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: 1915)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Financial Highlights

	2020 RMB'000	2019 RMB'000	Changes
OPERATING RESULTS			
Interest income	**75,462**	104,156	-27.5%
Profit for the year	**36,735**	50,119	-26.7%
Basic earnings per share (RMB)	**0.06**	0.08	-25.0%
FINANCIAL POSITION			
Property and equipment	**5,185**	6,277	-17.4%
Loans receivable	**893,332**	862,692	3.5%
Share capital	**600,000**	600,000	—
Total assets	**907,770**	881,004	3.0%
Net assets	**883,165**	861,430	2.5%
Dividends			
– Proposed final dividend (per share)	—	RMB0.025	N/A

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

(Amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2020	2019
Interest income	5	**75,462,251**	104,156,252
Interest expense	5	**(240,479)**	(283,127)
Interest income, net	5	**75,221,772**	103,873,125
Accrual of provision for impairment losses	14/17	**(15,431,869)**	(11,817,288)
Accrual of provision for guarantee losses	18	**(704,146)**	(668,754)
Administrative expenses	6	**(13,294,368)**	(24,881,541)
Other income, net	7	**3,558,705**	1,367,943
PROFIT BEFORE TAX		**49,350,094**	67,873,485
Income tax expense	10	**(12,615,459)**	(17,754,240)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**36,734,635**	50,119,245
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**0.06**	0.08
Diluted		**0.06**	0.08

Statement of Financial Position

31 December 2020

(Amounts expressed in RMB unless otherwise stated)

	Notes	As at 31 December 2020	2019
ASSETS			
Cash and cash equivalents	13	**803,738**	3,779,385
Loans receivable	14	**893,332,271**	862,691,722
Property and equipment	15	**5,185,173**	6,277,330
Deferred tax	16	**7,910,412**	7,826,271
Other assets	17	**538,587**	429,652
TOTAL ASSETS		**907,770,181**	881,004,360
LIABILITIES			
Deferred income		**777,846**	678,206
Income tax payable		**13,924,780**	7,912,322
Liabilities from guarantees	18	**1,456,752**	752,606
Lease liabilities	19	**1,959,236**	2,289,406
Other liabilities	20	**6,486,608**	7,941,496
TOTAL LIABILITIES		**24,605,222**	19,574,036
EQUITY			
Share capital	21	**600,000,000**	600,000,000
Reserves	22	**112,684,337**	108,698,142
Retained earnings		**170,480,622**	152,732,182
TOTAL EQUITY		**883,164,959**	861,430,324
TOTAL EQUITY AND LIABILITIES		**907,770,181**	881,004,360

Statement of Changes in Equity

Year ended 31 December 2020

(Amounts expressed in RMB unless otherwise stated)

		Reserves				
	Paid-in capital	**Capital reserve**	**Surplus reserve**	**General reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2019	600,000,000	54,417,191	40,279,200	8,378,145	108,236,543	811,311,079
Profit for the year and total comprehensive income	—	—	—	—	50,119,245	50,119,245
Appropriation to surplus reserve	—	—	5,011,924	—	(5,011,924)	—
Appropriation to general reserve	—	—	—	611,682	(611,682)	—
Balance as at 31 December 2019	600,000,000	54,417,191	45,291,124	8,989,827	152,732,182	861,430,324
Balance as at 1 January 2020	**600,000,000**	**54,417,191**	**45,291,124**	**8,989,827**	**152,732,182**	**861,430,324**
Profit for the year and total comprehensive income	**—**	**—**	**—**	**—**	**36,734,635**	**36,734,635**
Appropriation to surplus reserve	**—**	**—**	**3,673,464**	**—**	**(3,673,464)**	**—**
Appropriation to general reserve	**—**	**—**	**—**	**312,731**	**(312,731)**	**—**
Dividends paid	**—**	**—**	**—**	**—**	**(15,000,000)**	**(15,000,000)**
Balance as at 31 December 2020	**600,000,000**	**54,417,191**	**48,964,588**	**9,302,558**	**170,480,622**	**883,164,959**

Statement of Cash Flows

Year ended 31 December 2020
(Amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**49,350,094**	67,873,485
Adjustments for:			
Depreciation and amortisation	15	**1,995,895**	1,931,615
Accrual of provision for impairment losses	14/17	**15,431,869**	11,817,288
Accrual of provision for guarantee losses	18	**704,146**	668,754
Accreted interest on impaired loans	5	**(1,442,867)**	(197,170)
Interest expense	5	**240,479**	283,127
Covid-19-related rent concessions from lessors		**(12,227)**	—
Foreign exchange loss, net		**(63,881)**	(17)
		66,203,508	82,377,082
Increase in loans receivable		**(45,081,999)**	(60,099,405)
Decrease/(increase) in other assets		**154,669**	(16,468)
(Decrease)/Increase in other liabilities		**(1,076,129)**	798,307
Net cash flows from operating activities before tax		**20,200,049**	23,059,516
Income tax paid		**(6,687,142)**	(20,709,428)
Net cash flows from operating activities		**13,512,907**	2,350,088
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		**(654,888)**	(1,976,136)
Net cash flows used in investing activities		**(654,888)**	(1,976,136)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings	23	**(157,719)**	(135,985)
Repayment of lease liabilities	23	**(461,340)**	(700,679)
Interest paid	23	**(278,488)**	(95,268)
Dividends paid	11	**(14,936,078)**	—
Net cash flows used in financing activities		**(15,833,625)**	(931,932)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,975,606)**	(557,980)
Cash and cash equivalents at beginning of the year		**3,779,385**	4,337,348
Effect of foreign exchange rate changes, net		**(41)**	17
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	**803,738**	3,779,385

1. CORPORATE INFORMATION

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

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

In May 2017, the Company conducted a public offering of overseas listed foreign shares ("**H shares**"). Upon the completion of the H share offering, the issued capital was increased to RMB600 million. The Company's H shares are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange and trading of its H shares commenced on 8 May 2017. Upon the approval of the Hong Kong Stock Exchange, the Company's H shares were listed on the Main Board and delisted from the Growth Enterprise Market by way of Transfer of Listing since the last day of trading on 17 July 2019.

The Company obtained its business licence with Unified Social Credit No. 91321000682158920M. The legal representative of the Company is Bo Wanlin. Its registered office is located at Beizhou Road, Lidian Village, Guangling District, Yangzhou City.

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

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

2. BASIS OF PREPARATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted *the Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Company.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Company has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Company as the Company does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Company's buildings have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Company has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB12,227 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Company.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Company is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Company expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Company had certain interest-bearing bank borrowings denominated in RMB based on the Loan Prime Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Company will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Company are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Company's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Interest income

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

Guarantee fee income

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

Government grants

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Property and equipment

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

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

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

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the lease terms as follows:

Buildings	1 to 5 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate).

Borrowing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

Cash and cash equivalents

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

Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Employee retirement scheme

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

Dividends

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

Related parties

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

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

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

- (i) the entity and the Company are members of the same company;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Impairment losses on loans receivable

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

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

- The Company's internal rating grade model, which assigns probabilities of default to the individual grades;
- The Company's criteria for evaluating whether there has been a significant increase in credit risk and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs; and
- Determination of associations between the forecast economic conditions and the effect on probabilities of default (PD), losses given default (LGD) and exposures at default (EAD).

Deferred tax assets and liabilities and current income tax charge

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

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(Amounts expressed in RMB unless otherwise stated)

5. INTEREST INCOME, NET

	Year ended 31 December	
	2020	2019
Interest income on:		
Loans receivable	**75,452,146**	104,143,104
Cash at banks	**10,105**	13,148
Subtotal	**75,462,251**	104,156,252
Interest expense on:		
Lease liabilities	**(228,470)**	(262,440)
Borrowings from other institutions	**(12,009)**	(20,687)
Subtotal	**(240,479)**	(283,127)
Interest income, net	**75,221,772**	103,873,125
Included: Interest income from impaired loans (Note 14)	**1,442,867**	197,170

(Amounts expressed in RMB unless otherwise stated)

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2020	2019
Staff costs	**3,920,430**	4,809,136
Tax and surcharges	**781,364**	553,559
Depreciation (Note 15)	**1,995,895**	1,931,615
Auditor's remuneration	**1,603,774**	2,387,972
Office expenses	**90,173**	181,099
Entertainment expenses	**1,564,153**	1,887,325
Service fee	**2,182,425**	11,700,928
Others	**1,156,154**	1,429,907
Total	**13,294,368**	24,881,541

7. OTHER INCOME, NET

	Year ended 31 December	
	2020	2019
Other income:		
Guarantee fee income	**1,591,869**	339,525
Government grants	**1,814,665**	1,541,000
Others	**162,227**	11,684
Subtotal	**3,568,761**	1,892,209
Other expenses:		
Foreign exchange gain or loss	**64,086**	17
Fee and commission expense	**(23,842)**	(28,488)
Others	**(50,300)**	(495,795)
Subtotal	**(10,056)**	(524,266)
Other income, net	**3,558,705**	1,367,943

(Amounts expressed in RMB unless otherwise stated)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

		Year ended 31 December 2020			
Name	**Position**	**Fees**	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total**
Mr. Bo Wanlin	Executive director	—	**500,000**	—	**500,000**
Ms. Bai Li	Executive director and chief executive	—	**300,000**	**41,593**	**341,593**
Ms. Zhou Yinqing	Executive director	—	**240,000**	**39,593**	**279,593**
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	**107,545**	—	**107,545**
Mr. Wu Xiankun	Non-executive director	—	**20,000**	—	**20,000**
Mr. Bao Zhenqiang	Non-executive director	—	**20,000**	—	**20,000**
Mr. Zhang Yi	Supervisor	—	**190,281**	**18,858**	**209,139**
Ms. Wang Chunhong	Supervisor	—	**20,000**	—	**20,000**
Ms. Li Guoyan	Supervisor	—	**20,000**	—	**20,000**
		—	**1,417,826**	**100,044**	**1,517,870**

(Amounts expressed in RMB unless otherwise stated)

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

Year ended 31 December 2019

Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	—	500,000	—	500,000
Ms. Bai Li	Executive director and chief executive	—	262,500	66,234	328,734
Ms. Zhou Yinqing	Executive director	—	210,000	60,315	270,315
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	106,693	—	106,693
Mr. Wu Xiankun	Non-executive director	—	20,000	—	20,000
Mr. Bao Zhenqiang	Non-executive director	—	20,000	—	20,000
Mr. Zhang Yi	Supervisor	—	191,584	36,733	228,317
Ms. WangChunhong	Supervisor	—	20,000	—	20,000
Ms. Li Guoyan	Supervisor	—	20,000	—	20,000
		—	1,350,777	163,282	1,514,059

No director, supervisor or senior management staff has waived or agreed to waive any emoluments for the year ended 31 December 2020.

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

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

(Amounts expressed in RMB unless otherwise stated)

9. FIVE HIGHEST PAID INDIVIDUALS

Four directors (one was also the chief executive) were amongst the five highest paid individuals for the year ended 31 December 2020 (2019: four directors (one was also the chief executive)), details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining one (2019: one) highest paid employee for the year who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2020	2019
Salaries, allowances and benefits in kind	**240,000**	210,000
Pension scheme contributions	**39,593**	60,315
	279,593	270,315

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

	Year ended 31 December	
	2020	2019
Nil – RMB1,000,000	**1**	1

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Current income tax	**12,699,600**	20,577,015
Deferred income tax (Note 16)	**(84,141)**	(2,822,775)
	12,615,459	17,754,240

(Amounts expressed in RMB unless otherwise stated)

10. INCOME TAX EXPENSE (continued)

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

	Year ended 31 December	
	2020	2019
Profit before tax	**49,350,094**	67,873,485
Tax at the applicable tax rate	**12,337,524**	16,968,372
Adjustments in respect of current income tax of previous years	**—**	324,807
Expenses not deductible for tax	**277,935**	461,061
Total tax expense for the year at the Company's effective tax rate	**12,615,459**	17,754,240

11. DIVIDENDS

	Year ended 31 December	
	2020	2019
Declared and paid dividends	**15,000,000**	—

(Amounts expressed in RMB unless otherwise stated)

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

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

	Year ended 31 December	
	2020	2019
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**36,734,635**	50,119,245
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (i)	**600,000,000**	600,000,000
Basic and diluted earnings per share	**0.06**	0.08

(i) Weighted average number of ordinary shares

	Year ended 31 December	
	2020	2019
Issued ordinary shares at the beginning of the year	**600,000,000**	600,000,000
Weighted average number of ordinary shares at the end of the year	**600,000,000**	600,000,000

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

13. CASH AND CASH EQUIVALENTS

	31December	
	2020	2019
Cash from a third party	**236**	3,676,788
Cash at banks	**803,502**	102,597
	803,738	3,779,385

At the end of the reporting period, the cash and cash equivalents of the Company denominated in RMB amounted to RMB803,018 (As at 31 December 2019: RMB3,778,222).

14. LOANS RECEIVABLE

	31 December	
	2020	2019
Loans receivable	**932,678,552**	901,615,352
Less: Allowance for impairment losses	**39,346,281**	38,923,630
	893,332,271	862,691,722

The types of loans receivable are as follows:

	31 December	
	2020	2019
Guaranteed loans	**894,743,515**	857,535,282
Collateral-backed loans	**35,716,030**	44,080,070
Unsecured loans	**2,219,007**	—
	932,678,552	901,615,352
Less: Allowance for impairment losses	**39,346,281**	38,923,630
	893,332,271	862,691,722

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

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

		31 December 2020		
Internal rating grades	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Normal	**905,290,855**	**—**	**—**	**905,290,855**
Special mention	**—**	**—**	**—**	**—**
Sub-standard	**—**	**—**	**1,102,411**	**1,102,411**
Doubtful	**—**	**—**	**20,244,726**	**20,244,726**
Loss	**—**	**—**	**6,040,560**	**6,040,560**
Total	**905,290,855**	**—**	**27,387,697**	**932,678,552**

		31 December 2019		
Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	856,766,734	—	—	856,766,734
Special mention	—	15,140,518	—	15,140,518
Sub-standard	—	—	12,485,000	12,485,000
Doubtful	—	—	9,727,893	9,727,893
Loss	—	—	7,495,207	7,495,207
Total	856,766,734	15,140,518	29,708,100	901,615,352

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

An analysis of changes in the outstanding exposures is as follows:

	Stage 1 (12-month ECLs)	**Stage 2 (Lifetime ECLs)**	**Stage 3 (Lifetime ECLs – impaired)**	**Total**
Outstanding exposure as at 31 December 2019	**856,766,734**	**15,140,518**	**29,708,100**	**901,615,352**
New exposures	**905,642,700**	**—**	**—**	**905,642,700**
Exposure derecognised	**(854,730,249)**	**(3,193,252)**	**(3,069,800)**	**(860,993,301)**
Transfers to Stage 2	**(351,845)**	**351,845**	**—**	**—**
Transfers to Stage 3	**(2,036,485)**	**(12,299,111)**	**14,335,596**	**—**
Amounts written off	**—**	**—**	**(13,586,199)**	**(13,586,199)**
At 31 December 2020	**905,290,855**	**—**	**27,387,697**	**932,678,552**

	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs)	Stage 3 (Lifetime ECLs – impaired)	Total
Outstanding exposure as at 31 December 2018	826,671,468	3,301,005	11,543,474	841,515,947
New exposures	869,640,354	—	—	869,640,354
Exposure derecognised	(804,088,970)	(1,277,076)	(4,174,903)	(809,540,949)
Transfers to Stage 2	(18,940,518)	18,940,518	—	—
Transfers to Stage 3	(16,515,600)	(5,823,929)	22,339,529	—
At 31 December 2019	856,766,734	15,140,518	29,708,100	901,615,352

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

An analysis of changes of the corresponding expected credit losses ("**ECLs**") is as follows:

	Stage 1 (12-month ECLs)	**Stage 2 (Lifetime ECLs)**	**Stage 3 (Lifetime ECLs – impaired)**	**Total ECL Allowance**
ECLs as at 31 December 2019	**18,911,860**	**1,554,293**	**18,457,477**	**38,923,630**
Net charge/(reversal) of the impairment	**1,730,906**	**(311,016)**	**4,787,776**	**6,207,666**
Transfers to Stage 2	**(7,766)**	**7,766**	**—**	**—**
Transfers to Stage 3	**(45,078)**	**(1,279,397)**	**1,324,475**	**—**
Net remeasurement of ECLs arising from transfer of stage	**—**	**28,354**	**9,215,697**	**9,244,051**
Accreted interest on impaired loans (Note 5)	**—**	**—**	**(1,442,867)**	**(1,442,867)**
Amounts written off	**—**	**—**	**(13,586,199)**	**(13,586,199)**
At 31 December 2020	**20,589,922**	**—**	**18,756,359**	**39,346,281**

	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs)	Stage 3 (Lifetime ECLs – impaired)	Total ECL allowance
ECLs as at 31 December 2018	17,816,242	318,462	9,105,521	27,240,225
Net charge/(reversal) of the impairment	1,858,454	(117,893)	(1,959,159)	(218,598)
Transfers to Stage 2	(407,555)	407,555	—	—
Transfers to Stage 3	(355,281)	(586,355)	941,636	—
Net remeasurement of ECLs arising from transfer of stage	—	1,532,524	10,566,649	12,099,173
Accreted interest on impaired loans	—	—	(197,170)	(197,170)
At 31 December 2019	18,911,860	1,554,293	18,457,477	38,923,630

(Amounts expressed in RMB unless otherwise stated)

15. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of-use assets	Total
Cost:					
At 1 January 2019	2,025,634	983,173	7,782,050	2,626,966	13,417,823
Additions	—	502,407	2,755,469	—	3,257,876
Deductions	—	(93,622)	—	—	(93,622)
At 31 December 2019	2,025,634	1,391,958	10,537,519	2,626,966	16,582,077
Additions	—	83,526	638,806	181,406	903,738
Deductions	—	—	(636,600)	(52,834)	(689,434)
At 31 December 2020	**2,025,634**	**1,475,484**	**10,539,725**	**2,755,538**	**16,796,381**
Accumulated depreciation:					
At 1 January 2019	619,036	652,098	7,195,620	—	8,466,754
Depreciation charge for the year	477,970	176,901	721,061	555,683	1,931,615
Deductions	—	(93,622)	—	—	(93,622)
At 31 December 2019	1,097,006	735,377	7,916,681	555,683	10,304,747
Depreciation charge for the year	477,969	179,339	784,548	554,039	1,995,895
Deductions	—	—	(636,600)	(52,834)	(689,434)
At 31 December 2020	**1,574,975**	**914,716**	**8,064,629**	**1,056,888**	**11,611,208**
Net carrying amount:					
At 31 December 2019	928,628	656,581	2,620,838	2,071,283	6,277,330
At 31 December 2020	**450,659**	**560,768**	**2,475,096**	**1,698,650**	**5,185,173**

As at 31 December 2020, one of the Company's motor vehicles with a net carrying amount of RMB328,153 was pledged to secure the instalment loan payable of the Company (As at 31 December 2019: RMB499,363).

(Amounts expressed in RMB unless otherwise stated)

16. DEFERRED TAX

(a) Analysed by nature

	31 December			
	2020		2019	
	Deductible temporary differences	**Deferred income tax assets**	Deductible temporary differences	Deferred income tax assets
Impairment allowance	**30,157,361**	**7,539,340**	30,815,776	7,703,944
Liabilities from guarantees	**1,456,752**	**364,189**	752,606	188,152
Deferred income	**777,846**	**194,461**	678,206	169,551
Leases	**103,600**	**25,900**	169,213	42,303
Depreciation	**(853,912)**	**(213,478)**	(1,110,716)	(277,679)
Deferred income tax	**31,641,647**	**7,910,412**	31,305,085	7,826,271

(b) Movements of deferred tax assets and liabilities

Deferred tax assets

	Impairment allowance	Liabilities from guarantees	Deferred income	Others	Total
At 1 January 2019	4,954,516	20,963	28,017	—	5,003,496
Recognised in profit or loss	2,749,428	167,189	141,534	42,303	3,100,454
At 31 December 2019	7,703,944	188,152	169,551	42,303	8,103,950
Recognised in profit or loss	**(164,604)**	**176,037**	**24,910**	**(16,403)**	**19,940**
At 31 December 2020	**7,539,340**	**364,189**	**194,461**	**25,900**	**8,123,890**

(Amounts expressed in RMB unless otherwise stated)

16. DEFERRED TAX (continued)

(b) Movements of deferred tax assets and liabilities (continued)

Deferred tax liabilities

	Depreciation of property and equipment
At 1 January 2019	—
Recognised in profit or loss	(277,679)
At 31 December 2019	(277,679)
Recognised in profit or loss	64,201
At 31 December 2020	**(213,478)**

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December 2020	As at 31 December 2019
Net deferred tax assets recognised in the statement of financial position (Note 10)	**84,141**	2,822,775

(Amounts expressed in RMB unless otherwise stated)

17. OTHER ASSETS

	Note	31 December 2020	2019
Prepayments		**45,550**	257,643
Other receivables		**174,075**	1,053,981
Repossessed asset	(i)	**432,600**	—
Less:Allowance for doubtful debts		**113,638**	881,972
		538,587	429,652

Note:

(i) The repossessed asset is a property located at Yangzhou City, Jiangsu Province in the PRC. The Company plans to dispose of the repossessed asset held at 31 December 2020 by auction or transfer.

Movements of allowance for doubtful debts are as follows:

	31 December 2020	2019
As at 1 January	**881,972**	955,983
Charge for the year	**(19,848)**	(63,287)
Amount written off as uncollectible	**(748,486)**	(10,724)
As at 31 December	**113,638**	881,972

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

(Amounts expressed in RMB unless otherwise stated)

17. OTHER ASSETS (continued)

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

31 December 2020

Ageing analysis	**Gross carrying amount**		**Expected credit loss**	
	Amount	**Percentage**	**Amount**	**Expected credit loss rate**
Up to 90 days	**4,500**	**2.58%**	**—**	**0.00%**
91 to 365 days	**94,343**	**54.20%**	**38,406**	**40.71%**
Over 365 days	**75,232**	**43.22%**	**75,232**	**100.00%**
Total	**174,075**	**100.00%**	**113,638**	**65.28%**

31 December 2019

Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	146,016	13.85%	—	0.00%
91 to 365 days	49,585	4.70%	23,592	47.58%
Over 365 days	858,380	81.45%	858,380	100.00%
Total	1,053,981	100.00%	881,972	83.68%

(Amounts expressed in RMB unless otherwise stated)

18. LIABILITIES FROM GUARANTEES

Liabilities from guarantees are provisions made for the guarantees. The table below shows the changes in the expected credit losses ("**ECLs**") for the outstanding exposure of guarantees.

	Stage 1 (12-month ECLs) Collectively assessed	**Total**
ECLs as at 31 December 2018	83,852	83,852
New exposure	752,606	752,606
Exposure derecognised	(83,852)	(83,852)
At 31 December 2019	752,606	752,606
New exposure	1,456,752	1,456,752
Exposure derecognised	(752,606)	(752,606)
At 31 December 2020	**1,456,752**	**1,456,752**

19. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	31 December	
	2020	2019
Carrying amount at 1 January	**2,289,406**	2,802,226
New leases	**181,406**	—
Accretion of interest recognised during the year	**228,470**	262,440
Covid-19-related rent concessions from lessors	**(12,227)**	—
Payments	**(727,819)**	(775,260)
	1,959,236	2,289,406

As disclosed in note 3.1(d) to the financial statements, the Company has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

(Amounts expressed in RMB unless otherwise stated)

20. OTHER LIABILITIES

	31 December	
	2020	2019
Payrolls payable	**582,298**	677,308
Instalment loan payable (i)	**127,296**	285,015
Other payables	**5,777,014**	6,979,173
	6,486,608	7,941,496

(i) An ageing analysis of the instalment loan payable as at the end of the reporting period is as follows:

	31 December	
	2020	2019
Due within one year	**127,296**	145,279
Due in one year to two years	**—**	139,736
Due in two year to three years	**—**	—
	127,296	285,015

21. SHARE CAPITAL

	31 December	
	2020	2019
Issued and fully paid	**600,000,000**	600,000,000

There were no movements during the year of 2020 (2019: There were no movements).

22. RESERVES

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

Capital reserve

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

Surplus reserve

The surplus reserve represents the statutory surplus reserve.

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

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

General reserve

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

For the year ended 31 December 2020, the Company made appropriations amounting to RMB312,731 to the general reserve.

(Amounts expressed in RMB unless otherwise stated)

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Company had non-cash additions to right-of-use assets and lease liabilities of RMB181,406 (2019: Nil) and RMB181,406 (2019: Nil), respectively, in respect of lease arrangements for buildings.

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

	Borrowings from other institutions	**Lease liabilities**	**Total**
At 1 January 2019	421,000	2,802,226	3,223,226
Repayment of the instalment loan	(135,985)	—	(135,985)
Repayment of lease liabilities	—	(700,679)	(700,679)
Interest expense	20,687	262,440	283,127
Repayment of interest expense	(20,687)	(74,581)	(95,268)
At 31 December 2019	285,015	2,289,406	2,574,421
New leases	**—**	**181,406**	**181,406**
Repayment of the instalment loan	**(157,719)**	**—**	**(157,719)**
Repayment of lease liabilities	**—**	**(461,340)**	**(461,340)**
Interest expense	**12,009**	**228,470**	**240,479**
Repayment of interest expense	**(12,009)**	**(266,479)**	**(278,488)**
Covid-19-related rent concessions from lessors	**—**	**(12,227)**	**(12,227)**
At 31 December 2020	**127,296**	**1,959,236**	**2,086,532**

(c) Total cash outflow for leases:

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020	2019
Within financing activities	**727,819**	775,260
	727,819	775,260

(Amounts expressed in RMB unless otherwise stated)

24. RELATED PARTY TRANSACTIONS

(a) Leasing

	Note	Year ended 31 December 2020	2019
Depreciation of right-of-use assets	(i)	**516,237**	513,416
Interest expense on lease liabilities	(i)	**212,295**	254,722

Note:

(i) The Company entered into a lease contract in respect of the Company's office with an entity with significant influence over the Company. As at 28 November 2017, the Company agreed with the lessor and renewed the lease contract. The leasing period is from 1 January 2018 to 31 December 2020. In January 2021, the Company has agreed with the lessor and renewed the lease contract. The leasing period is from 1 January 2021 to 31 December 2023.

The depreciation of right-of-use assets and interest expense on lease liabilities for the year ended 31 December 2020 were RMB516,237 (2019: RMB513,416) and RMB212,295 (2019: RMB254,722), respectively.

(b) Key management personnel's remuneration

	Year ended 31 December 2020	2019
Key management personnel's remuneration	**1,657,826**	1,560,777

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

(c) Outstanding balances with related parties

Amounts due to related parties	Note	Year ended 31 December 2020	2019
Entity with significant influence over the Company:			
Liantai Guangchang	(i)	**1,811,150**	2,228,855
Total		**1,811,150**	2,228,855

Note:

(i) As at 31 December 2020, the outstanding balance of the Company's lease liability due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd. ("**Liantai Guangchang**") was RMB1,811,150 (as at 31 December 2019: RMB2,228,855).

(Amounts expressed in RMB unless otherwise stated)

25. SEGMENT INFORMATION

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

26. CONTINGENT LIABILITIES

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

	31 December	
	2020	2019
Financial guarantee contracts	**64,050,000**	34,000,000

27. COMMITMENTS

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

	31 December	
	2020	2019
Contracted, but not provided for:		
– Leasehold improvements	**—**	21,200
	—	21,200

(Amounts expressed in RMB unless otherwise stated)

28. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December	
	2020	2019
Financial assets		
Financial assets at amortised cost		
– Cash at banks and from a third party	**803,738**	3,779,385
– Loans receivable	**893,332,271**	862,691,722
– Other receivables	**60,436**	172,009
	894,196,445	866,643,116

	31 December	
	2020	2019
Financial liabilities		
Financial liabilities at amortised cost		
– Other payables	**886,738**	2,274,669
– Lease liabilities	**1,959,236**	2,289,406
	2,845,974	4,564,075

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

(a) Credit risk

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

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

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

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

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

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

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

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

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement

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

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

Criteria for judging significant increases in credit risk

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

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

Quantitative criteria

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

Qualitative criteria

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

Backstop criteria

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

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Definition of credit-impaired financial asset

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

- Significant financial difficulty of the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest, or principal payments are overdue; and
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

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

Parameters of ECL measurement

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

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Company's PD is adjusted based on the results of the internal rating grade, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's PD under the current macroeconomic environment;
- LGD refers to the Company's expectation of the extent of the loss resulting from the default exposure. Depending on the type of the counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime; and
- EAD is the amount that the Company should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

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

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

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

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

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

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

At 31 December 2020	**Overdue within 3 months**	**Overdue for more than 3 to 12 months**	**Overdue for more than 1 year**	**Total**
Guaranteed loans	**—**	**253,776**	**14,778,960**	**15,032,736**
Collateral-backed loans	**101,845**	**1,996,790**	**10,256,326**	**12,354,961**
	101,845	**2,250,566**	**25,035,286**	**27,387,697**

At 31 December 2019	Overdue within 3 months	Overdue for more than 3 to 12 months	Overdue for more than 1 year	Total
Guaranteed loans	12,604,553	13,300,000	2,142,019	28,046,572
Collateral-backed loans	4,566,565	5,394,454	6,841,027	16,802,046
	17,171,118	18,694,454	8,983,046	44,848,618

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Analysis of risk concentration

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

Write-off policy

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

(b) Foreign currency risk

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

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

	31 December	
Changes in HKD exchange rate	**2020 Impact on profit before tax**	2019 Impact on profit before tax
+5%	**36**	58
– 5%	**(36)**	(58)

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(c) Interest rate risk

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

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

	31 December	
Changes in RMB interest rate	**2020 Impact on profit before tax**	2019 Impact on profit before tax
+ 50 basis points	**4,019**	18,897
– 50 basis points	**(4,019)**	(18,897)

(d) Liquidity risk

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

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

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

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

As at 31 December 2020

	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and from a third party	803,738	—	—	—	—	803,738
Loans receivable	—	27,387,697	114,361,943	839,963,526	299,806	982,012,972
Other assets	174,074	—	—	—	—	174,074
Subtotal	977,812	27,387,697	114,361,943	839,963,526	299,806	982,990,784
Financial liabilities:						
Other liabilities	1,800	—	796,810	91,152	—	889,762
Lease liabilities	—	—	—	661,500	1,619,518	2,281,018
Subtotal	1,800	—	796,810	752,652	1,619,518	3,170,780
Net	976,012	27,387,697	113,565,133	839,210,874	(1,319,712)	979,820,004
Off-balance sheet guarantee	—	—	20,000,000	44,050,000	—	64,050,000

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

As at 31 December 2019

	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and from a third party	3,779,385	—	—	—	—	3,779,385
Loans receivable	—	44,848,618	77,738,364	831,025,455	—	953,612,437
Other assets	1,053,981	—	—	—	—	1,053,981
Subtotal	4,833,366	44,848,618	77,738,364	831,025,455	—	958,445,803
Financial liabilities:						
Other liabilities	—	—	1,909,223	124,104	256,376	2,289,703
Lease liabilities	—	—	61,137	630,000	2,085,379	2,776,516
Subtotal	—	—	1,970,360	754,104	2,341,755	5,066,219
Net	4,833,366	44,848,618	75,768,004	830,271,351	(2,341,755)	953,379,584
Off-balance sheet guarantee	—	—	—	34,000,000	—	34,000,000

(e) Capital management

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

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(e) Capital management (continued)

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

	31 December	
	2020	2019
Instalment loan payable	**127,296**	285,015
Lease liabilities	**1,959,236**	2,289,406
Less: Cash and cash equivalents	**803,738**	3,779,385
Net debt	**1,282,794**	(1,204,964)
Share capital	**600,000,000**	600,000,000
Reserves	**112,684,337**	108,698,142
Retained earnings	**170,480,622**	152,732,182
Capital	**883,164,959**	861,430,324
Capital and net debt	**884,447,753**	860,225,360
Gearing ratio	**0.15%**	N/A

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Company's financial liabilities mainly include lease liabilities and other payables.

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

31. EVENTS AFTER THE REPORTING PERIOD

On 27 January 2021, the Company entered into the investment agreement ("**Agreement**") with Yangzhou Tuyun IoT Technology Co., Ltd. ("**Yangzhou Tuyun**") for the formation of a limited liability company ("**New Company**"), which will be primarily engaged in the development of technologies, products and solutions in relation to artificial intelligence and internet of things and promoting the applicability of such technologies, products and solutions.

Pursuant to the Agreement, the registered capital of the New Company will be RMB200 million. The Company will contribute RMB80 million and Yangzhou Tuyun will contribute RMB120 million to the registered capital of the New Company. The New Company will be owned as to 60% by Yangzhou Tuyun and 40% by the Company, and will be classified as an associate of the Company upon its establishment.

As approved at the board of directors' meeting held on 25 March 2021, the profit distribution plan of 2020 was as follows:

1. 10% of the 2020 net profit amounting to RMB3,673,464 is appropriated to the statutory surplus reserve; and

2. RMB312,731 is appropriated to the general reserve.

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Company's board of directors on 25 March 2021.

BUSINESS REVIEW

During the year ended 31 December 2020, the Company continued to pursue business opportunities and strengthen its market position. For the year ended 31 December 2020, the Company recorded interest income of approximately RMB75.5 million, representing a decrease of approximately 27.5% as compared to approximately RMB104.2 million for the year ended 31 December 2019, which was mainly due to the decrease of the effective interest rate; profit after tax of approximately RMB36.7 million, representing a decrease of approximately 26.7% as compared to approximately RMB50.1 million for the year ended 31 December 2019, which was mainly due to the decrease of the interest income. As at 31 December 2020, the Company's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB932.7 million, representing an increase of approximately 3.4% as compared to approximately RMB901.6 million as at 31 December 2019, mainly attributable to the deployment of the net profits generated by the Company during the past years to expand the Company's loan business. The total assets of the Company as at 31 December 2020 were approximately RMB907.8 million, representing an increase of approximately 3.0% as compared to approximately RMB881.0 million as at 31 December 2019, and net assets were approximately RMB883.2 million as at 31 December 2020, representing an increase of approximately 2.5%, as compared to approximately RMB861.4 million as at 31 December 2019.

The number of customers

We have a relatively broad customer base comprising primarily small and medium-sized enterprises ("**SMEs**"), microenterprises and individual proprietors situated or resided in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are also under the classification of AFR (三農) of the People's Bank of China. Meanwhile, we have launched a digital financial product in 2020 to promote our inclusive finance business. We grant unsecured loans to qualified customers, with the help of digital technology applied in risk management. We consider the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, serve to alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries.

	Year ended 31 December			
	2020		2019	
	No. of Customers	**%**	No. of Customers	%
Customer by type				
SMEs and microenterprises	**11**	**2.0**	18	3.4
Individual proprietors	**538**	**98.0**	508	96.6
Total	**549**	**100.0**	526	100.0

Loan portfolio by size

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

	As at 31 December 2020		As at 31 December 2019	
	RMB'000	**%**	RMB'000	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	**35,916**	**3.9**	25,835	2.9
– Collateralized loans	**4,051**	**0.4**	8,650	1.0
– Unsecured loans	**2,219**	**0.2**	—	—
	42,186	**4.5**	34,485	3.9
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	**88,725**	**9.5**	112,563	12.5
– Collateralized loans	**3,342**	**0.4**	3,415	0.4
	92,067	**9.9**	115,978	12.9
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	**367,560**	**39.4**	253,118	28.1
– Collateralized loans	**10,252**	**1.1**	10,971	1.2
	377,812	**40.5**	264,089	29.3
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	**402,543**	**43.2**	466,018	51.6
– Collateralized loans	**18,071**	**1.9**	21,045	2.3
	420,614	**45.1**	487,063	53.9
Total	**932,679**	**100.0**	901,615	100.0

Loan portfolio by security

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

	As at 31 December 2020		As at 31 December 2019	
	RMB'000	**%**	RMB'000	%
Guaranteed loans	**894,744**	**96.0**	857,534	95.1
Collateralized loans	**35,716**	**3.8**	44,081	4.9
included: Guaranteed and collateralized loans	**34,628**	**3.7**	42,548	4.7
Unsecured loans	**2,219**	**0.2**	—	—
Total	**932,679**	**100.0**	901,615	100.0

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

	Year ended 31 December	
	2020	2019
Guaranteed loans	**555**	662
Collateralized loans	**18**	30
included: Guaranteed and collateralized loans	**17**	30
Unsecured loans	**60**	—
Total	**633**	692

Asset quality

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

	As at 31 December 2020		As at 31 December 2019	
	RMB'000	**%**	RMB'000	%
Normal	**905,291**	**97.1**	856,767	95.0
Special-Mention	**—**	**—**	15,140	1.7
Substandard	**1,102**	**0.1**	12,485	1.4
Doubtful	**20,245**	**2.2**	9,728	1.1
Loss	**6,041**	**0.6**	7,495	0.8
Total	**932,679**	**100.0**	901,615	100.0

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

	As at 31 December 2020	As at 31 December 2019
Impaired loan ratio(1)	**2.9%**	3.3%
Balance of impaired loans (RMB'000)	**27,388**	29,708
Total amount of loans receivable (RMB'000)	**932,679**	901,615

	As at 31 December 2020	As at 31 December 2019
Allowance coverage ratio(2)	**143.7%**	131.0%
Allowance for impairment losses (RMB'000)(3)	**39,346**	38,924
Balance of impaired loans (RMB'000)	**27,388**	29,708
Provisions for impairment losses ratio(4)	**4.2%**	4.3%

	As at 31 December 2020	As at 31 December 2019
Balance of overdue loans (RMB'000)	**27,388**	44,848
Total amount of loans receivable (RMB'000)	**932,679**	901,615
Overdue loan ratio[5]	**2.9%**	5.0%

Notes:

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

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

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

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

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

FINANCIAL REVIEW

Interest income

Our interest income decreased by approximately 27.5% from approximately RMB104.2 million for the year ended 31 December 2019 to approximately RMB75.5 million for the year ended 31 December 2020. 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 the Company charges to its customers. The decrease in our interest income was due to the decrease in effective interest rates charged by our Company from 12.0% for the year ended 31 December 2019 to 8.27% for the year ended 31 December 2020 which was partially offset by an increase in the average daily balance of our loans receivable by approximately 5.17% from approximately RMB867.9 million for the year ended 31 December 2019 to approximately RMB912.8 million for the year ended 31 December 2020. During the year ended 31 December 2020, we lowered our effective interest rates to attract customers, and hence there was a decrease in effective interest rates charged by our Company. On the other hand, the increase in the average daily balance of our loans receivable was mainly attributable to the deployment of the net profits generated by the Company during the past years for the expansion of the Company's loan business.

Interest expense

Our interest expense was RMB283,127 and RMB240,479 for the year ended 31 December 2019 and 2020, respectively. Interest expense for the year ended 31 December 2019 and 2020 was accrued from an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, and recognised lease liabilities relating to the lease contracts in respect of our office as we adopted IFRS 16 Leases since 1 January 2019.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB11.8 million and RMB15.4 million for the years ended 31 December 2019 and 2020, respectively. Such increase in accrual of provision for impairment losses was mainly due to certain customers who experienced financial difficulties because of the on-going COVID-19 situation and market conditions, and hence defaulted in repayment of our loans.

Accrual of provision for guarantee losses

During the years ended 31 December 2019 and 2020, we had provided financing guarantee services on an occasional basis, upon our customers request and at our sole discretion. We had accrued provisions for guarantee losses provided for our outstanding financing guarantee obligation of RMB0.7 million and RMB0.7 million for the years ended 31 December 2019 and 2020, respectively. The increase in accrual of provision for guarantee losses was due to the increase in the outstanding exposure of financial guarantee contracts.

Administrative expenses

Our administrative expenses decreased by approximately 46.6% from approximately RMB24.9 million for the year ended 31 December 2019 to approximately RMB13.3 million for the year ended 31 December 2020, primarily due to the fact that the Company did not incur any expenses for the transfer of listing (the "**Transfer of Listing**") from GEM to The Main Board of The Stock Exchange of Hong Kong Limited (the"**Stock Exchange**") for the year ended 31 December 2020.

Other income, net

We had net other income of RMB1.4 million and RMB3.6 million for the years ended 31 December 2019 and 2020, respectively. The increase was primarily due to the increase in guarantee fee income of RMB1.25 million.

Income tax expense

Income tax expense decreased by approximately 29.2% from approximately RMB17.8 million for the year ended 31 December 2019 to approximately RMB12.6 million for the year ended 31 December 2020. Such decrease was mainly caused by the decrease in profit before tax.

Profit after tax and total comprehensive income

As a result of the foregoing and in particular the decrease of the interest income, our profit after tax and total comprehensive income decreased by approximately 26.7% from approximately RMB50.1 million for the year ended 31 December 2019 to approximately RMB36.7 million for the year ended 31 December 2020.

Significant investments

The Company has no significant investment during the year ended 31 December 2020 and up to the date of this announcement.

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

The Company has no material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 December 2020 and up to the date of this announcement.

Future plans for material investments or capital assets and expected sources of funding

The Company has no specific future plans for material investments or capital assets during the year ended 31 December 2020 and up to the date of this announcement.

Foreign exchange risk

The Company operates principally in the People's Republic of China (the "**PRC**") with only limited exposure to foreign exchange rate risk arising primarily from insignificant bank deposits denominated in HKD. The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. As at 31 December 2020, the Company did not have any outstanding hedge instruments.

Liquidity, financial resources and capital structure

As at 31 December 2020, the Company had bank balances and cash of approximately RMB0.8 million (31 December 2019: approximately RMB3.8 million). As at 31 December 2020, the Company had instalment loan payable amounting to approximately RMB127,296 with the effective interest rate of 5.3% (31 December 2019: RMB285,015 with the effective interest rate of 5.3%). The gearing ratio, representing the ratio of total net debt divided by capital and net debt, was 0.15% as at 31 December 2020 (31 December 2019: N/A).

During the year ended 31 December 2020, the Company did not use any financial instruments for hedging purposes.

Treasury policy

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

Indebtedness and charges on assets

The Company entered into an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, the balance of which was RMB127,296 as at 31 December 2020. One of the Company's motor vehicles with net carrying amounts of RMB328,153 was pledged to secure the instalment loan payable. Meanwhile, the Company adopted IFRS 16 Leases from 1 January 2019 and recognized the lease liability accordingly, the balance of which was approximately RMB1.96 million as at 31 December 2020.

Contingent liabilities

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

	As at 31 December	
	2020	2019
Financial guarantee contracts (RMB)	**64,050,000**	34,000,000

Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements during the year ended 31 December 2020 and up to the date of this announcement.

DIVIDEND POLICY

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

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

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

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

FINAL DIVIDEND

After a comprehensive review of the Company's financial results, cash flow situation, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, the Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

During the year ended 31 December 2020 and up to the date of this announcement, there is no arrangement under which any Shareholder has waived or agreed to waive any dividend.

MATERIAL LITIGATION AND ARBITRATION

During the year ended 31 December 2020, the Company was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Company had 24 full-time employees (31 December 2019: 26 full-time employees). The quality of our employees is the most important factor in maintaining a sustainable development and growth of the Company and to improve to profitability of the Company. We offer a base salary with bonuses based on our employees' performance, as well as benefits and allowances to all of our employees as an incentive. Total employees remuneration of the Company for the year ended 31 December 2020 was approximately RMB3.9 million (for the year ended 31 December 2019: approximately RMB4.8 million). The decrease is mainly due to the Company benefits from preferential policies of social insurance exemption in response to COVID-19 epidemic.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

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

Please also refer to the Environmental, Social and Governance Report in this announcement for further details of the Company's environmental performance and relationship with its employees, suppliers and customers.

OUTLOOK

The objective of the Company is to become a leading regional microfinance company focusing on meeting the interim business financing needs of SMEs, micro-enterprises and individual proprietors. Looking ahead, the Board and all staff of the Company will make pioneering and innovative efforts and keep pace with the times to create greater values for our customers, employees and shareholders.

The COVID-19 pandemic has also accelerated the digitalization process of the credit industry. As a result, the Company has actively launched a digitalized and intelligent retail credit platform to satisfy its customers' needs for various credit transformations, and to provide more convenient and intelligent credit solutions to the customers.

Others

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

ANNUAL FINANCIAL BUDGET FOR 2021

Considering the macro-economic situation, financial condition and the business growth of the Company in last three years, the Company has formulated the annual financial budget for 2021 after detailed calculation and analysis and collecting different opinions. The details are set out as follows:

I. The estimated maximum total administrative expenses will be RMB20 million;

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

The annual financial budget for 2021 of the Company was considered and approved by the Board on 25 March 2021 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 January 2015 in accordance with Rules 3.21 to 3.24 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting, risk management and internal control system, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three members, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of the Audit Committee.

The Company's results and the results announcement for the year ended 31 December 2020 have been reviewed by the Audit Committee. The Audit Committee and Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE AND COMPLIANCE OFFICER

The Company has complied with the requirements of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules since 8 May 2017 being the date of listing of the Company's H shares on the Stock Exchange up to 16 July 2019, and the Corporate Governance Code set out in Appendix 14 to the Listing Rules since 17 July 2019 and up to the date of this announcement.

The compliance officer of the Company is Ms. Bai Li.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the year ended 31 December 2020, the Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made all reasonable enquires, all the Directors and Supervisors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors and Supervisors adopted by the Company throughout the year under review. The Company continues and will continue to ensure compliance with the code of conduct.

SHARE OPTION SCHEME

The Company has no share option scheme.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the year of 2020 and up to the date of this announcement, at least 25% of the issued shares of the Company was held by public Shareholders.

AUDITOR

The financial statements of the Company for the year ended 31 December 2020 have been audited by Ernst & Young, who will retire and a resolution to re-appoint Ernst & Young as auditor of the Company will be proposed at the annual general meeting of the Company.

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

EVENTS AFTER THE PERIOD

On 27 January 2021, the Company entered into the joint venture agreement ("**JV Agreement**") with Yangzhou Tuyun IoT Technology Co., Ltd. ("**Yangzhou Tuyun**") for the formation of a limited liability company ("**JV Company**"), which will be primarily engaged in the development of technologies, products and solutions in relation to artificial intelligence and Internet of Things and promoting the applicability of such technologies, products and solutions.

Pursuant to the JV Agreement, the registered capital of JV Company will be RMB200 million. The Company will contribute RMB80 million and Yangzhou Tuyun will contribute RMB120 million to the registered capital of JV Company. JV Company will be owned as to 60% by Yangzhou Tuyun and 40% by the Company, and will be classified as an associate of the Company upon its establishment.

Others

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The 2020 annual general meeting (the "**AGM**") of the Company will be held at 10 a.m. on Tuesday, 8 June 2021 at 2/F, No. 1 Hongqi Avenue, Jiangwang Town, Hanjiang District, Yangzhou City, Jiangsu Province, the PRC. In order to determine the shareholders' eligibility to attend the AGM, the register of members of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive, during which no transfer of shares will be registered. Only Shareholders whose names appear on the register of members of the Company on Tuesday, 8 June 2021 or their proxies or duly authorised corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H shares), or the Company's principal place of business in the PRC at 2/F, No. 1 Hongqi Avenue, Jiangwang Town, Hanjiang District, Yangzhou City, Jiangsu Province, the PRC (for holders of domestic shares) not later than 4:30 p.m. on Wednesday, 2 June 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gltaihe.com). The annual report for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

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

Yangzhou, the PRC, 25 March 2021

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.