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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	2021 **RMB'000**	2020 RMB'000	**Changes**
OPERATING RESULTS			
Interest income	**60,546**	75,462	-19.8%
Profit for the year attributable to owners of the parent	**4,561**	36,735	-87.6%
Basic earnings per share	**0.01**	0.06	-83.3%
FINANCIAL POSITION			
Loans and accounts receivables	**803,143**	893,332	-10.1%
Share capital	**600,000**	600,000	0.0%
Total assets	**904,476**	907,770	-0.4%
Net assets	**887,726**	883,165	0.5%
Net assets attributable to owners of the parent	**887,726**	883,165	0.5%
Dividends			
– Proposed final dividend (per share)	–	–	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2021
(Amounts expressed in RMB unless otherwise stated)

		Year ended 31 December	
	Notes	**2021**	2020
Interest income	5	**60,545,780**	75,462,251
Interest expense	5	**(200,093)**	(240,479)
Interest income, net	5	**60,345,687**	75,221,772
Accrual of provision for impairment losses	15/21	**(46,944,460)**	(15,431,869)
Accrual of provision for guarantee losses	22	**452,190**	(704,146)
Administrative expenses	6	**(11,390,141)**	(13,294,368)
Share of loss of an associate		**(83,115)**	–
Other revenues and other gains	7	**4,127,009**	3,568,761
Other expenses	8	**(97,895)**	(10,056)
PROFIT BEFORE TAX		**6,409,275**	49,350,094
Income tax expense	11	**(1,848,387)**	(12,615,459)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,560,888**	36,734,635
ATTRIBUTABLE TO:			
Owners of the parent		**4,560,888**	36,734,635
Non-controlling interests		**–**	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**0.01**	0.06
Diluted		**0.01**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021
(Amounts expressed in RMB unless otherwise stated)

	Notes	**As at 31 December 2021**	2020
ASSETS			
Cash and cash equivalents	14	**5,608,151**	803,738
Loans and accounts receivables	15	**803,142,509**	893,332,271
Investment in an associate	16	**79,916,885**	—
Goodwill	17	**2,059,114**	—
Intangible assets	18	**22,628**	—
Property and equipment	19	**5,258,416**	5,185,173
Deferred tax	20	**6,772,583**	7,910,412
Other assets	21	**1,696,112**	538,587
TOTAL ASSETS		**904,476,398**	907,770,181
LIABILITIES			
Deferred income		**307,729**	777,846
Income tax payable		**1,841,549**	13,924,780
Liabilities from guarantees	22	**1,004,562**	1,456,752
Lease liabilities	23	**2,555,624**	1,959,236
Other liabilities	24	**11,041,087**	6,486,608
TOTAL LIABILITIES		**16,750,551**	24,605,222
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**600,000,000**	600,000,000
Reserves	26	**113,204,683**	112,684,337
Retained earnings		**174,521,164**	170,480,622
Equity attributable to owners of the parent		**887,725,847**	883,164,959
Non-controlling interests		**–**	—
TOTAL EQUITY		**887,725,847**	883,164,959
TOTAL EQUITY AND LIABILITIES		**904,476,398**	907,770,181

Bai Li
Director

Zhou Yinqing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021
(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent							
		Reserves						
	Paid-in capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	600,000,000	54,417,191	45,291,124	8,989,827	152,732,182	861,430,324	–	861,430,324
Profit for the year and total comprehensive income	–	–	–	–	36,734,635	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)	–	(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	–	883,164,959
Balance as at 1 January 2021	**600,000,000**	**54,417,191**	**48,964,588**	**9,302,558**	**170,480,622**	**883,164,959**	**–**	**883,164,959**
Profit for the year and total comprehensive income	**–**	**–**	**–**	**–**	**4,560,888**	**4,560,888**	**–**	**4,560,888**
Appropriation to surplus reserve	**–**	**–**	**520,346**	**–**	**(520,346)**	**–**	**–**	**–**
Balance as at 31 December 2021	**600,000,000**	**54,417,191**	**49,484,934**	**9,302,558**	**174,521,164**	**887,725,847**	**–**	**887,725,847**

Consolidated Statement of Cash Flows

Year ended 31 December 2021
(Amounts expressed in RMB unless otherwise stated)

	Notes	Year ended 31 December 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6,409,275**	49,350,094
Adjustments for:			
Share of loss of an associate	16	**83,115**	–
Depreciation and amortisation	18/19	**1,998,504**	1,995,895
Accrual of provision for impairment losses	15/21	**46,944,460**	15,431,869
Accrual of provision for guarantee losses	22	**(452,190)**	704,146
Accreted interest on impaired loans	5	**(697,110)**	(1,442,867)
Net gain on disposal of property and equipment and other assets	7	**(9,850)**	–
Interest expense	5	**200,093**	240,479
Covid-19-related rent concessions from lessors		**–**	(12,227)
Foreign exchange loss/(gain), net		**7**	(63,881)
		54,476,304	66,203,508
Decrease/(Increase) in loans receivable		**44,035,971**	(45,081,999)
(Increase)/Decrease in other assets		**(22,560)**	154,669
Decrease in other liabilities		**(157,497)**	(1,076,129)
Net cash flows from operating activities before tax		**98,332,218**	20,200,049
Income tax paid		**(12,793,789)**	(6,687,142)
Net cash flows from operating activities		**85,538,429**	13,512,907
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from acquisition of a subsidiary	27	**1,037,880**	–
Proceeds from disposal of property and equipment		**500**	–
Purchases of property and equipment and other long-term assets		**(860,947)**	(654,888)
Purchase of shareholdings for an associate		**(80,000,000)**	–
Net cash flows used in investing activities		**(79,822,567)**	(654,888)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings	28	**(127,296)**	(157,719)
Repayment of lease liabilities	28	**(542,316)**	(461,340)
Interest paid	28	**(241,830)**	(278,488)
Dividends paid	12	**–**	(14,936,078)
Net cash flows used in financing activities		**(911,442)**	(15,833,625)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**4,804,420**	(2,975,606)
Cash and cash equivalents at beginning of the year		**803,738**	3,779,385
Effect of foreign exchange rate changes, net		**(7)**	(41)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**5,608,151**	803,738

Notes to Financial Statements

31 December 2021
(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP 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 the trading of its H shares commenced on 8 May 2017. Upon the approval of the Hong Kong Stock Exchange, the Company's H shares have been 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 and its subsidiaries (the "**Group**") are the granting of loans to "Agriculture, Rural Areas and Farmers", the provision of financial guarantees, acting as a financial institution agent and other business.

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

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ operation	Issued registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hainan Luhang Chelian Technology Co., Ltd (海南路航鏈車科技有限公司) *	PRC/ Mainland China	RMB 100,000,000	100%	–	Internet and related services
Hainan Jialan Information Technology Co., Ltd. (海南迦藍信息技術有限責任公司) **	PRC/ Mainland China	RMB 5,000,000	–	55%	Internet and related services
Shenzhen Qianhai Road Chain Car Technology Co., Ltd. (深圳前海路航鏈車科技有限公司) ***	PRC/ Mainland China	RMB 1,000,000	–	55%	Internet and related services

* The subsidiary was newly established on 21 June 2021.

** The subsidiary is acquired On 12 October 2021. Further details of this acquisition are included in note 27 to the financial statements.

*** The subsidiary is acquired by Hainan Jialan Information Technology Co., Ltd. on 7 June 2021.

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.

2. BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

(a) 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 risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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 did not have any impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

(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 Group 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*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 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 Group 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,* issued in 1989, 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 Group 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 Group 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 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 resulting from a downstream transaction 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 *Classification of Liabilities as Current or Non-current* 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 Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group'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 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 Group'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 Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Group 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 Group'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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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 Group.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue from the sale of goods is recognised when control of the goods has transferred. Control of goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the goods.

Fees and commission income

The fees and commission income operations from a diverse range of services the Group provides to its customers is recognised when the control of services is transferred to customers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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 Group'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 Group's internal rating grade model, which assigns probabilities of default to the individual grades;
- The Group'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).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB2,059,114 (2020: Nil). Further details are given in note 17.

(Amounts expressed in RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 Group 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 Group.

Leases – Estimating the incremental borrowing rate

The Group 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 Group 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 Group "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 Group 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).

5. INTEREST INCOME, NET

	Year ended 31 December	
	2021	**2020**
Interest income on:		
Loans receivable	**60,536,920**	75,452,146
Cash at banks	**8,860**	10,105
Subtotal	**60,545,780**	75,462,251
Interest expense on:		
Lease liabilities	**(197,069)**	(228,470)
Borrowings from other institutions	**(3,024)**	(12,009)
Subtotal	**(200,093)**	(240,479)
Interest income, net	**60,345,687**	75,221,772
Included: Interest income from impaired loans (Note 15)	**697,110**	1,442,867

(Amounts expressed in RMB unless otherwise stated)

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2021	**2020**
Staff costs	**3,924,896**	3,920,430
Tax and surcharges	**357,258**	781,364
Depreciation and amortisation (Notes 18/19)	**1,998,504**	1,995,895
Auditor's remuneration	**1,603,774**	1,603,774
Office expenses	**118,246**	90,173
Entertainment expenses	**703,556**	1,564,153
Service fee	**1,871,784**	2,182,425
Others	**812,123**	1,156,154
Total	**11,390,141**	13,294,368

7. OTHER REVENUES AND OTHER GAINS

	Year ended 31 December	
	2021	**2020**
Guarantee fee income	**1,808,985**	1,591,869
Government grants	**2,050,100**	1,814,665
Fees and commission income	**217,500**	—
Sale of goods	**36,196**	—
Gain on disposal of fixed assets	**9,850**	—
Others	**4,378**	162,227
Total	**4,127,009**	3,568,761

8. OTHER EXPENSES

	Year ended 31 December	
	2021	**2020**
Foreign exchange gain or loss	**7**	(64,086)
Fees and commission expenses	**59,043**	23,842
Cost of sales	**19,502**	—
Others	**19,343**	50,300
Total	**97,895**	10,056

(Amounts expressed in RMB unless otherwise stated)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Year ended 31 December 2021

Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	**–**	**–**	**–**	**–**
Ms. Bai Li	Executive director and chief executive	**–**	**300,000**	**86,308**	**386,308**
Ms. Zhou Yinqing	Executive director	**–**	**240,000**	**83,318**	**323,318**
Mr. Bo Nianbin	Non-executive director	**–**	**–**	**–**	**–**
Mr. Zuo Yuchao	Non-executive director	**–**	**–**	**–**	**–**
Mr. Chan So Kuen	Non-executive director	**–**	**98,927**	**–**	**98,927**
Mr. Wu Xiankun	Non-executive director	**–**	**20,000**	**–**	**20,000**
Mr. Bao Zhenqiang	Non-executive director	**–**	**20,000**	**–**	**20,000**
Mr. Zhang Yi	Supervisor	**–**	**250,467**	**34,734**	**285,201**
Ms. Wang Chunhong	Supervisor	**–**	**20,000**	**–**	**20,000**
Ms. Li Guoyan	Supervisor	**–**	**20,000**	**–**	**20,000**
		–	**969,394**	**204,360**	**1,173,754**

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)

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

No director, supervisor or senior management staff has waived or agreed to waive any emoluments for the year ended 31 December 2021.

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 10 below as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FIVE HIGHEST PAID INDIVIDUALS

Three directors (one was also the chief executive) were amongst the five highest paid individuals during the year (2020: four directors (one was also the chief executive)), details of whose remuneration are set out in Note 9 above. Details of the remuneration of the remaining two (2020: one) highest paid employees for the year who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	**2020**
Salaries, allowances and benefits in kind	**302,917**	240,000
Pension scheme contributions	**61,122**	39,593
	364,039	279,593

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	
	2021	**2020**
Nil – RMB1,000,000	**2**	1

(Amounts expressed in RMB unless otherwise stated)

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	**2020**
Current income tax	**710,558**	12,699,600
Deferred income tax (Note 20)	**1,137,829**	(84,141)
	1,848,387	12,615,459

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

	Year ended 31 December	
	2021	**2020**
Profit before tax	**6,409,275**	49,350,094
Tax at the applicable tax rate	**1,602,319**	12,337,524
Share of loss of an associate	**20,779**	—
Expenses not deductible for tax	**64,646**	277,935
Deductible loss of unrecognised deferred income tax assets	**160,643**	—
Total tax expense for the year at the Group's effective tax rate	**1,848,387**	12,615,459

12. DIVIDENDS

	Year ended 31 December	
	2021	**2020**
Declared and paid dividends	**–**	15,000,000

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Year ended 31 December	
	2021	**2020**
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**4,560,888**	36,734,635
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	**0.01**	0.06

(i) Weighted average number of ordinary shares

	Year ended 31 December	
	2021	**2020**
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 amount is the same as the basic earnings per share amount.

14. CASH AND CASH EQUIVALENTS

	31 December	
	2021	**2020**
Cash from a third party	**76,890**	236
Cash at banks	**5,531,261**	803,502
	5,608,151	803,738

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB5,607,819 (As at 31 December 2020: RMB 803,018).

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES

	31 December 2021	31 December 2020
Guaranteed loans	**831,587,137**	894,743,515
Collateral-backed loans	**4,683,565**	35,716,030
Unsecured loans	**1,621,979**	2,219,007
Loans receivable	**837,892,681**	932,678,552
Less: Allowance for impairment losses	**34,847,821**	39,346,281
Net loans receivable	**803,044,860**	893,332,271
Accounts receivable	**100,060**	–
Less: Allowance for impairment losses	**2,411**	–
Net accounts receivable	**97,649**	–
Total of loans and accounts receivables	**803,142,509**	893,332,271

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

31 December 2021

Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	**792,501,256**	**–**	**–**	**792,501,256**
Special mention	**–**	**12,477,113**	**–**	**12,477,113**
Sub-standard	**–**	**–**	**28,413,437**	**28,413,437**
Doubtful	**–**	**–**	**2,251,019**	**2,251,019**
Loss	**–**	**–**	**2,249,856**	**2,249,856**
Total	**792,501,256**	**12,477,113**	**32,914,312**	**837,892,681**

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

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (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 2020	**905,290,855**	**–**	**27,387,697**	**932,678,552**
New exposures	**794,397,111**	**–**	**–**	**794,397,111**
Exposure derecognised	**(834,122,090)**	**–**	**(4,310,992)**	**(838,433,082)**
Transfers to Stage 2	**(14,500,318)**	**14,500,318**	**–**	**–**
Transfers to Stage 3	**(58,564,302)**	**(2,023,205)**	**60,587,507**	**–**
Amounts written off	**–**	**–**	**(50,749,900)**	**(50,749,900)**
At 31 December 2021	**792,501,256**	**12,477,113**	**32,914,312**	**837,892,681**

	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

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (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 2020	**20,589,922**	**–**	**18,756,359**	**39,346,281**
Net charge of the impairment	**212,121**	**1,192,761**	**45,543,668**	**46,948,550**
Transfers to Stage 2	**(332,636)**	**332,636**	**–**	**–**
Transfers to Stage 3	**(1,331,985)**	**(212,836)**	**1,544,821**	**–**
Accreted interest on impaired loans (Note 5)	**–**	**–**	**(697,110)**	**(697,110)**
Amounts written off	**–**	**–**	**(50,749,900)**	**(50,749,900)**
At 31 December 2021	**19,137,422**	**1,312,561**	**14,397,838**	**34,847,821**

	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	(282,662)	14,003,473	15,451,717
Transfers to Stage 2	(7,766)	7,766	–	–
Transfers to Stage 3	(45,078)	(1,279,397)	1,324,475	–
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

(Amounts expressed in RMB unless otherwise stated)

15. LOANS AND ACCOUNTS RECEIVABLES (continued)

Movement in impairment of accounts receivables:

	31 December 2021	2020
At beginning of year	**–**	–
Charge for the year	**2,411**	–
At end of year	**2,411**	–

16. INVESTMENT IN AN ASSOCIATE

	31 December 2021	2020
Share of net assets	**79,916,885**	–
	79,916,885	–

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Jiangsu Interactive Photosensitive IoT Technology Co., Ltd. (江蘇互動感光物聯科技有限公司)	Ordinary shares	PRC/Mainland China	40%	Technology promotion and application service industry

Jiangsu Interactive Photosensitive IoT Technology Co., Ltd., which is 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, is established in 2021 and is accounted for using the equity method.

(Amounts expressed in RMB unless otherwise stated)

16. INVESTMENT IN AN ASSOCIATE (continued)

The following table illustrates the summarised financial information in respect of Jiangsu Interactive Photosensitive IoT Technology Co., Ltd. adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	As at 31 December 2021
Current assets	**199,812,212**
Non-current assets	**–**
Current liabilities	**(20,000)**
Non-current liabilities	**–**
Net assets	**199,792,212**
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	**40%**
Group's share of net assets of the associate	**79,916,885**
Carrying amount of the investment	**79,916,885**
Revenue	**–**
Loss after tax and total comprehensive loss for the year	**(207,788)**
Dividend received	**–**

17. GOODWILL

Cost at 1 January 2021, net of accumulated impairment	–
Acquisition of a subsidiary (note 27)	2,059,114
Cost and net carrying amount at 31 December 2021	2,059,114
At 31 December 2021:	
Cost	2,059,114
Accumulated impairment	–
Net Carrying amount	2,059,114

(Amounts expressed in RMB unless otherwise stated)

18. INTANGIBLE ASSETS

	Software	Total
Cost:		
At 1 January 2021	—	—
Acquisition of a subsidiary (note 27)	26,100	26,100
At 31 December 2021	26,100	26,100
Accumulated amortisation:		
At 1 January 2021	—	—
Amortisation provided during the year	1,389	1,389
Acquisition of a subsidiary (note 27)	2,083	2,083
At 31 December 2021	3,472	3,472
Net carrying amount		
At 1 January 2021	—	—
At 31 December 2021	22,628	22,628

(Amounts expressed in RMB unless otherwise stated)

19. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of-use assets	Total
Cost:					
At 1 January 2020	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
Additions	293,009	361,410	170,709	14,150	839,278
Acquisition of a subsidiary (note 27)	–	67,241	–	1,367,408	1,434,649
Deductions	(113,757)	–	–	(181,406)	(295,163)
At 31 December 2021	**2,204,886**	**1,904,135**	**10,710,434**	**3,955,690**	**18,775,145**
Accumulated depreciation:					
At 1 January 2020	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
Depreciation charge for the year	347,545	236,996	789,728	622,846	1,997,115
Acquisition of a subsidiary (note 27)	–	1,608	–	74,927	76,535
Deductions	(113,757)	–	–	(54,372)	(168,129)
At 31 December 2021	**1,808,763**	**1,153,320**	**8,854,357**	**1,700,289**	**13,516,729**
Net carrying amount:					
At 31 December 2020	450,659	560,768	2,475,096	1,698,650	5,185,173
At 31 December 2021	**396,123**	**750,815**	**1,856,077**	**2,255,401**	**5,258,416**

As at 31 December 2021, none of the Group's property and equipment was pledged to secure the instalment loan payable of the Group (As at 31 December 2020: RMB328,153).

(Amounts expressed in RMB unless otherwise stated)

20. DEFERRED TAX

(a) Analysed by nature

	31 December			
	2021		2020	
	Deductible temporary differences	**Deferred income tax assets**	**Deductible temporary differences**	**Deferred income tax assets**
Impairment allowance	**26,492,909**	**6,623,227**	30,157,361	7,539,340
Liabilities from guarantees	**1,004,562**	**251,141**	1,456,752	364,189
Deferred income	**307,729**	**76,932**	777,846	194,461
Leases	**291,598**	**72,900**	103,600	25,900
Depreciation	**(1,006,466)**	**(251,617)**	(853,912)	(213,478)
Deferred income tax	**27,090,332**	**6,772,583**	31,641,647	7,910,412

(b) Movements of deferred tax assets and liabilities

Deferred tax assets

	Impairment allowance	**Liabilities from guarantees**	**Deferred income**	**Others**	**Total**
At 1 January 2020	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
Recognised in profit or loss	**(916,113)**	**(113,048)**	**(117,529)**	**47,000**	**(1,099,690)**
At 31 December 2021	**6,623,227**	**251,141**	**76,932**	**72,900**	**7,024,200**

(Amounts expressed in RMB unless otherwise stated)

20. DEFERRED TAX (continued)

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

Deferred tax liabilities

	Depreciation of property and equipment
At 1 January 2020	(277,679)
Recognised in profit or loss	64,201
At 31 December 2020	(213,478)
Recognised in profit or loss	**(38,139)**
At 31 December 2021	**(251,617)**

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 Group for financial reporting purposes:

	As at 31 December 2021	**As at 31 December 2020**
Net deferred tax assets recognised in the statement of financial position (Note 11)	**(1,137,829)**	84,141

(Amounts expressed in RMB unless otherwise stated)

21. OTHER ASSETS

	Note	31 December 2021	31 December 2020
Inventory		**174,544**	–
Prepayments		**339,929**	45,550
Other receivables		**754,916**	174,075
Repossessed asset	(i)	**432,600**	432,600
Less:Allowance for doubtful debts		**5,877**	113,638
		1,696,112	538,587

Note:

(i) The repossessed asset is a property located at Yangzhou City, Jiangsu Province in the PRC. The Group has made the deal of disposing of the repossessed asset in December 2021 by auction and will hold the repossessed asset until the transfer registration has been completed.

Movements of allowance for doubtful debts are as follows:

	31 December 2021	31 December 2020
As at 1 January	**113,638**	881,972
Charge for the year	**(6,501)**	(19,848)
Amount written off as uncollectible	**(101,260)**	(748,486)
As at 31 December	**5,877**	113,638

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 Group 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)

21. 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 2021

Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	**749,039**	**99.22%**	**–**	**0.00%**
91 to 365 days	**–**	**–**	**–**	**0.00%**
Over 365 days	**5,877**	**0.78%**	**5,877**	**100.00%**
Total	**754,916**	**100.00%**	**5,877**	**0.78%**

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%

(Amounts expressed in RMB unless otherwise stated)

22. 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 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
New exposure	1,004,562	1,004,562
Exposure derecognised	(1,456,752)	(1,456,752)
At 31 December 2021	**1,004,562**	**1,004,562**

23. LEASE LIABILITIES

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

	31 December	
	2021	**2020**
Carrying amount at 1 January	**1,959,236**	2,289,406
Additions as a result of acquisition of a subsidiary (Note 27)	**1,302,685**	—
New leases	**–**	181,406
Adjustment of fixed payment amount	**(122,244)**	—
Accretion of interest recognised during the year	**197,069**	228,470
Covid-19-related rent concessions from lessors	**–**	(12,227)
Payments	**(781,122)**	(727,819)
	2,555,624	1,959,236

(Amounts expressed in RMB unless otherwise stated)

24. OTHER LIABILITIES

	31 December	
	2021	**2020**
Payrolls payable	**978,075**	582,298
Instalment loan payable	**–**	127,296
Other tax payables	**666,451**	857,891
Other payables	**9,396,561**	4,919,123
	11,041,087	6,486,608

25. SHARE CAPITAL

	31 December	
	2021	**2020**
Issued and fully paid	**600,000,000**	600,000,000

There were no movements during the year of 2021 (2020: There were no movements).

26. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in consolidated 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 process of 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 and its subsidiaries are 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, if any, and may also be converted into capital, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(Amounts expressed in RMB unless otherwise stated)

26. RESERVES (continued)

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.

27. BUSINESS COMBINATION

On 12 October 2021, the Group acquired a 55% interest in Hainan Jialan Information Technology Co., Ltd. which is engaged in internet and related services. The purchase consideration for the acquisition was in the form of cash, with RMB2,000,000 paid in November 2021.

The fair values of the identifiable assets and liabilities of Hainan Jialan Information Technology Co., Ltd. as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
Cash and cash equivalents		3,037,880
Accounts receivable		117,221
Property and equipment	19	1,358,114
Goodwill	17	937,936
Intangible assets	18	24,017
Other assets		1,075,494
Lease liabilities	23	(1,302,685)
Other liabilities		(4,369,155)
Total identifiable net assets at fair value		878,822
Non-controlling interests*		—
Goodwill on acquisition	17	1,121,178
Satisfied by cash		2,000,000

* The Company exercises its voting right at the shareholders' meetings and is distributed with the dividends based on the percentage of actual capital contribution. As at 31 December 2021, The non-controlling shareholder of Hainan Jialan Information Technology Company Limited has not yet made any capital contribution.

(Amounts expressed in RMB unless otherwise stated)

27. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	Fair value recognised on acquisition
Cash consideration	(2,000,000)
Cash and bank balances acquired	3,037,880
Net inflow of cash and cash equivalents Included in cash flows from investing activities	1,037,880

Since the acquisition, Hainan Jialan Information Technology Co., Ltd. and its subsidiaries contributed RMB253,696 to the Group's other revenues and caused a net loss of RMB642,573 to the consolidated profit for the year ended 31 December 2021.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Borrowings from other institutions	Lease liabilities	Total
At 1 January 2020	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
New leases	**–**	**–**	**–**
Additions as a result of acquisition of a subsidiary	**–**	**1,302,685**	**1,302,685**
Adjustment of fixed payment amount	**–**	**(122,244)**	**(122,244)**
Repayment of the instalment loan	**(127,296)**	**–**	**(127,296)**
Repayment of lease liabilities	**–**	**(542,316)**	**(542,316)**
Interest expense	**3,024**	**197,069**	**200,093**
Repayment of interest expense	**(3,024)**	**(238,806)**	**(241,830)**
At 31 December 2021	**–**	**2,555,624**	**2,555,624**

(Amounts expressed in RMB unless otherwise stated)

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Total cash outflow for leases:

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

	2021	2020
Within financing activities	**781,122**	727,819
	781,122	727,819

29. RELATED PARTY TRANSACTIONS

(a) Leasing

	Note	Year ended 31 December 2021	2020
Depreciation of right-of-use assets	(i)	**519,535**	516,237
Interest expense on lease liabilities	(i)	**159,833**	212,295

Note:

(i) The Group entered into a lease contract in respect of the Group's office with an entity with significant influence over the Group. As at 28 November 2017, the Group agreed with the lessor and renewed the lease contract. The leasing period was from 1 January 2018 to 31 December 2020. In January 2021, the Group 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 2021 were RMB519,535 (2020: RMB516,237) and RMB159,833 (2020: RMB212,295), respectively.

(Amounts expressed in RMB unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel's remuneration

	Year ended 31 December	
	2021	**2020**
Key management personnel's remuneration	**1,089,394**	1,657,826

The remuneration for key management personnel includes amounts paid to certain directors and the chief executive of the Company as disclosed in Note 9.

(c) Outstanding balances with related parties

		Year ended 31 December	
Amounts due to related parties	Note	**2021**	**2020**
Entity with significant influence over the Group:			
Liantai Guangchang	(i)	**1,318,466**	1,811,150
Total		**1,318,466**	1,811,150

Note:

(i) As at 31 December 2021, the outstanding balance of the Group's lease liability due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd. ("**Liantai Guangchang**") was RMB1,318,466 (as at 31 December 2020: RMB1,811,150).

30. SEGMENT INFORMATION

Almost all of the Group'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.

31. CONTINGENT LIABILITIES

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

	31 December	
	2021	**2020**
Financial guarantee contracts	**41,600,000**	64,050,000

(Amounts expressed in RMB unless otherwise stated)

32. COMMITMENTS

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

	As at 31 December 2021	As at 31 December 2020
Investment commitments	–	2,000,000
	–	2,000,000

33. 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	
	2021	2020
Financial assets		
Financial assets at amortised cost		
– Cash at banks and from a third party	**5,608,151**	803,738
– Loans and accounts receivables	**803,142,509**	893,332,271
– Other receivables	**749,039**	60,436
	809,499,699	894,196,445

	31 December	
	2021	2020
Financial liabilities		
Financial liabilities at amortised cost		
– Other payables	**5,236,880**	886,738
– Lease liabilities	**2,555,624**	1,959,236
	7,792,504	2,845,974

34. 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 Group's financial assets mainly include cash at banks and from a third party, and loans receivable.

The Group'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.

(Amounts expressed in RMB unless otherwise stated)

35. EVENTS AFTER THE REPORTING PERIOD

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

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2021	As at 31 December 2020
ASSETS		
Cash and cash equivalents	**4,161,027**	803,738
Loans receivable	**803,044,860**	893,332,271
Investments in subsidiaries	**2,000,000**	—
Investment in an associate	**79,916,885**	—
Property and equipment	**3,958,319**	5,185,173
Deferred tax	**6,772,583**	7,910,412
Other assets	**538,332**	538,587
TOTAL ASSETS	**900,392,006**	907,770,181
LIABILITIES		
Deferred income	**307,729**	777,846
Income tax payable	**1,841,549**	13,924,780
Liabilities from guarantees	**1,004,562**	1,456,752
Lease liabilities	**1,210,938**	1,959,236
Other liabilities	**7,658,808**	6,486,608
TOTAL LIABILITIES	**12,023,586**	24,605,222
EQUITY		
Share capital	**600,000,000**	600,000,000
Reserves	**113,204,683**	112,684,337
Retained earnings	**175,163,737**	170,480,622
TOTAL EQUITY	**888,368,420**	883,164,959
TOTAL EQUITY AND LIABILITIES	**900,392,006**	907,770,181

(Amounts expressed in RMB unless otherwise stated)

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Capital reserve	Surplus reserve	General reserve	Total
Balance as at 1 January 2020	54,417,191	45,291,124	8,989,827	108,698,142
Appropriation to surplus reserve	–	3,673,464	–	3,673,464
Appropriation to general reserve	–	–	312,731	312,731
Balance as at 31 December 2020	54,417,191	48,964,588	9,302,558	112,684,337
Appropriation to surplus reserve	**–**	**520,346**	**–**	**520,346**
Appropriation to general reserve	**–**	**–**	**–**	**–**
Balance as at 31 December 2021	**54,417,191**	**49,484,934**	**9,302,558**	**113,204,683**

38. 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 2022.

The Group has been committed to providing flexible, convenient and efficient microfinance services to Yangzhou small and medium-sized enterprises (中小企業), microenterprises (小微企業), individual industrial and commercial households (個體工商戶), and three rural enterprises (三農企業), providing customers with efficient and fast short-term business financing needs.

BUSINESS REVIEW

During the year ended 31 December 2021, the Group continued to pursue business opportunities and strengthen its market position. For the year ended 31 December 2021, the Group recorded interest income of approximately RMB60.5 million, representing a decrease of approximately 19.8% as compared to approximately RMB75.5 million for the year ended 31 December 2020, which was mainly due to the decrease of the effective interest rate; profit after tax of approximately RMB4.6 million, representing a decrease of approximately 87.6% as compared to approximately RMB36.7 million for the year ended 31 December 2020, The decrease in profit after tax was primarily attributable to the impact of the COVID-19 pandemic on the local economy in the second half of 2021, which impacted the real estate and construction industries and resulted in an increase in default of repayment of loans by the Company's customers. As such, the Group strengthened provisions for impairment losses on loans according to economic trends and enhanced the write-off of non-performing loans. As at 31 December 2021, the Group's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB837.9 million, representing a decrease of approximately 10.2% as compared to approximately RMB932.7 million as at 31 December 2020, which was mainly due to the Company established an associate and invested RMB80.0 million, and the appropriate downsizing of the Group's lending business during the reporting period. The total assets of the Group as at 31 December 2021 were approximately RMB904.5 million, representing a decrease of approximately 0.4% as compared to approximately RMB907.8 million as at 31 December 2020, and net assets were approximately RMB887.7 million as at 31 December 2021, representing an increase of approximately 0.5%, as compared to approximately RMB883.2 million as at 31 December 2020.

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) (i.e. agriculture, farmers and rural areas or, as the case may be, individuals or organizations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas) of the People's Bank of China. Meanwhile, we have launched a digital financial product 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, which 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			
	2021		2020	
	No. of Customers	**%**	No. of Customers	%
Customer by type				
SMEs and micro-enterprises	**2**	**0.4**	11	2.0
Individual proprietors	**476**	**99.6**	538	98.0
Total	**478**	**100.0**	549	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 2021		As at 31 December 2020	
	RMB'000	**%**	RMB'000	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	**43,285**	**5.2**	35,916	3.9
– Collateralized loans	**628**	**0.1**	4,051	0.4
– Unsecured loans	**1,622**	**0.2**	2,219	0.2
	45,535	**5.5**	42,186	4.5
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	**78,472**	**9.4**	88,725	9.5
– Collateralized loans	**1,000**	**0.1**	3,342	0.4
	79,472	**9.5**	92,067	9.9
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	**308,195**	**36.8**	367,560	39.4
– Collateralized loans	**3,056**	**0.4**	10,252	1.1
	311,251	**37.2**	377,812	40.5
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	**401,635**	**47.8**	402,543	43.2
– Collateralized loans	**—**	**—**	18,071	1.9
	401,635	**47.8**	420,614	45.1
Total	**837,893**	**100.0**	932,679	100.0

Management Discussion and Analysis

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, and (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 2021		As at 31 December 2020	
	RMB'000	**%**	RMB'000	%
Guaranteed loans	**831,587**	**99.2**	894,744	96.0
Collateralized loans	**4,684**	**0.6**	35,716	3.8
included: Guaranteed and collateralized loans	**—**	**—**	34,628	3.7
Unsecured loans	**1,622**	**0.2**	2,219	0.2
Total	**837,893**	**100.0**	932,679	100.0

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

	As at 31 December 2021	As at 31 December 2020
Guaranteed loans	**494**	555
Collateralized loans	**9**	18
included: Guaranteed and collateralized loans	**8**	17
Unsecured loans	**164**	60
Total	**667**	633

Asset quality

With an aim to address credit risks that the Group is exposed to, we have put in place a standandized and centralized risk management system, and implemented the "seperation of due diligence and approval (審貸分離)" policy.

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:

PROVISIONING POLICIES AND ASSET QUALITY:

	As at 31 December 2021		As at 31 December 2020	
	RMB'000	**%**	RMB'000	%
Normal	**792,502**	**94.5**	905,291	97.1
Special-Mention	**12,477**	**1.5**	—	—
Substandard	**28,413**	**3.4**	1,102	0.1
Doubtful	**2,251**	**0.3**	20,245	2.2
Loss	**2,250**	**0.3**	6,041	0.6
Total	**837,893**	**100.0**	932,679	100.0

Certain borrowers of the Company defaulted in repayment of loans due to the impact of the COVID-19 pandemic on local economy in the second half of 2021 which adversely impacted the real easte and construction industries.

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

	As at 31 December 2021	As at 31 December 2020
Impaired loan ratio (1)	**3.9%**	2.9%
Balance of impaired loans (RMB'000)	**32,914**	27,388
Total amount of loans receivable (RMB'000)	**837,893**	932,679
Allowance coverage ratio (2)	**105.9%**	143.7%
Allowance for impairment losses (RMB'000) (3)	**34,848**	39,346
Balance of impaired loans (RMB'000)	**32,914**	27,388
Provisions for impairment losses ratio (4)	**4.2%**	4.2%
Balance of overdue loans (RMB'000)	**45,191**	27,388
Total amount of loans receivable (RMB'000)	**837,893**	932,679
Overdue loan ratio (5)	**5.4%**	2.9%

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.

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

	As at 31 December 2021	As at 31 December 2020
Financial guarantee contracts	**41,600,000**	64,050,000

FINANCIAL REVIEW

Interest income

Our interest income decreased by approximately 19.8% from approximately RMB75.5 million for the year ended 31 December 2020 to approximately RMB60.5 million for the year ended 31 December 2021. The Group's interest income on loans receivable is mainly affected by two factors: (i) the daily balance of loans receivable; and (ii) the effective interest rates that the Group charges its customers. The Group's average daily balance of loans receivable decreased from approximately RMB912.8 million for the year ended 31 December 2020 to approximately RMB832.4 million for the year ended 31 December 2021, which was mainly attributable to the fact that the Company established an associate and invested RMB80.0 million and the appropriate downsizing of the Group's lending business during the reporting period. Meanwhile, the effective interest rate decreased from 8.27% for the year ended 31 December 2020 to 7.27% for the year ended 31 December 2021.

Interest expense

Our interest expense was RMB240,479 and RMB200,093 for the year ended 31 December 2020 and 2021, respectively. Interest expense for the year ended 31 December 2020 and 2021 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.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB15.4 million and RMB46.9 million for the years ended 31 December 2020 and 2021, 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.

Administrative expenses

Our administrative expenses decreased by approximately 14.3% from approximately RMB13.3 million for the year ended 31 December 2020 to approximately RMB11.4 million for the year ended 31 December 2021, primarily due to the fact that the Group significantly reduced its entertainment expenses because of the COVID-19 situation.

Income tax expense

Income tax expense decreased by approximately 85.4% from approximately RMB12.6 million for the year ended 31 December 2020 to approximately RMB1.8 million for the year ended 31 December 2021. 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 87.6% from approximately RMB36.7 million for the year ended 31 December 2020 to approximately RMB4.6 million for the year ended 31 December 2021.

Significant investments

On 27 January 2021, the Company entered into an associate agreement with Yangzhou Tuyun IoT Technology Co., Ltd.* (揚州圖雲物聯科技有限公司) for the formation of an associate, namely "Jiangsu Interactive Photosensitive IoT Technology Co., Ltd.* (江蘇互動感光物聯科技有限公司)" (the "**JV Co.**"). The Company (as passive investor) contributed RMB80 million to the JV Co., representing 40% of the equity interests of the JV Co., in March 2021. The capital contribution by the Company to the JV Co. was funded by the internal resources of the Company. The JV Co. is primarily engaged in the development of technologies, products and solutions in relation to artificial intelligence ("**AI**") and internet of things ("**IoT**") and promoting the applicability of such technologies, products and solutions. For further details, please refer to the announcement of the Company dated 27 January 2021 and note 16 to the consolidated financial statements of this announcement.

The Company measured the investment using the equity method. As at 31 December 2021, the book value of the investment was RMB79,916,885, accounting for approximately 8.84% of the Group's total assets as at 31 December 2021.

Save as disclosed above, the Group has no significant investment during the year ended 31 December 2021 and up to the date of this announcement.

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

On 12 October 2021, the Group acquired 55% equity interest in Hainan Jialan Information Technology Co., Ltd. (海南迦藍信息技術有限責任公司), a company primarily engaging in the business of providing internet and related services. The consideration for the acquisition was RMB2,000,000, which was settled in cash in November 2021.

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

Other than the abovementioned significant investment which the Group has not yet fully paid up its committed capital, the Group has no specific future plans for material investments or capital assets during the year ended 31 December 2021 and up to the date of this announcement.

Foreign exchange risk

The Group 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 Hong Kong dollars ("**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 2021, the Group did not have any outstanding hedge instruments.

*	For identification purpose only

Liquidity, financial resources and capital structure

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB5.6 million (31 December 2020: approximately RMB0.8 million). The Group had paid off the instalment loan as at 31 December 2021 (31 December 2020: RMB127,296 with the effective interest rate of 5.3%). The Group's gearing ratio, representing the ratio of total net debt divided by capital and net debt, was nil as at 31 December 2021 (31 December 2020: 0.15%).

During the year ended 31 December 2021, the Group 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 year. The Group 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 Group would closely monitor the liquidity position of the Group to ensure its assets, liabilities and its liquidity structure would satisfy the funding needs from time to time.

Indebtedness and charges on assets

The Group paid off the instalment loan during the year ended 31 December 2021. Meanwhile, the balance of lease liability was approximately RMB2.6 million as at 31 December 2021.

Contingent liabilities

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

	As at 31 December	
	2021	2020
Financial guarantee contracts (RMB)	**41,600,000**	64,050,000

The Group provides financial guarantee services on an occasional basis.

Off-balance sheet arrangements

The Group did not have any off-balance sheet arrangements during the year ended 31 December 2021 and up to the date of this announcement.

Management Discussion and Analysis

DIVIDEND POLICY

The board (the "**Board**") of directors (the "**Directors**") of the Company has adopted a dividend policy that, in recommending or declaring dividends, the Group 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 ("**Shareholder(s)**"), 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 Group'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 Group and the conditions and factors of the Group 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 Group'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 2021 (2020: Nil).

During the year ended 31 December 2021 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 2021, the Group was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had 20 full-time employees (31 December 2020: 24 full-time employees). The quality of our employees is the most important factor in maintaining a sustainable development and growth of the Group and to improve to profitability of the Group. 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 Group for the year ended 31 December 2021 was approximately RMB3.9 million (for the year ended 31 December 2020: approximately RMB3.9 million).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group 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 Group understands that a better future depends on everyone's participation and contribution. The Group has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group 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.

CORPORATE DEVELOPMENT STRATEGIES AND 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.

Although the COVID-19 pandemic continues to affect the global market and poses a lot of uncertainties, the effective pandemic control measures adopted by the PRC Government, such as the targeted lockdowns, strategic reopening policies, leveraging digital technology, COVID-19 vaccines as well as fiscal support has stimulated economy and put epidemic under control. With the economic recovery, it is expected that our customers will have a lower risk of default in repayment of loans. The COVID-19 pandemic has accelerated the digitalization process of the credit industry. We will continue to monitor and improve our digitalized and intelligent retail credit platform to satisfy various credit needs of our customers, and to continuously provide convenient and intelligent credit solutions to our customers.

During the reporting year, the JV Co. was formed. The Board believes that the Group would be benefitted from the joint venture partner's technical know-how for developing AI and IoT technologies, products and solutions as well as its business connections. In light of the arrival of the 5G era, which allows for higher connection speed and with much lower latency, it is expected that the "internet plus" business model will gain more and more importance and become a revolutionary driving force leading to transformation of different industries. It is expected that the convergence of the emerging 5G networks with AI and IoT shall enable a wide application of AI and IoT in various industries, and the Board believes this will bring huge market potential. The Group will continue to explore opportunities to expand its business portfolio and diversify its revenue sources with an aim to bring valuable returns to its Shareholders.

As announced by the Company on 15 July 2021, the Controlling Shareholder Group (as defined in the announcement of the Company dated 15 July 2021) agreed to transfer an aggregate of 108,000,000 domestic shares of the Company to three independent Shareholders. This reflects that the new Shareholders are optimistic about the Group's future development, which may bring new business development resources and market influence to the Group, further strengthening the Group's soft power and competitiveness and driving the Group's development. This also shows their confidence in the business, operation and continued growth of the Group and the microfinance industry. The Group will continue to seek to diversify our shareholder base so as to strengthen our competitiveness.

Looking ahead, the Board and our employees will make pioneering and innovative efforts and keep pace with the times to create greater values for our customers, Shareholders and investors.

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 2021.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") was established by the Company on 31 January 2015 in accordance with Rules 3.21 to 3.23 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and monitor the Company's financial reporting, risk management and internal control systems, oversee the audit process and to provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of the Audit Committee.

The Company's results and the results announcement for the year ended 31 December 2021 have been reviewed by the Audit Committee. The Audit Committee and the Board are 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 2021, 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 of all the Directors and Supervisors, each of them has confirmed that he/she has 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 will continue to ensure compliance with the code of conduct.

SHARE OPTION SCHEME

As at the date of this announcement, no share option scheme has been adopted by the Company.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the year of 2021 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 2021 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 FINANCIAL PERIOD

After the financial year ended 31 December 2021 and up to the date of this announcement, there has been no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The 2021 annual general meeting (the "**AGM**") of the Company will be held at 10:00 a.m. on Wednesday, 8 June 2022 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, 2 June 2022 to Wednesday, 8 June 2022, 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 Wednesday, 8 June 2022 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, 1 June 2022.

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 2021 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 2022

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.