued as at 31 December 2018.

Accrual of provision for impairment losses

The Company had accrual of provision for impairment losses of approximately RMB7.3 million and RMB3.0 million for the years ended 31 December 2017 and 2018, respectively. While the Company significantly expanded its loan portfolio from approximately RMB599.4 million as at 31 December 2016 to approximately RMB812.0 million as at 31 December 2017 as a result of the additional fresh capital acquired from its GEM Listing, its loan portfolio increased with a much smaller extent to approximately RMB841.5 million as at 31 December 2018, which partly contributed to the decrease in accrual of provision for impairment losses being recognised in 2018 compared to 2017. The Company's balance of un-impaired and impaired loans increased from approximately RMB803.0 million and RMB9.0 million as at 31 December 2017 to approximately RMB830.0 million and RMB11.5 million as at 31 December 2018, respectively, while the allowance for impairment losses has increased from approximately RMB24.6 million as at 31 December 2017 to approximately RMB27.2 million as at 31 December 2018. (See also the table on balance of loans receivable and allowance for impairment losses by category and the corresponding analysis under the paragraph headed "Selected items of the statement of financial position — Loans receivable — Allowance for impairment losses" in this section.) The Company's impaired loan ratio and overdue loan ratio increased from approximately 1.1% and 1.4% for the year ended 31 December 2017 to approximately 1.4% and 1.7% for the year ended 31 December 2018.

Accrual of provisions for guarantee losses

During the years ended 31 December 2017 and 2018, the Company had provided financing guarantee services on an occasional basis, upon its customers' request and at its sole discretion. The Company had accrued RMB58,000 and RMB25,852 as provisions for guarantee losses for its outstanding financing guarantee obligations, in aggregate, of RMB5.8 million and RMB4.0 million as of 31 December 2017 and 2018, respectively.

Administrative expenses

The Company's 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, primarily due to the absence of listing expenses incurred in relation to the GEM Listing in 2018 (whereas approximately RMB5.2 million was incurred in 2017), and a decrease in entertainment expenses of approximately RMB0.8 million, which was partially offset by the increase in staff costs and service fees of approximately RMB0.4 million and RMB0.7 million, respectively.

Net other income/(expense)

The Company had net other income of approximately RMB2.3 million for the year ended 31 December 2018 as compared to net other expenses of approximately RMB2.2 million for the year ended 31 December 2017, primarily attributable to a decrease in foreign exchange loss of approximately RMB3.2 million, and an increase in government grants of approximately RMB0.7 million in 2018. The foreign exchange loss of approximately RMB3.3 million for the year ended 31 December 2017 was primarily due to the depreciation of HK$ denominated net proceeds arising from the GEM Listing in May 2017.

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 in line with the increase in profit before tax by approximately 51.1% from approximately RMB61.0 million for the year ended 31 December 2017 to approximately RMB92.2 million for the year ended 31 December 2018. The effective tax rate was approximately 24.9% and 25.5% for the years ended 31 December 2017 and 2018, respectively.

Profit and total comprehensive income for the year

As a result of the foregoing, the Company's profit and total comprehensive income for the year increased by approximately 50.2% from approximately RMB45.8 million for the year ended 31 December 2017 to approximately RMB68.8 million for the year ended 31 December 2018.

Year ended 31 December 2017 compared to the year ended 31 December 2016

Interest income

The Company's interest income increased by approximately 22.6% from approximately RMB74.5 million for the year ended 31 December 2016 to approximately RMB91.3 million for the year ended 31 December 2017. This increase was primarily attributable to (i) an increase in the effective interest rate per annum the Company charged on its loans granted, from approximately 12.7% for the year ended 31 December 2016 to approximately 13.1% for the year ended 31 December 2017; and (ii) an increase in the Company's average daily balance of loans receivable by approximately 19.6% from approximately RMB584.5 million for the year ended 31 December 2016 to approximately RMB698.9 million for the year ended 31 December 2017, as a result of the net proceeds raised from the GEM Listing in May 2017 being gradually deployed to expand its loan portfolio during the remaining of 2017.

Interest expense

The Company's interest expense decreased from approximately RMB0.6 million for the year ended 31 December 2016 to approximately RMB0.1 million for the year ended 31 December 2017, primarily due to the decrease in the Company's average daily balance of borrowings from approximately RMB5.0 million for the year ended 31 December 2016 to approximately RMB1.5 million for the year ended 31 December 2017, partially offset by an increase in the effective interest rate per annum on the external borrowings from 11.8% for the year ended 31 December 2016 to 13.2% for the year ended 31 December 2017.

Reversal/(accrual) of provision for impairment losses

The Company had reversal of provision for impairment losses of approximately RMB2.4 million and accrual of provision for impairment losses of RMB7.3 million for the year ended 31 December 2016 and 2017, respectively. Such increase in provision for impairment losses was mainly due to the increase of the Company's unimpaired loans (and accordingly the impairment provision made under collective assessment) from approximately RMB589.4 million as at 31 December 2016 to approximately RMB803.0 million as at 31 December 2017 as a result from the additional fresh capital acquired from its GEM Listing. Such increase was partly offset by the decrease in the impaired loans from approximately RMB10.0 million as at 31 December 2016 to approximately RMB9.0 million as at 31 December 2017, which was mainly attributable to certain impaired loans receivable as at 31 December 2016 were repaid to the Company in 2017.

Accrual of provisions for guarantee losses

The Company did not provide any financial guarantee services and thus had no accrual of provision for guarantee losses for the year ended 31 December 2016. During the year ended 31 December 2017, the Company had provided financing guarantee services to two customers and had accrued RMB58,000 as provisions for guarantee losses for its outstanding financing guarantee obligations of RMB5.8 million in aggregate as of 31 December 2017.

Administrative expenses

The Company's administrative expenses decreased by approximately 8.3% from approximately RMB22.6 million for the year ended 31 December 2016 to approximately RMB20.7 million for the year ended 31 December 2017, primarily due to a decrease in expenses incurred relating to the GEM Listing of approximately RMB3.1 million and partially offset by an increase in service fees of approximately RMB1.5 million, which mainly include other professional fees such as legal advisory fee, compliance advisory fee and annual listing fee.

Net other income/(expense)

The Company had net other income of approximately RMB0.5 million for the year ended 31 December 2016 as compared to net other expense of approximately RMB2.2 million for the year ended 31 December 2017, primarily due to foreign exchange loss of approximately RMB3.3 million arising from bank deposits denominated in HK$ in Hong Kong after the GEM Listing in May 2017, partially offset by an increase in government grants of approximately RMB0.7 million provided by the government of Yangzhou City in 2017.

Income tax expense

Income tax expense increased by approximately 11.3% from approximately RMB13.7 million for the year ended 31 December 2016 to approximately RMB15.2 million for the year ended 31 December 2017. Such increase was mainly attributable to an increase in profit before tax by approximately 12.7% from approximately RMB54.1 million for the year ended 31 December 2016 to approximately RMB61.0 million for the year ended 31 December 2017. The effective tax rate was approximately 25.2% and 24.9% for the years ended 31 December 2016 and 2017, respectively.

Profit and total comprehensive income for the year

As a result of the foregoing, the Company's profit and total comprehensive income for the year increased by approximately 13.2% from approximately RMB40.5 million for the year ended 31 December 2016 to approximately RMB45.8 million for the year ended 31 December 2017.

SELECTED ITEMS OF THE STATEMENT OF FINANCIAL POSITION

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of cash at a third party (i.e. Jinnong Company, a company entrusted by Jiangsu Finance Office) and cash at banks. The following table sets forth the Company's cash and cash equivalents as at the dates indicated:

	As at 31 December			**As at 31 March**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Cash at a third party	15	54	6	37
Cash at banks	3,538	10,525	4,331	5,576
Cash and cash equivalents	3,553	10,579	4,337	5,613

The Company's cash and cash equivalents was at a relatively high level of approximately RMB10.6 million as at 31 December 2017 as compared to that as at 31 December 2016 primarily because certain proceeds from the GEM Listing and some repayments the Company received from its customers remained unutilised as at 31 December 2017. The Company's cash and cash equivalent was then decreased to approximately RMB4.3 million as at 31 December 2018 primarily as a result of the increase in outstanding loans receivable. As at 31 March 2019, the cash and cash equivalents had slightly increased to approximately RMB5.6 million.

Loans receivable

The Company primarily focuses on offering micro and small loans to SMEs, microenterprises and individual proprietors. Loans receivable reflect the outstanding balance of the Company's loan portfolio as at the relevant year/period end.

The following table sets forth the Company's loans portfolio by security as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)	
Guaranteed loans	518,850	86.6	764,616	94.2	801,349	95.2	814,869	95.4
Collateralised loans	80,531	13.4	47,358	5.8	40,167	4.8	39,087	4.6
included:								
Guaranteed and collateralised loans	*77,466*	*12.9*	*44,376*	*5.5*	*37,989*	*4.5*	*36,927*	*4.3*
Total	599,381	100	811,974	100	841,516	100	853,956	100

The Company's loans receivable increased by approximately 35.5% from approximately RMB599.4 million as at 31 December 2016 to approximately RMB812.0 million as at 31 December 2017, and further increased by approximately 3.6% to approximately RMB841.5 million as at 31 December 2018, primarily as a result of the net proceeds from the GEM Listing of approximately RMB161.1 million having been fully deployed for the Company's loan business, as well as the net profits generated for the two years ended 31 December 2017 and 2018, partially offset by the payments of dividends in the amount of RMB45.0 million and RMB48.0 million in 2017 and 2018, respectively. As at 31 March 2019, the Company's loans receivable further increased slightly by approximately 1.5% to approximately RMB854.0 million which was in line with the additional funds made available for the Company's loan business from its net profit generated during the three months ended 31 March 2019.

Maturity profile

The Company focuses on providing short-term loans which generally consists of maturity profiles of up to one year. Loans with term of more than one year remained relatively stable from approximately RMB6.5 million as of 31 December 2016 to approximately RMB6.3 million as at 31 December 2017, then decreased to approximately RMB5.6 million and RMB 5.5 million as at 31 December 2018 and 31 March 2019. Loans with term of more than one year were principally loans that the Company granted extension upon customers' request before their initial maturity date, which the Company has ceased such practice since January 2017. Accordingly, loans receivable with term of over one year as at 31 December 2018 and 31 March 2019 were primarily overdue loans which the Company had already made full provision for.

The following table sets forth the Company's outstanding loans by term as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)	
Loans with term of three months or less	—	—	1,508	0.2	—	—	4,021	0.5
Loans with term of more than three months and of six months or less	18,917	3.2	12,734	1.6	675	0.1	1,436	0.2
Loans with term of more than six months and of one year or less	573,978	95.7	791,477	97.4	835,283	99.2	842,958	98.7
Loans with term of more than one year	6,486	1.1	6,255	0.8	5,558	0.7	5,541	0.6
Total	599,381	100	811,974	100	841,516	100	853,956	100

Overdue analysis

The following table sets forth the overdue loans analysis by overdue period as at the dates indicated:

	As at 31 December						As at 31 March	
	2016		2017		2018		2019	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*
Overdue within three months (inclusive)	87	0.9	2,030	18.5	3,150	21.5	150	1.0
Overdue more than three months to one year (inclusive)	963	9.5	53	0.5	3,238	22.0	6,254	42.7
Overdue more than one year to three years (inclusive)	6,504	64.6	6,041	55.0	1,766	12.0	1,173	8.0
Overdue more than three years	2,515	25.0	2,865	26.0	6,540	44.5	7,067	48.3
Overdue loans	10,069	100	10,989	100	14,694	100	14,644	100
Total loans	599,381		811,974		841,516		853,956	
Overdue loan ratio (1)	1.7%		1.4%		1.7%		1.7%	

Note:

(1) The overdue loan ratio is calculated by dividing the total amount of overdue loans outstanding as at the dates indicated by the total amount of loans outstanding as at the dates indicated.

Overdue loans represent loans of which whole or part of the principal and/or interest were overdue for one day or more. The Company had overdue loans of approximately RMB10.1 million, RMB11.0 million, RMB 14.7 million and RMB14.6 million as at 31 December 2016, 2017 and 2018, and as at 31 March 2019, respectively, accounting for approximately 1.7%, 1.4%, 1.7% and 1.7% of total amount of loans outstanding as at the same dates. The higher balance of overdue loans for more than three years as at 31 December 2018 and 31 March 2019 were primarily due to two overdue loans with balance in aggregated of RMB3.5 million, which were initially granted to one customer in 2013 and further extended in 2015, but which had not yet been recovered and eventually been accrued 100% of provision for impairment losses and classified as overdue for more than three years as at 31 December 2018 and 31 March 2019. The two loans were secured by real properties as collaterals. As at the Latest Practicable Date, the Company has agreed a repayment plan with the said customer and the pledged real properties were being arranged for disposal to settle the overdue loans.

Allowance for impairment losses

The Company reviews the loan portfolio periodically to assess whether any impairment losses exist and the amount of impairment losses if there is any evidence of impairment. The Company assesses impairment either collectively or individually as appropriate.

The following table sets forth the loans receivable and allowance for impairment losses as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Loans receivable	599,381	811,974	841,516	853,956
Less: Allowance for impairment losses				
- individually assessed	*(6,158)*	*(7,314)*	*(9,105)*	*(10,947)*
- collectively assessed	*(12,679)*	*(17,261)*	*(18,135)*	*(18,040)*
Total allowance for impairment losses	(18,837)	(24,575)	(27,240)	(28,987)
Net loans receivable	580,544	787,399	814,276	824,969

The following table sets forth the movement in allowance for impairment losses on loans receivable during the Track Record Period:

	Individually assessed *RMB'000*	Collectively assessed *RMB'000*	Total *RMB'000*
As at 1 January 2016	6,113	16,296	22,409
Charges/(reversals) for the year	1,243	(3,617)	(2,374)
Accreted interest on impaired loans	(1,198)	—	(1,198)
As at 31 December 2016	6,158	12,679	18,837
Charges for the year	1,760	4,582	6,342
Accreted interest on impaired loans	(604)	—	(604)
As at 31 December 2017	7,314	17,261	24,575
Charges for the year	2,077	874	2,951
Accreted interest on impaired loans	(286)	—	(286)
As at 31 December 2018	9,105	18,135	27,240
Charges/(reversals) for the period	1,945	(95)	1,850
Accreted interest on impaired loans	(103)	—	(103)
As at 31 March 2019 (unaudited)	10,947	18,040	28,987

The Company adopts a "Five-Tier Principle" of loan classification approach to manage its loan portfolio, under which the Company categorises the loans as "normal", "special-mention", "substandard", "doubtful" or "loss" according to their levels of risk. For details, please refer to the section headed "Business of the Company — Provisioning Policies and Asset Quality" in this announcement.

The following table sets forth the balance of loans receivable and allowance for impairment losses by category as at the dates indicated:

	As at 31 December									As at 31 March		
	2016			2017			2018			2019		
	Loans receivable *RMB'000*	Allowance *RMB'000*	Provision rate *(%)*	Loans receivable *RMB'000*	Allowance *RMB'000*	Provision rate *(%)*	Loans receivable *RMB'000*	Allowance *RMB'000*	Provision rate *(%)*	Loans receivable *RMB'000* *(Unaudited)*	Allowance *RMB'000* *(Unaudited)*	Provision rate *(%)*
Normal	588,991	12,636	2.1	800,985	17,058	2.1	826,672	17,816	2.2	839,312	18,040	2.1
Special-mention	409	43	10.5	2,030	203	10.0	3,301	318	9.6	—	—	—
Substandard	5,092	1,960	38.5	—	—	—	3,237	1,288	39.8	3,167	1,248	39.4
Doubtful	1,790	1,099	61.4	3,668	2,023	55.2	1,165	677	58.1	4,353	2,575	59.2
Loss	3,099	3,099	100.0	5,291	5,291	100.0	7,141	7,141	100.0	7,124	7,124	100.0
Total	599,381	18,837		811,974	24,575		841,516	27,240		853,956	28,987	

For "normal" and "special-mention" loans, given that they are not impaired, the Company makes collective assessment based primarily on factors including prevailing general market and industry conditions and historical impaired ratio. For "substandard", "doubtful" and "loss" loans which are collectively considered as impaired loans, the impairment losses are assessed individually and determined on a case-by-case basis by an evaluation of the loss incurred on the balance sheet date. As at 31 December 2016, 2017 and 2018 and 31 March 2019, the allowance coverage ratio in respect of individually assessed impaired loans, calculated as individually assessed allowance for impairment losses divided by balance of impaired loans, remained at a relatively high level of approximately 61.7%, 81.6%, 78.9% and 74.8% respectively, with impaired loans classified as "Loss" having fully provided for. Additionally, the overall allowance coverage ratio, calculated as allowance for impairment losses divided by total balance of loans receivable, exhibited a slightly increasing trend at approximately 3.1%, 3.0%, 3.2% and 3.4% as at 31 December 2016, 2017 and 2018 and 31 March 2019, respectively.

Other assets

Other assets primarily comprised prepaid professional fees relating to the GEM Listing, prepayments and other receivables. The following table sets forth a breakdown of the Company's other assets as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Listing service fees	6,535	—	—	—
Prepayments [1]	—	—	1,384	224
Other receivables [1]	1,126	1,156	1,089	995
Less: Allowance for doubtful debt [2]	—	918	956	907
	7,661	238	1,517	312

Notes:

(1) Prepayments and other receivables mainly consisted of advances to employees for business expenses, prepayment for leasehold improvement and expenditure for court costs awarded against the customers to be claimed.

(2) Allowance for doubtful debt mainly referred to the provision made for the long outstanding expenditure for court costs awarded against the customers to be claimed.

As at 31 December 2016, 2017 and 2018, and 31 March 2019, the Company's other assets were approximately RMB7.7 million, RMB0.2 million, RMB1.5 million and RMB0.3 million, respectively. The decrease in the Company's other assets as at 31 December 2017 was mainly due to the capitalisation of certain prepaid listing expenses upon the GEM Listing. The increase in the Company's other assets as at 31 December 2018 was mainly due to the increase in prepayments of approximately RMB1.4 million in relation to the Company's office renovation which commenced in 2018. The decrease in the Company's other assets as at 31 March 2019 was approximately RMB1.2 million, mainly due to decrease in prepayments which had been recognised as leasehold improvement during the three months period ended 31 March 2019.

Income tax payable

The Company's income tax payable, which represents its current income tax liabilities, was approximately RMB5.7 million, RMB6.6 million, RMB8.0 million and RMB6.3 million as at 31 December 2016, 2017 and 2018, and 31 March 2019, respectively.

Lease liabilities

The Company has adopted IFRS 16 Leases since 1 January 2019 and recognised lease liability related to the lease contracts in respect of the Company's office, the balance of which was approximately RMB2.7 million as at 31 March 2019.

Other liabilities

Other liabilities primarily comprised of payroll payable, other payables and professional fee payables relating to the GEM Listing. The following table sets forth a breakdown of other liabilities as at the dates indicated:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Listing service fee payable	5,539	—	—	—
Payroll payable	581	662	652	385
Instalment loan payable	—	—	421	389
Other payables	5,378	6,376	6,833	8,272
	11,498	7,038	7,906	9,046

The Company's payroll payable related to payrolls recognised but which have not been paid as at the end of the period. Other payables include interest payables, other operating expenses payables, and business tax and surcharges payables. The Company's other liabilities decreased from approximately RMB11.5 million as at 31 December 2016 to approximately RMB7.0 million as at 31 December 2017, primarily due to a decrease in professional fee payables in relation to the GEM Listing of approximately RMB5.5 million, partially offset by an increase in other payables of approximately RMB1.0 million. The Company's other liabilities increased from approximately RMB7.0 million as at 31 December 2017 to approximately RMB7.9 million as at 31 December 2018, primarily due to an increase in other payables of approximately RMB0.9 million mainly in relation to the professional fees payable as well as the instalment loan for purchasing a motor vehicle at the end of 2018. The Company's other liabilities increased from approximately RMB7.9 million as at 31 December 2018 to approximately RMB9.0 million as at 31 March 2019, primarily due to further increase in professional fees payable by approximately RMB1.4 million as at the end of the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically met its capital expenditure, working capital and other liquidity requirements from equity contributions from shareholders, borrowings from other institutions including Jinnong Company and other microfinance companies, cash flow from operations and the proceeds from the GEM Listing. The Company's liquidity and capital requirements primarily relate to extending loans to customers and its other working capital requirements. The Company monitors its cash flows and cash balance on a regular basis and strives to maintain a liquidity that can meet its working capital needs while supporting a healthy level of business scale.

Taking into account the financial resources available to the Company, including cash and cash equivalents and cash flows from its operations, the Directors are of the view, and the Joint Sponsors concur, that the Company has sufficient working capital for its present working capital requirements and is able to fulfill the obligations under the Company's business for at least the next 12 months from the date of this announcement.

The following table sets forth a selected summary of the Company's cash flow statements for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
Net cash flows from/ (used in) operating activities	60,009	(160,284)	43,912	(9,653)	3,081
Net cash flows used in investing activities	(30)	(1,530)	(2,141)	99	(1,591)
Net cash flows (used in)/ from financing activities	(56,844)	168,904	(48,013)	—	(214)
Net increase/ (decrease) in cash and cash equivalents	3,135	7,090	(6,242)	(9,554)	1,276
Cash and cash equivalents at the beginning of the year	418	3,553	10,579	10,579	4,337
Effect of foreign exchange rate changes, net	—	(64)	—#	(37)	—#
Cash and cash equivalents at the end of the year	3,553	10,579	4,337	988	5,613

\# *The amount is less than RMB1,000.*

Net cash flow from/ (used in) operating activities

The Company's cash used in and generated from operating activities primarily consists of loans granted to its customers and loan repayments from customers and interest income the Company receives, respectively. Net cash flows from/(used in) operating activities reflect (i) the Company's profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortisation, accrual/(reversal) of provision for impairment losses, accrual of provision for guarantee losses, accrued interest on impaired loans, net (gain)/loss on disposal of property and equipment and other assets and interest expense; (ii) the effects of changes in working capital, such as changes in loans receivable and other assets and liabilities; and (iii) income tax paid.

For the three months ended 31 March 2019, the net cash inflow from operating activities of approximately RMB3.1 million was primarily attributable to the profit from the operation and partially offset by the increase in loans receivable. For the three months ended 31 March 2018, the net cash outflow from operating activities of approximately RMB9.7 million was mainly attributable to the profit before tax of approximately RMB21.5 million and partially offset by the increase in loans receivable and income tax paid of approximately RMB27.1 million and RMB5.5 million, respectively.

For the year ended 31 December 2018, there was a net cash inflow from operating activities of approximately RMB43.9 million as a result to the increase in profit from the operation and partially offset by income tax paid and the increase in loans receivable.

The Company recognised a net cash outflow from operating activities of approximately RMB160.3 million for the year ended 31 December 2017 compared to a net cash inflow from operating activities of approximately RMB60.0 million for the year ended 31 December 2016. This was primarily affected by the Company's loans granted to customers which are classified as cash used in operating activities, while cash generated from the increment in share capital from RMB450.0 million as at 31 December 2016 to RMB600.0 million as at 31 December 2017 upon the completion of the GEM Listing in May 2017, which supported the Company's expanded loan portfolio, were recorded as cash inflows from financing activities. As a result, the Company experienced net cash used in operating activities for the year ended 31 December 2017.

Net cash flow used in investing activities

The Company's cash flows used in investing activities is primarily attributable to the Company's purchase of equipment and other long-term assets.

The Company had net cash flows used in investing activities for the three months ended 31 March 2019 of approximately RMB1.6 million, which was mainly attributable to the purchase of property and equipment and other long-term assets.

For the year ended 31 December 2017 and 2018, the Company had net cash flows used in investing activities of approximately RMB1.5 million and RMB2.1 million, respectively, which were mainly attributable to the Company's acquisition of motor vehicles, fixed assets including office furniture and equipment used for sales and administrative activities as well as leasehold improvements for the Company's office.

For the year ended 31 December 2016, the Company's net cash flows used in investing activities was approximately RMB29,812, which was mainly attributable to the Company's acquisition of fixed assets including office furniture and equipment used for sales and administrative activities.

Net cash flow (used in)/ from financing activities

The Company's cash generated from financing activities consist primarily of proceeds from borrowings and proceeds from issue of shares. The Company's cash used in financing activities consist primarily of repayment of borrowings, interest payments, professional fees paid in relation to the GEM Listing which has been capitalised and dividends paid.

For the three months ended 31 March 2019, the Company's net cash flows used in financing activities was approximately RMB0.2 million, which was mainly for repayment of (i) principal and interest on the motor vehicle instalment loan newly entered at the end of 2018 and (ii) lease liabilities in relation to the lease contracts of the office.

For the year ended 31 December 2018, the Company's net cash flows used in financing activities was RMB48.0 million, which was mainly for the dividend paid to the Shareholders.

For the year ended 31 December 2017, the Company's net cash flows from financing activities was approximately RMB168.9 million, comprised primarily of gross proceeds from issue of shares of approximately RMB178.0 million in connection with its GEM Listing which has been capitalised, partially offset by the corresponding listing expenses paid of approximately RMB9.0 million.

For the year ended 31 December 2016, the Company's net cash flows used in financing activities was approximately RMB56.8 million, consisted primarily of (i) dividend payment of RMB45.0 million; (ii) repayment of borrowings of RMB41.0 million; (iii) professional fees paid in relation to the GEM Listing which has been capitalised of approximately RMB3.2 million; and (iv) interest paid on borrowings of approximately RMB0.7 million, which were partially offset by increase in the short-term loans from other institutes of RMB33.0 million.

INDEBTEDNESS AND CHARGES ON ASSETS

Interest-bearing borrowings

During the Track Record Period, the Company financed its business mainly through its own registered capital, internally generated funds, the proceeds from the GEM Listing and short-term borrowings from other institutions, including Jinnong Company and other microfinance companies.

For the years ended 31 December 2016 and 2017, the Company had obtained fundings from the fund pool managed by Jinnong Company and short-term loans from other microfinance companies in the aggregate principal amount of approximately RMB33.0 million and RMB10.0 million, respectively. For the years ended 31 December 2016 and 2017, the Company incurred approximately RMB0.6 million and RMB0.1 million, respectively, as its costs of funding to Jinnong Company and other microfinance companies. The weighted average interest rate of borrowings obtained from Jinnong Company and other microfinance companies was approximately 9.9% and 6.0% for the years ended 31 December 2016 and 2017, respectively.

The Company did not obtain any external borrowings for the year ended 31 December 2018 except for the instalment loan arrangement for purchase of a motor vehicle with outstanding balance of RMB421,000 and RMB389,106, respectively, as at 31 December 2018 and 31 March 2019.

The Company provided financial guarantee services to two customers during the year ended 31 December 2017 in respect of two private-placement bonds with an aggregate principal amount of RMB5.8 million, both of which matured in the year ended 31 December 2018 and were fully repaid. During the year ended 31 December 2018 the Company further provided financial guarantee services to one customer in respect of a bank loan with a principal amount of RMB4.0 million and a term of one year. As a result of the foregoing, the Company had outstanding guarantee obligations of RMB5.8 million, RMB4.0 million and RMB4.0 million as at 31 December 2017 and 2018 and as at 31 March 2019, respectively.

In addition, on 7 September 2017 the Company obtained a general credit facility of RMB100 million from Jiangsu Jinchuang Credit Reassurance Co., Ltd.* (江蘇金創信用再擔保股份有限公司) ("**Jinchuang Credit Re**") with a credit draw down period of one year commencing from 23 August 2017 for a number of stipulated usage, including, among others, (i) provision of loans, (ii) provision of guarantees in respect of the Company's bank loans, entrusted loans, and loans from Jinnong Company, and (iii) provision of re-guarantees in respect of the financial guarantee services provided by the Company for private placement bonds issued by small and micro enterprises. During the valid period of the credit facility, the Company utilised an aggregate of RMB5.8 million for re-guarantee arrangements in respect of the aforesaid two private-placement bonds which the Company provided guarantee for. The Company did not renew or enter into any new credit facility with Jinchuang Credit Re following expiry of the said credit facility.

As at 31 May 2019, being the latest practicable date of the Company's indebtedness statement, except as otherwise disclosed in this announcement, the Company did not have any outstanding borrowings, mortgages, charges, debentures, other issued debt capital, bank overdrafts, liabilities under acceptance or other similar indebtedness, except for the outstanding instalment loan of approximately RMB0.4 million, lease liabilities of approximately RMB2.1 million and the abovesaid outstanding financial guarantee obligation of RMB4.0 million.

During the period from 1 June 2019 up to the Latest Practicable Date, the Company did not obtain any new interest-bearing borrowings or any credit facilities from banks or other financial institutions. The Directors confirmed that there has not been any material change in the Company's indebtedness since 1 June 2019 and up to the Latest Practicable Date.

The Directors confirmed that during the Track Record Period, the Company did not have any material default in payment with regard to its borrowings nor did the Company breach any material covenants. The Directors also confirmed that as at the Latest Practicable Date, the Company did not have any plan for material external debt financing.

Charges on assets

As at 31 December 2016 and 2017, the Company did not pledge any assets to secure any banking facility or bank loan. As at 31 December 2018 and 31 March 2019, one of the Company's motor vehicles with net carrying amounts of RMB670,574 and RMB627,771, respectively, were pledged to secure the instalment loan payable of the Company.

CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018 and 31 March 2019, contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December			**As at 31 March**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantee contracts	—	5,800	4,000	4,000

As at the Latest Practicable Date, contingent liability of the Company was the outstanding financial guarantee obligation of RMB4.0 million.

FINANCIAL RATIOS

The following table sets forth the Company's key financial ratios as at the dates indicated:

	Year ended or as at 31 December			Three months ended or as at 31 March
	2016	**2017**	**2018**	**2019**
Return on equity [1]	6.9%	6.7%	8.6%	N/A
Return on assets[2]	6.7%	6.5%	8.4%	N/A
Total outstanding loans receivable less allowance for impairment losses to total assets[3]	97.1%	97.9%	98.4%	97.8%
Gearing ratio[4]	N/A	N/A	N/A	N/A

Notes:

(1) Return on equity is calculated by dividing profit and total comprehensive income by the average balance of total equity as at the beginning and end of a year multiplied by 100%.

(2) Return on assets is calculated by dividing profit and total comprehensive income by the average balance of total assets as at the beginning and end of a year multiplied by 100%.

(3) The ratio of total outstanding loans receivable less allowance for impairment losses to total assets equals the total outstanding loans receivable less allowance for impairment losses as at the indicated date divided by the total assets as at the same date and multiplied by 100%.

(4) Gearing ratio equals the net debt (includes interest-bearing borrowings, less cash and cash equivalents) as at the indicated date divided by the aggregate of total capital and net debt as at the same date and multiplied by 100%.

Return on equity

The Company's return on equity remained stable with approximately 6.9% and 6.7% for the years ended 31 December 2016 and 2017, respectively, and increased to approximately 8.6% for the year ended 31 December 2018, mainly due to the increase in profit and total comprehensive income from RMB45.8 million for the year ended 31 December 2017 to RMB68.8 million for the year ended 31 December 2018.

Return on assets

The Company's return on assets remained stable with approximately 6.7% and 6.5% for the years ended 31 December 2016 and 2017, respectively, and increased to approximately 8.4% for the year ended 31 December 2018, mainly due to the increase in profit and total comprehensive income from approximately RMB45.8 million for the year ended 31 December 2017 to approximately RMB68.8 million for the year ended 31 December 2018.

Total outstanding loans receivable less allowance for impairment losses to total assets ratio

The ratio of the Company's total outstanding loans receivable less allowance for impairment losses to total assets remained at a high level, which was approximately 97.1%, 97.9%, 98.4% and 97.8% as at 31 December 2016, 2017 and 2018, and 31 March 2019, respectively, reflecting the Company's high capital utilisation.

Gearing ratio

The Company was at net cash position as at 31 December 2016, 2017 and 2018 and 31 March 2019 so gearing ratio is not applicable to the Company.

DIVIDEND

For the year ended 31 December 2016, the Company declared and paid dividends in the amount of RMB45.0 million.

For the year ended 31 December 2017, a final dividend of RMB0.08 per Share had been proposed by the Board on 16 March 2018 and had been approved by the Shareholders in the annual general meeting of the Company held on 17 May 2018, pursuant to which dividends in the amount of RMB48.0 million were distributed on 15 June 2018.

For the year ended 31 December 2018, no dividend has been declared.

RELATED PARTY TRANSACTIONS

The Directors are of the view that each of the related party transactions set out in Note 23 to the Company's financial statements included in the annual report of the Company for the years ended 31 December 2017 and 2018 and Note 19 to the Company's financial statements included in the first quarterly report of the Company for the three months ended 31 March 2019 was conducted in the ordinary course of business and on an arm's length basis and with normal commercial terms between the relevant parties. The Directors are also of the view that the Company's related party transactions during the Track Record Period would not distort the Company's track record results.

There was no loans granted to any related parties, borrowings from shareholders and other related parties and outstanding balances of loans to customers guaranteed by related party for the years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019.

USE OF PROCEEDS

The Company was listed on GEM on 8 May 2017 with issue of 150,000,000 H Shares at HK$1.34 per H Share. The net proceeds from the GEM Listing raised by the Company amounted to approximately HK$185.4 million (equivalent to approximately RMB163.1 million). As at the date of this announcement, the proceeds raised from the GEM Listing has been fully utilised in accordance with the planned use of proceeds as disclosed in the Prospectus.

RECENT DEVELOPMENT

Subsequent to 31 March 2019 and up to the Latest Practicable Date, the Company has granted 172 new loans in an aggregate principal amount of approximately RMB282.9 million, comprising 163 guaranteed loans in an aggregate principal amount of approximately RMB279.7 million and nine collateralised loans in an aggregate principal amount of approximately RMB3.2 million.

Reference is made to the announcement of the Company dated 23 January 2018 regarding the entering of a strategic cooperation agreement with Hushen Financial Holding Asset Management Co., Ltd. As at the Latest Practicable Date, no concrete proposal or potential opportunity on any cooperation had been reached or identified by the parties.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that subsequent to 31 March 2019 (being the date to which the latest published financial statements of the Company have been made up) and up to the date of this announcement, there has been no material adverse change in the financial or trading position or prospects of the Company and there are no unfavorable trends and developments which may have a material adverse impact on the Company's business and financial performance.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Bo Wanlin (柏萬林), aged 70, is the chairman of the Board and executive Director. He is primarily responsible for corporate strategic planning and overall business development and management of the Company. He is also the chairman of the nomination committee. Mr. Bo has been the chairman and executive Director since the incorporation of the Company in November 2008. Mr. Bo is the father of Mr. Bo Nianbin and Ms. Bai Li.

From February 1973 to December 1990, Mr. Bo was the director and the secretary of branch of the Party of Yangzhou Zhenxing Garment Factory* (揚州市振興服裝廠) (a garment manufacturing and sales company), and was fully responsible for company's operations and management as well as the Party and political works. From January 1991 to July 1996, Mr. Bo was the chairman and general manager of Jiangsu Qinman Group Limited* (江蘇琴曼集團有限公司), and was fully responsible for company's operations and management. From August 1996 to November 2014, Mr. Bo Wanlin was the chairman of Botai Group, formulating the company's operational development strategy and planning, overseeing the operations and management of the company. From November 2009 to September 2014, Mr. Bo was a director of Mintai Bank, involved in the formulation of the company's operational development strategy and planning. From October 2013 to January 2015, Mr. Bo served as a supervisor of Zhongcheng Bank to supervise the performance of the board of directors of the company.

Mr. Bo once served as the chairman and legal representative of Yangzhou Weiyi Garment Manufactory Co., Ltd.* (揚州唯一製衣有限公司), a company incorporated in the PRC. Its business scope includes manufactory and sale of luxury garment. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 16 April 2008. Mr. Bo once served as the supervisor of Jiangsu Kaichang Garment Co., Ltd.* (江蘇凱昌服裝有限公司), a company incorporated in the PRC. Its business scope includes manufacture and sale of garment. Since this company no longer carried on business and did not conduct annual inspection, the business license of this company was revoked on 2 December 2010.

Mr. Bo completed his secondary school education in Jiangsu Province Hanjiang Middle School* (江蘇省邗江中學) in the PRC in 1968.

Mr. Bo has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is entitled to a directors' fee of RMB500,000 per annum, which is determined by the remuneration committee with reference to his experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Bo in substantially the same terms as the original service contract entered into between the Company and Mr. Bo, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Bo that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Ms. Bai Li (柏莉), aged 43, is the executive Director, chief executive and the general manager of the Company. She is primarily responsible for formulating and implementing the Company's corporate strategies, overseeing the Company's business development and participating in the day-to-day management of the Company's business operations. Ms. Bai was appointed as the executive Director on 23 August 2012. She joined the Company on 1 July 2010 as a deputy general manager and was subsequently promoted as a general manager and chief executive on 6 May 2013 responsible for overall management and operations. Ms. Bai is the daughter of Mr. Bo Wanlin and the sister of Mr. Bo Nianbin.

From August 1998 to March 2010, Ms. Bai was a customer manager of the Bank of Communications Co., Ltd. Yangzhou Branch (交通銀行股份有限公司揚州分行) (stock code: 601328.SH, 3328.HK), responsible for loan investigation and issue. From March 2010 to August 2012, Ms. Bai was a supervisor of Botai Group, supervising the performance of the Board.

Ms. Bai graduated from Yangzhou University* (揚州大學) in the PRC in July 1997 majoring in international business.

Ms. Bai Li has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. She is entitled to a directors' fee of RMB150,000 per annum, which is determined by the remuneration committee with reference to her experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Ms. Bai in substantially the same terms as the original service contract entered into between the Company and Ms. Bai, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Ms. Bai that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Ms. Zhou Yinqing (周吟青), aged 40, is the executive Director and the deputy general manager of the Company. She is primarily responsible for overseeing the financial management of the Company. Ms. Zhou was appointed as the executive Director on 6 May 2013 and as a deputy general manager on 10 March 2014.

From March 1996 to March 2014, Ms. Zhou was the financial controller (last position) of Botai Group and was responsible for the financial management of Botai Group.

Ms. Zhou graduated from Central Radio and Television University* (中央廣播電視大學, currently known as The Open University of China* (國家開放大學)) majoring in financial accounting in the PRC in July 2007.

Ms. Zhou has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. She is entitled to a directors' fee of RMB120,000 per annum, which is determined by the remuneration committee with reference to her experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Ms. Zhou in substantially the same terms as the original service contract entered into between the Company and Ms. Zhou, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Ms. Zhou that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Non-executive Directors

Mr. Bo Nianbin (柏年斌), aged 44, is the non-executive Director. He is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. Mr. Bo Nianbin has been the non-executive Director since the incorporation of the Company in November 2008. Mr. Bo Nianbin is the son of Mr. Bo Wanlin and the brother of Ms. Bai Li.

Since April 1995, Mr. Bo Nianbin has served as a director of Botai Group. He has been responsible for formulating the company's operational development strategy and planning. From July 2001 to March 2019, Mr. Bo Nianbin served as a director and general manager of Yangzhou Bo Tai Garment Company Limited* (揚州柏泰製衣有限公司), a company that manufactures and sells garments, fully responsible for the company's operation and management. From November 2004 to the present day, Mr. Bo Nianbin has served as a supervisor of Liantai Guangchang which principally engaged in the business of household building materials, supervising the company. From November 2014 to the present day, Mr. Bo has served as a supervisor of Shanghai Boke Fashion Co., Ltd.* (上海柏可時裝有限公司), a garment sales company, supervising the performance of the board of directors of the company. Since December 2014, Mr. Bo has been the chairman of Botai Group and is responsible for the formulation of the company's operational development strategy and planning and overseeing the company's operation and management. Since March 2017, Mr. Bo has been the chairman of Jiangsu Botai Company Limited* (江蘇柏泰股份有限公司), a company that manufactures and sells garment, and is fully responsible for the operation and management of the company.

Mr. Bo completed his secondary school education in Jiangsu Province Yangzhou Middle School* (江蘇省揚州中學) in the PRC in May 1992.

Mr. Bo has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is not entitled to receive any remuneration in his capacity as a Director, subject to review by the remuneration committee with reference to his experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Bo in substantially the same terms as the original service contract entered into between the Company and Mr. Bo, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Bo that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Mr. Zuo Yuchao (左玉潮), aged 47, is a non-executive Director. He is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. Mr. Zuo joined the Company on 12 November 2008 as a non-executive Director.

From July 1992 to December 1999, Mr. Zuo served as a loan officer of Agricultural Bank of China Limited Yangzhou Guangling Branch* (中國農業銀行揚州廣陵支行) (stock code: 601288.SH) for loan review. Since December 1999, Mr. Zuo has been the general manager (last position) of Botai Group and is fully responsible for the company's operation and management. From March 2017 to the present day, Mr. Zuo has served as the chairperson of the supervisory committee of board in Jiangsu Botai Company Limited* (江蘇柏泰股份有限公司), a company that manufactures and sells garments, supervising the performance of the board of directors of the company.

Mr. Zuo graduated from Suzhou Urban Construction and Environmental Protection Institute* (蘇州城建環保學院) (currently known as Suzhou University of Science and Technology*(蘇州科技學院)) in July 1992 majoring in real estate management.

Mr. Zuo has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is not entitled to receive any remuneration in his capacity as a Director, subject to review by the remuneration committee with reference to his experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Zuo in substantially the same terms as the original service contract entered into between the Company and Mr. Zuo, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Zuo that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Independent non-executive Directors

Mr. Bao Zhenqiang (包振強), aged 56, was appointed as an independent non-executive Director on 31 May 2016. Mr. Bao is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. He is also the chairman of the remuneration committee, and a member of the audit committee and the nomination committee.

Mr. Bao has over 35 years of teaching experience in the field of academic research and teaching. From February 1982 to July 2004, Mr. Bao was a teacher at Yangzhou University* (揚州大學) and since July 2004, he has been a professor at Yangzhou University* (揚州大學) and engaged in academic research and teaching.

Mr. Bao graduated from Yangzhou Industrial College* (揚州工業專科學校) (currently known as Yangzhou University* (揚州大學)) in December 1981 majoring in mechanical manufacturing. He obtained a doctorate degree in electric engineering from the Nanjing University of Aeronautics and Astronautics* (南京航空航太大學) in December 2003.

Mr. Bao has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is entitled to a directors' fee of RMB20,000 per annum, which is determined by the remuneration committee with reference to his experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Bao in substantially the same terms as the original service contract entered into between the Company and Mr. Bao, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Bao that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Mr. Wu Xiankun (吳賢坤), aged 69, was appointed as an independent non-executive Director on 15 January 2015. He is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. He is also a member of the remuneration committee, audit committee and the nomination committee.

Mr. Wu has over 36 years of experience in teaching and administrative management. From February 1981 to July 1983, Mr. Wu was a teacher in Hanjiang County Middle School* (邗江縣中學). From September 1983 to September 2000, Mr. Wu was the principal of Guangling Beizhou Middle School* (廣陵北洲中學) and engaged in teaching and administrative work. From September 2000 to June 2010, Mr. Wu was the Party secretary of Hanjiang Secondary School* (邗江中等專科學校) and was responsible for the party and government work.

Mr. Wu graduate from Yang Zhou Normal College* (揚州師範學院) (currently known as Yangzhou University* (揚州大學)) in January 1981 majoring in Chinese.

Mr. Wu has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is entitled to a directors' fee of RMB20,000 per annum, which is determined by the remuneration committee with reference to his experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Wu in substantially the same terms as the original service contract entered into between the Company and Mr. Wu, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Wu that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Mr. Chan So Kuen (陳素權), aged 39, was appointed as an independent non-executive Director on 15 January 2015. He is primarily responsible for attending meetings of the Board to perform duties as a Board member, but not participating in the day-to-day management of the Company's business operations. He is also the chairman of the audit committee and a member of the remuneration committee.

Mr. Chan has over 15 years of experience in accounting, auditing and finance industry. He is also a member of the Hong Kong Institute of Certified Public Accountants. From June 2001 to October 2003, Mr. Chan was a semi-senior audit clerk of Shinewing (HK) CPA Limited (信永中和(香港) 會計師事務所有限公司) (formerly known as Ho and Ho & Company (何錫麟會計師行)). From January 2004 to July 2009, Mr. Chan was appointed as a manager (last position) of KPMG, and was responsible for project audit. From November 2009 to October 2012, Mr. Chan was the chief financial officer and the company secretary of China Great Wall Electric Holdings Limited (中國長城電氣控股有限公司), responsible for compliance and overall financial accounting activities. Since February 2014, Mr. Chan has been the chief financial officer, company secretary and authorised representative of Huazhang Technology Holding Limited (華章科技控股有限公司) (stock code: 1673.HK) and is responsible for internal control and overseeing financial and accounting activities. Since October 2014, Mr. Chan has served as an independent non-executive director of Link Holdings Limited (華星控股有限公司) (stock code: 8237.HK), providing independent judgment on the issue of strategy, performance, resources and standard of conduct.

Mr. Chan obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2001. He has been a member of the Hong Kong Institute Certified Public Accountants since April 2005.

Mr. Chan has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is entitled to a directors' fee of HK$120,000 per annum, which is determined by the remuneration committee with reference to his experience, responsibilities in the Company and general market conditions.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Chan in substantially the same terms as the original service contract entered into between the Company and Mr. Chan, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Chan that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Supervisors

Ms. Wang Chunhong (王春宏), aged 69, was appointed as the chairperson of the Supervisory Committee and a Supervisor on 15 January 2015.

From August 1988 to July 2005, Ms. Wang was a teacher of Hanjiang Professional Education Centre* (邗江職教中心) where she engaged in teaching and research. Ms. Wang has retired since August 2005 and has not been engaged in any employment until her current position with the Company.

Ms. Wang graduated from the long-distance learning courses of the Long Distance Learning School of China Central Party School* (中共中央黨校函授學院) in the PRC in December 1999.

Ms. Wang has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. She is entitled to remuneration of RMB20,000 per annum.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Ms. Wang in substantially the same terms as the original service contract entered into between the Company and Ms. Wang, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Ms. Wang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Ms. Li Guoyan (李國彥), aged 39, was appointed as a Supervisor on 15 January 2015.

Ms. Li has been an associate professor of the School of Economics and Management of Nanjing Institute of Industry Technology (南京工業職業技術學院), responsible for research and teaching since July 2018. Prior to that, Ms. Li had been a teacher at Nanjing University of Aeronautics and Astronautics* (南京航空航太大學) since July 2005, responsible for teaching.

Ms. Li graduated from Nanjing University of Aeronautics and Astronautics* (南京航空航太大學) in June 2001 majoring in engineering management. She obtained a master's degree in technical economics and management and a doctor's degree in management science and engineering from Nanjing University of Aeronautics and Astronautics* (南京航空航太大學) in the PRC in April 2005 and October 2017, respectively.

Ms. Li has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. She is entitled to remuneration of RMB 20,000 per annum.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Ms. Li in substantially the same terms as the original service contract entered into between the Company and Ms. Li, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Ms. Li that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Mr. Zhang Yi (張翼), aged 33, was appointed as a Supervisor on 6 May 2013.

Mr. Zhang joined the Company on 5 December 2011 as an account manager, and currently serves as a department manager of the customer services department in the Company and he is responsible for preliminary review of loan applications. From August 2010 to November 2011, Mr. Zhang was the product R&D personnel in Jiangsu Ruilian Electronic Technology Co., Ltd.* (江蘇瑞聯電子科技有限公司) where he engaged in new product development.

Mr. Zhang obtained a bachelor's degree in international business from Yangzhou University* (揚州大學).

Mr. Zhang has entered into a service agreement with the Company for a term of three years commencing from the GEM Listing Date, which upon expiry is renewable for a further term of three years subject to early termination in accordance with the terms therein and retirement by rotation, and eligible for reelection pursuant to the Articles of Association. He is entitled to remuneration of RMB120,000 per annum.

In view of the Transfer of Listing, the Company will enter into a new service agreement with Mr. Zhang in substantially the same terms as the original service contract entered into between the Company and Mr. Zhang, with references to the GEM and GEM Listing Rules in the original service contract be amended to the Main Board and Main Board Listing Rules.

Save as disclosed above, there is no other information relating to Mr. Zhang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Main Board Listing Rules.

Senior Management

Ms. Bai Li (柏莉) is an executive Director, the chief executive and the general manager of the Company. Please refer to her biography above for details.

Ms. Zhou Yinqing (周吟青) is an executive Director and the deputy general manager of the Company. Please refer to her biography above for details.

Mr. Xu Lei (許磊), aged 34, joined the Company on 8 April 2014 as deputy general manager, and currently serves as the deputy general manager, secretary to the Board and joint company secretary of the Company.

From August 2007 to March 2010, Mr. Xu was the senior auditor in PricewaterhouseCoopers Zhong Tian LLP. From March 2010 to April 2014, Mr. Xu was the internal audit controller and investor relationship manager in Huiyin Household Appliances (Holdings) Co., Ltd. (匯銀家電(控股)有限公司) (Stock Code: 1280.HK).

Joint Company Secretaries

Mr. Xu Lei (許磊), is the deputy general manager and secretary to the Board and joint company secretary of the Company. Please refer to his biography above for details.

Mr. Lau Kwok Yin (劉國賢), aged 33, was appointed as joint company secretary of the Company and authorised representative of the Company for accepting services of process or notices in Hong Kong under Part 16 of the CO on 30 May 2018 in light of the resignation of Mr. Wong Yat Tung (黃日東) from these positions on the same date as disclosed in the announcement of the Company issued on 30 May 2018.

Mr. Lau is a manager of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). Mr. Lau has more than 10 years' experience in corporate secretarial services, finance and banking operations.

Mr. Lau holds a bachelor of business administration degree in accounting and finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charter holder.

Directors', Supervisors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at the date of this announcement, interests or short positions of the Directors, Supervisors and the chief executive of the Company and their associates in any of the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying Shares and debt securities of the Company recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Main Board Listing Rules are as follows:

Shares of the Company

Director	Nature of interest	Number of Shares held [(1)]	Approximate shareholding percentage in the relevant class of Shares [(2)]	Approximate percentage of shareholding in the total issued share capital of the Company [(3)]
Mr. Bo Wanlin	Interest in controlled corporation [(4)] [(5)]	430,100,000 Domestic Shares (L)	95.58%	71.68%
Ms. Bai Li	Beneficial owner	10,000,000 Domestic Shares (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000 Domestic Shares (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000 Domestic Shares (L)	0.16%	0.12%

Notes:

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

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

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

4. Botai Group is directly interested in approximately 40.03% in the Company. The disclosed interest represents the interest in the Company held by Botai Group which is in turn held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this announcement. Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

5. Liantai Guangchang is directly interested in approximately 31.65% in the Company. The disclosed interest represents the interest in the Company held by Liantai Guangchang, which is in turn held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO, and Mr. Bo Wanlin and his spouse Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in Liantai Guangchang and the Company

by virtue of the SFO. On 12 December 2017, Botai Group and Liantai Guangchang, the Controlling Shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favor of an independent commercial bank as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively.

Associated Corporation

Director	**Associated Corporation**	**Nature of interest**	**Approximate shareholding percentage in the relevant class of Shares in the Associated Corporation**
Mr. Bo Wanlin	Botai Group	Beneficial owner (1)	33.33%
		Family interest of spouse (2)	16.67%
Ms. Bai Li	Botai Group	Beneficial owner (1)	25.00%
Mr. Bo Nianbin	Botai Group	Beneficial owner (1)	25.00%

Notes:

1. The disclosed interest represents the interests in Botai Group, the associated corporation which is wholly owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at the date of this announcement.

2. Mr. Bo Wanlin is the spouse of Ms. Wang Zhengru and is deemed to be interested in Ms. Wang Zhengru's interest in Botai Group by virtue of the SFO.

Save as disclosed above, as at the date of this announcement, none of the Directors, Supervisors and chief executive of the Company nor their associates had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Main Board Listing Rules.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the objectives and approach to achieve and maintain the diversity of our Board. By adopting the board diversity policy, the Board members have the appropriate balance of skills, experience, diversity of perspectives that are required to support the Company's sustainable and balanced development. Pursuant to the board diversity policy, our Company seeks to achieve Board diversity by selection and nomination of candidates for the Board based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, views, time contribution and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Company will continue to (i) monitor the implementation of the board diversity policy; (ii) disclose the Board's composition under diversified perspectives in the corporate governance report contained in the annual report of the Company; and (iii) review the board diversity policy as appropriate to ensure its continued effectiveness from time to time.

WAIVER FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

Waiver from strict compliance with Rules 8.12 and 19A.15 of the Main Board Listing Rules

Rule 8.12 of the Main Board Listing Rules provides that an issuer applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Main Board Listing Rules states that the requirement under Rule 8.12 of the Main Board Listing Rules applies to an issuer incorporated in the PRC, but also provides that the requirement may be waived by the Stock Exchange in its discretion.

Given that the business and operation of Company are primarily located, managed and conducted in the PRC, the Company does not have any material operation in Hong Kong. All the executive Directors are ordinarily resident in the PRC, and the Company currently does not and will not, in the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of complying Rule 8.12 and Rule 19A.15 of the Main Board Listing Rules.

Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Main Board Listing Rules and the Stock Exchange has granted a waiver to the Company from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Main Board Listing Rules on the condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

(a) the Company has two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Bo Wanlin, the chairman and executive Director of the Company, and Mr. Xu Lei, the deputy general manager and joint company secretary of the Company, and secretary to the Board. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;

(b) each of the authorised representatives has the means to promptly contact all members of the Board (including the independent non-executive Directors) and of the senior management team at all times as and when the Stock Exchange wishes to contact them or any of them for any matter. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the following policies will be implemented by the Company: (i) each Director shall provide his/her mobile phone number, office phone number, fax number and email address to the authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all the Directors and authorised representatives will provide their respective mobile phone number, office phone number, fax number and email address to the Stock Exchange;

(c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at reasonable short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

(d) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly of any change in the authorised representatives;

(e) Directors who are not ordinary residents in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and

(f) in compliance with paragraph 16 of Appendix 28 of the Main Board Listing Rules, the Company has appointed China Galaxy International Securities (Hong Kong) Co., Limited as its compliance adviser to provide the Company with advices on its obligations in relation to the compliance with, amongst others, the Main Board Listing Rules. The compliance adviser will continue to act as an additional channel of communication with the Stock Exchange. The term of appointment of the compliance adviser will end on the date on which the Company distributes the annual report of its financial results for the second full financial year commencing after the GEM Listing Date, being 8 May 2017.

The Company's continuing obligation under Rule 8.17 and Rule 3.28 of the Main Board Listing Rules

Pursuant to Rule 8.17 of the Main Board Listing Rules, the Company must appoint a company secretary who satisfies the requirement under Rule 3.28 of the Main Board Listing Rules. According to Rule 3.28 of the Main Board Listing Rules, the Company must appoint as company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Rule 9A.12 of the Main Board Listing Rules and paragraph 15 of Appendix 28 of the Main Board Listing Rules, the Company does not need to comply with a continuing obligation(s) under Chapter 3 of the Main Board Listing Rules provided that (1) the continuing obligation in issue is equivalent or comparable to a continuing obligation under a GEM Listing Rule; (2) the Stock Exchange has previously granted a waiver to the Company in respect of such obligation; and (3) there has been no change in the relevant facts or circumstances. The effect of a waiver granted by the Stock Exchange shall continue for the purpose of the continuing obligation in issue until its original expiry date since grant, notwithstanding the Transfer of Listing.

Reference is made to the change of joint company secretary of the Company and authorised representative of the Company for accepting service of process or notices in Hong Kong under Part 16 of the CO on 30 May 2018, in connection with which the Stock Exchange granted a waiver in relation to the eligibility of Mr. Xu Lei as the joint company secretary of the Company. Details are set out in the announcement of the Company dated 30 May 2018.

The Directors consider that the continuing obligation required under Rule 5.14 of the GEM Listing Rules is comparable with that under Rule 3.28 of the Main Board Listing Rules and there has been no change in the relevant facts or circumstances under which the said waiver was granted. Therefore the said waiver shall survive upon the Transfer of Listing and it is not necessary for the Company to seek from the Stock Exchange for another waiver from strict compliance with Rule 8.17 and Rule 3.28 of the Main Board Listing Rules for the purpose of the Transfer of Listing.

DOCUMENTS AVAILABLE FOR VIEWING

Copies of the following documents will be made available for viewing on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gltaihe.com:

(a) the Articles of Association of the Company;

(b) the annual report (including the Director's report) for the year ended 31 December 2018;

(c) the interim report of the Company for the six months ended 30 June 2018;

(d) the quarterly reports of the Company for the nine months ended 30 September 2018 and three months ended 31 March 2019;

(e) a copy of each of the circulars to the Shareholders issued by the Company in the immediately preceding full financial year and up to the date of this announcement; and

(f) a copy of each of the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"AFR (三農)"	agriculture, farmers and rural areas or, as the case may be, individuals or organisations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas
"AGM"	annual general meeting of the Company

"Articles of Association"	the articles of association of the Company prevailing from time to time
"associate(s)"	has the meaning ascribed thereto under the Main Board Listing Rules
"Bo Family"	Mr. Bo Wanlin (柏萬林), Ms. Wang Zhengru (王正茹) (spouse of Mr. Bo Wanlin), Mr. Bo Nianbin (柏年斌) (son of Mr. Bo Wanlin), Ms. Bai Li (柏莉) (daughter of Mr. Bo Wanlin) and, for the purpose of this announcement, Ms. Zhu Wenying (朱文英) (mother of Mr. Bo Wanlin) up to completion of the Share Transfers
"Board"	the board of Directors
"Botai Group"	Jiangsu Botai Group Co., Ltd.* (江蘇柏泰集團有限公司), a company established in the PRC with limited liability on 7 September 1994 which holds approximately 40.03% interest in the Company as at the date of this announcement
"CAGR"	compound annual growth rate
"CBRC"	the China Banking Regulatory Commission (中國銀行業監督管理委員會), which has been merged with the China Insurance Regulatory Commission (中國保險監督管理委員會) from 13 March 2018 and is currently known as the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, which for the purpose of this announcement, and except the context otherwise specifies, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Main Board Listing Rules
"CO"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified form time to time

"Company"	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 established in the PRC whose H Shares are currently listed on GEM (stock code: 8252)
"connected person(s)"	has the meaning ascribed thereto under the Main Board Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Main Board Listing Rules and unless the context requires otherwise, collectively refers to Botai Group, Liantai Guangchang and the Bo Family
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.0 each, which are subscribed for and fully paid up in RMB by PRC natural persons or entities established under the laws of the PRC and all of such shares have not been listed on the Stock Exchange
"Frost & Sullivan Report"	an industry report commissioned by the Company and prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"GDP"	gross domestic product
"GEM"	GEM of the Stock Exchange
"GEM Listing"	the listing of the H Shares on GEM
"GEM Listing Date"	8 May 2017, the date on which the H Shares were listed on GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"HK$ or Hong Kong dollar(s)"	the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.0 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited, the Hong Kong share registrar and transfer office of the Company
"Independent Third Party(ies)"	an individual or a company who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company within the meaning of the GEM Listing Rules and the Main Board Listing Rules
"Jiangsu Finance Office"	the Financial Affairs Office of the Jiangsu Provincial People's Government* (江蘇省人民政府金融工作辦公室), and its regulatory functions on microfinance companies have been taken over by the Jiangsu Provincial Administration of Local Financial Supervision Bureau* (江蘇省地方金融監督管理局) since October 2018
"Jinnong Company"	Jiangsu Jinnong Company Limited* (江蘇金農股份有限公司), a company entrusted by the Jiangsu Finance Office to operate and manage a fund pool where microfinance companies in Jiangsu Province may place deposits and obtain short-term loans from the fund pool to facilitate their temporary liquidity needs
"Latest Practicable Date"	30 June 2019, being the latest practicable date prior to the issue of this announcement for ascertaining certain information in this announcement
"Liantai Guangchang"	Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd.* (江蘇聯泰時尚購物廣場置業有限公司), a company established in the PRC with limited liability on 18 November 2004 which holds approximately 31.65% interest in the Company as at the date of this announcement

"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market), which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Main Board Listing Rules"	the Rules Governing the Listing of Securities on the Main Board, as amended, supplemented or otherwise modified from time to time
"Microfinance Companies Regulatory Grading Scheme"	the regulatory grading scheme for all microfinance companies in Jiangsu Province as stipulated under "The Jiangsu Province Microfinance Companies Regulatory Grading Regulations (Provisional)" (江蘇省小額貸款公司監管評級辦法(暫行))
"Mintai Bank"	Jiangsu Hanjiang Mintai Rural Bank Co., Ltd.* (江蘇邗江民泰村鎮銀行股份有限公司), a joint stock limited liability company established in the PRC on 18 November 2009
"Mr. Bo Nianbin"	Mr. Bo Nianbin (柏年斌), a non-executive Director, a shareholder holding approximately 25.00% interest in Botai Group which in turn holds approximately 40.03% interest in the Company as at the date of this announcement, and a shareholder holding approximately 20.00% interest in Liantai Guangchang which in turn holds approximately 31.65% interest in the Company as at the date of this announcement. He is son of Mr. Bo Wanlin and Ms. Wang Zhengru and brother of Ms. Bai Li
"Mr. Bo Wanlin"	Mr. Bo Wanlin (柏萬林), the chairman of the Board and an executive Director. He is the shareholder holding approximately 33.33% interest in Botai Group which in turn holds approximately 40.03% interest in the Company as at the date of this announcement, and a shareholder holding approximately 26.33% interest in Liantai Guangchang which in turn holds approximately 31.65% interest in the Company as at the date of this announcement. He is father of Mr. Bo Nianbin and Ms. Bai Li and spouse of Ms. Wang Zhengru

"Ms. Bai Li"	Ms. Bai Li (柏莉), an executive Director and a Shareholder holding approximately 1.67% interest in the Company as at the date of this announcement. She is also a shareholder holding approximately 25.00% interest in Botai Group which in turn holds approximately 40.03% interest in the Company as at the date of this announcement, and a shareholder holding approximately 5.00% interest in Liantai Guangchang which in turn holds approximately 31.65% interest in the Company as at the date of this announcement. She is daughter of Mr. Bo Wanlin and Ms. Wang Zhengru and sister of Mr. Bo Nianbin
"Ms. Wang Zhengru"	Ms. Wang Zhengru (王正茹), a shareholder holding approximately 16.67% interest in Botai Group which in turn holds approximately 40.03% interest in the Company as at the date of this announcement. She is mother of Mr. Bo Nianbin and Ms. Bai Li and spouse of Mr. Bo Wanlin
"MSMEs"	medium, small and micro enterprises excluding individual family business, normally with operating income less than RMB20.0 million
"OA system"	the Company's office automation system developed and designed for managing operational efficiency and reducing risk
"PBOC"	the People's Bank of China (中國人民銀行)
"PBOC Benchmark Interest Rate"	the lending interest rate set by the PBOC from time to time for commercial banks and other financial institutions in China
"Prospectus"	the Company's prospectus dated 24 April 2017 and issued in connection with its GEM Listing
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share Transfers"	the share transfers completed on 9 July 2018 pursuant to which Ms. Zhu Wenying transferred (i) her entire shareholding in Botai Group and (ii) her entire shareholding in Liantai Guangchang to Mr. Bo Nianbin and Ms. Bai Li, the particulars of which are set out in the paragraph headed "Existing Structure and Shareholding Distribution — Shareholding Structure of the Company — The Share Transfers" in this announcement
"Shareholders"	holders of the Shares, including holders of Domestic Shares and holders of H Shares, unless specified otherwise
"Shares"	Domestic Shares and H Shares
"SME(s)"	small and medium-sized enterprises
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the Main Board Listing Rules, unless the context otherwise requires
"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of the Company comprising all Supervisors
"Track Record Period"	the three years ended 31 December 2016, 2017 and 2018 and the three months ended 31 March 2019
"Transfer of Listing"	the transfer of the listing of the H Shares from GEM to the Main Board
"Zhongcheng Bank"	Yangzhou Guangling Zhongcheng Rural Bank Co., Ltd.* (揚州廣陵中成村鎮銀行股份有限公司), a joint stock limited liability company established in the PRC on 2 December 2013
"%"	per cent

For illustration purpose only and unless otherwise indicated, the conversion of RMB into HK$ is based on the exchange rate of RMB1 to HK$1.1368. No representation is made that any amount in RMB or HK$ has been or could be converted at such or any other rates or at all.

* *for identification purpose only*

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

Yangzhou, the PRC, 8 July 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 Main Board Listing Rules and the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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).