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Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

揚州市廣陵區泰和農村小額貸款股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 1915)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights

	2019 RMB'000	2018 RMB'000	Changes
OPERATING RESULTS			
Interest income	104,156	108,333	-3.9%
Profit for the year	50,119	68,755	-27.1%
Basic earnings per share (RMB)	0.08	0.11	-27.3%
FINANCIAL POSITION			
Bank balances and cash	3,779	4,337	-12.9%
Loans receivable	862,692	814,276	5.9%
Share capital	600,000	600,000	—
Total assets	881,004	827,458	6.5%
Net assets	861,430	811,311	6.2%
Dividends			
– Proposed final dividend (per share)	RMB0.025	—	N/A

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

(Amounts expressed in RMB unless otherwise stated)

Year ended 31 December			
	Notes	2019	2018
Interest income	5	104,156,252	108,332,583
Interest expense	5	(283,127)	—
Interest income, net	5	103,873,125	108,332,583
Accrual of provision for impairment losses	14/17	(11,817,288)	(3,037,970)
Accrual of provision for guarantee losses	18	(668,754)	(25,852)
Administrative expenses	6	(24,881,541)	(15,291,369)
Other income, net	7	1,367,943	2,271,534
PROFIT BEFORE TAX		67,873,485	92,248,926
Income tax expense	10	(17,754,240)	(23,494,218)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		50,119,245	68,754,708
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		0.08	0.11
Diluted		0.08	0.11

Statement of Financial Position

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

As at 31 December			
	Notes	2019	2018
ASSETS			
Cash and cash equivalents	13	3,779,385	4,337,348
Loans receivable	14	862,691,722	814,275,722
Property and equipment	15	6,277,330	2,324,103
Deferred tax	16	7,826,271	5,003,496
Other assets	17	429,652	1,516,837
TOTAL ASSETS		881,004,360	827,457,506
LIABILITIES			
Deferred income		678,206	112,070
Income tax payable		7,912,322	8,044,735
Liabilities from guarantees	18	752,606	83,852
Lease liabilities	19	2,289,406	—
Other liabilities	20	7,941,496	7,905,770
TOTAL LIABILITIES		19,574,036	16,146,427
EQUITY			
Share capital	21	600,000,000	600,000,000
Reserves	22	108,698,142	103,074,536
Retained earnings		152,732,182	108,236,543
TOTAL EQUITY		861,430,324	811,311,079
TOTAL EQUITY AND LIABILITIES		881,004,360	827,457,506

Statement of Changes in Equity

Year ended 31 December 2019

(Amounts expressed in RMB unless otherwise stated)

	Reserves					Total
	Paid-in capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	
Balance as at 1 January 2018	600,000,000	54,417,191	33,403,729	8,084,486	94,650,965	790,556,371
Profit for the year and total comprehensive income	—	—	—	—	68,754,708	68,754,708
Appropriation to surplus reserve	—	—	6,875,471	—	(6,875,471)	—
Appropriation to general reserve	—	—	—	293,659	(293,659)	—
Dividends paid	—	—	—	—	(48,000,000)	(48,000,000)
Balance as at 31 December 2018	600,000,000	54,417,191	40,279,200	8,378,145	108,236,543	811,311,079
Balance as at 1 January 2019	600,000,000	54,417,191	40,279,200	8,378,145	108,236,543	811,311,079
Profit for the year and total comprehensive income	—	—	—	—	50,119,245	50,119,245
Appropriation to surplus reserve	—	—	5,011,924	—	(5,011,924)	—
Appropriation to general reserve	—	—	—	611,682	(611,682)	—
Balance as at 31 December 2019	600,000,000	54,417,191	45,291,124	8,989,827	152,732,182	861,430,324

Statement of Cash Flows

Year ended 31 December 2019

(Amounts expressed in RMB unless otherwise stated)

Year ended 31 December			
	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		67,873,485	92,248,926
Adjustments for:			
Depreciation and amortisation	15	1,931,615	822,688
Accrual of provision for impairment losses	14/17	11,817,288	3,037,970
Accrual of provision for guarantee losses	18	668,754	25,852
Accreted interest on impaired loans	5	(197,170)	(285,704)
Net gain on disposal of property and equipment and other assets	7	—	(107,864)
Interest expense	5	283,127	—
Foreign exchange loss, net		(17)	(103)
		82,377,082	95,741,765
Increase in loans receivable		(60,099,405)	(29,542,265)
Decrease/(increase) in other assets		(16,468)	181,568
Increase in other liabilities		798,307	161,195
Net cash flows from operating activities before tax		23,059,516	66,542,263
Income tax paid		(20,709,428)	(22,629,427)
Net cash flows from operating activities		2,350,088	43,912,836
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(1,976,136)	(2,248,679)
Proceeds from disposal of property and equipment		—	107,864
Net cash flows used in investing activities		(1,976,136)	(2,140,815)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings	23	(135,985)	(13,280)
Repayment of lease liabilities	23	(700,679)	—
Interest paid	23	(95,268)	—
Dividends paid	11	—	(48,000,000)
Net cash flows used in financing activities		(931,932)	(48,013,280)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the year		4,337,348	10,578,504
Effect of foreign exchange rate changes, net		17	103
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	3,779,385	4,337,348

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

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

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the 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.

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes In Accounting Policies And Disclosures

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

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Company's financial statements, the nature and the impact of the new and revised IFRSs are described below:

- (a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions.

The Company has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Company has lease contracts for buildings, which were used by the Company for operation. As a lessee, the Company previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Company. Under IFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases. Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Company recognises depreciation of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were included in property, plant and equipment and measured at the amount of the lease liability, adjusted by the amount of accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

Financial impact at 1 January 2019

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	RMB
Assets	
Increase in property, plant and equipment	2,626,966
Increase in total assets	2,626,966
Liabilities	
Increase in lease liabilities	2,802,226
Decrease in other liabilities	(175,260)
Increase in total liabilities	2,626,966

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB
Operating lease commitments as at 31 December 2018	1,496,920
Less: The impact of VAT	(71,282)
Add: Payments in optional extension periods not recognised as at 31 December 2018	2,085,379
	3,511,017
Weighted average incremental borrowing rate as at 1 January 2019	12.00%
Discounted operating lease commitments at 1 January 2019	2,802,226
Lease liabilities as at 1 January 2019	2,802,226

- (b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Company.

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Definition of a Business</i> ¹
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i> ³

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ No mandatory effective date yet determined but available for adoption

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Interest income

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

Guarantee fee income

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

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

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

Income tax

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

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

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

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

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

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

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

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

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

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019)

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

As a lessee

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

(a) Right-of-use assets

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

Buildings	1 to 5 years
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(b) Lease liabilities

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019)

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

Borrowing costs

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

Foreign currencies

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

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

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach

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

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

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

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

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Impairment of non-financial assets

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

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Provisions

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

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

Employee benefits

Employee retirement scheme

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

Dividends

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Impairment losses on loans receivable

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

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

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

Deferred tax assets and liabilities and current income tax charge

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

Notes to Financial Statements

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(Amounts expressed in RMB unless otherwise stated)

5. INTEREST INCOME, NET

	Year ended 31 December	
	2019	2018
Interest income on:		
Loans receivable	104,143,104	108,265,708
Cash at banks	13,148	25,281
Cash at a third party	—	41,594
Subtotal	104,156,252	108,332,583
Interest expense on:		
Lease liabilities	(262,440)	—
Borrowing from other institutions	(20,687)	—
Subtotal	(283,127)	—
Interest income, net	103,873,125	108,332,583
Included: Interest income on impaired loans (Note 14)	197,170	285,704

6. ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
Staff costs	4,809,136	4,513,331
Tax and surcharges	553,559	700,155
Depreciation (Note 15)	1,931,615	822,688
Leasing expense	—	622,784
Auditor's remuneration	2,387,972	1,527,123
Office expenses	181,099	126,670
Entertainment expenses	1,887,325	1,779,576
Service fee	11,700,928	3,880,966
Others	1,429,907	1,318,076
Total	24,881,541	15,291,369

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

7. OTHER INCOME, NET

	Year ended 31 December	
	2019	2018
Other income:		
Guarantee fee income	339,525	414,063
Government grants	1,541,000	1,877,500
Others	11,684	9,758
Gain on disposal of fixed assets	—	107,864
Subtotal	1,892,209	2,409,185
Other expenses:		
Foreign exchange gain or loss	17	(104,052)
Fee and commission expense	(28,488)	(23,599)
Charitable contributions	—	(10,000)
Others	(495,795)	—
Subtotal	(524,266)	(137,651)
Other income, net	1,367,943	2,271,534

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Year ended 31 December 2019					
Name	Position	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
Mr. Bo Wanlin	Executive director	—	500,000	—	500,000
Ms. Bai Li	Executive director and chief executive	—	262,500	66,234	328,734
Ms. Zhou Yinqing	Executive director	—	210,000	60,315	270,315
Mr. Bo Nianbin	Non-executive director	—	—	—	—
Mr. Zuo Yuchao	Non-executive director	—	—	—	—
Mr. Chan So Kuen	Non-executive director	—	106,693	—	106,693
Mr. Wu Xiankun	Non-executive director	—	20,000	—	20,000
Mr. Bao Zhenqiang	Non-executive director	—	20,000	—	20,000
Mr. Zhang Yi	Supervisor	—	191,584	36,733	228,317
Ms. Wang Chunhong	Supervisor	—	20,000	—	20,000
Ms. Li Guoyan	Supervisor	—	20,000	—	20,000
		—	1,350,777	163,282	1,514,059

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

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

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

No director, supervisor or senior management has waived or agreed to waive any emoluments for the year ended 31 December 2019.

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

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

Notes to Financial Statements

31 December 2019

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9. FIVE HIGHEST PAID INDIVIDUALS

Four directors (one was also the chief executive) were amongst the five highest paid individuals during the year (2018: three directors (one was also the chief executive)), details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining one (2018: two) highest paid employee for the year who is neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2019	2018
Salaries, allowances and benefits in kind	210,000	307,618
Pension scheme contributions	60,315	97,155
	270,315	404,773

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	
	2019	2018
Nil – RMB1,000,000	1	2

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current income tax	20,577,015	24,031,855
Deferred income tax (Note 16)	(2,822,775)	(537,637)
	17,754,240	23,494,218

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

10. INCOME TAX EXPENSE (continued)

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

	Year ended 31 December	
	2019	2018
Profit before tax	67,873,485	92,248,926
Tax at the applicable tax rate	16,968,372	23,062,231
Adjustments in respect of current income tax of previous years	324,807	187,500
Expenses not deductible for tax	461,061	244,487
Total tax expense for the year at the Company's effective tax rate	17,754,240	23,494,218

11. DIVIDENDS

	Year ended 31 December	
	2019	2018
Declared and paid dividends	—	48,000,000

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

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

	Year ended 31 December	
	2019	2018
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	50,119,245	68,754,708
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	0.08	0.11

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31 December 2019

(Amounts expressed in RMB unless otherwise stated)

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

(i) Weighted average number of ordinary shares

	Year ended 31 December	
	2019	2018
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, diluted earnings per share is the same as the basic earnings per share.

13. CASH AND CASH EQUIVALENTS

	31 December	
	2019	2018
Cash at a third party	3,676,788	6,253
Cash at banks	102,597	4,331,095
	3,779,385	4,337,348

At the end of the reporting period, the cash and cash equivalents of the Company denominated in RMB amounted to RMB3,778,222 (As at 31 December 2018: RMB4,335,026).

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE

	31 December	
	2019	2018
Loans receivables	901,615,352	841,515,947
Less: Allowance for impairment losses	38,923,630	27,240,225
	862,691,722	814,275,722

The types of loans receivable are as follows:

	31 December	
	2019	2018
Guaranteed loans	857,535,282	801,348,948
Collateral-backed loans	44,080,070	40,166,999
	901,615,352	841,515,947
Less: Allowance for impairment losses	38,923,630	27,240,225
	862,691,722	814,275,722

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

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

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

31 December 2018

Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	826,671,468	—	—	826,671,468
Special mention	—	3,301,005	—	3,301,005
Sub-standard	—	—	3,237,467	3,237,467
Doubtful	—	—	1,164,800	1,164,800
Loss	—	—	7,141,207	7,141,207
Total	826,671,468	3,301,005	11,543,474	841,515,947

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

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

	Stage 1	Stage 2	Stage 3	
	(12-month ECLs) Collectively assessed	(Lifetime ECLs) Collectively assessed	(Lifetime ECLs – impaired) Individually assessed	Total
Outstanding exposure as at 31 December 2017	800,984,711	2,029,650	8,959,321	811,973,682
New exposures	830,341,630	—	—	830,341,630
Exposure derecognised	(798,116,401)	(864,850)	(1,818,114)	(800,799,365)
Transfers to Stage 2	(6,301,005)	6,301,005	—	—
Transfers to Stage 3	(237,467)	(4,164,800)	4,402,267	—
At 31 December 2018	826,671,468	3,301,005	11,543,474	841,515,947

Notes to Financial Statements

31 December 2019

(Amounts expressed in RMB unless otherwise stated)

14. LOANS RECEIVABLE (continued)

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

	Stage 1	Stage 2	Stage 3	
	(12-month ECLs) Collectively assessed	(Lifetime ECLs) Collectively assessed	(Lifetime ECLs – impaired) Individually assessed	Total ECLs allowance
ECLs as at 31 December 2018	17,816,242	318,462	9,105,521	27,240,225
New exposures	19,188,663	—	—	19,188,663
Exposures derecognised	(17,330,209)	(117,893)	(2,087,257)	(19,535,359)
Transfers to Stage 2	(407,555)	407,555	—	—
Transfers to Stage 3	(355,281)	(586,355)	941,636	—
Net remeasurement of ECLs arising from transfer of stage	—	1,532,524	10,566,649	12,099,173
Changes to inputs used for ECL calculations	—	—	128,098	128,098
Accreted interest on impaired loans (Note 5)	—	—	(197,170)	(197,170)
At 31 December 2019	18,911,860	1,554,293	18,457,477	38,923,630

	Stage 1	Stage 2	Stage 3	
	(12-month ECLs) Collectively assessed	(Lifetime ECLs) Collectively assessed	(Lifetime ECLs – impaired) Individually assessed	Total ECLs allowance
ECLs as at 31 December 2017	17,057,494	203,105	7,313,843	24,574,442
New exposures	17,892,786	—	—	17,892,786
Exposures derecognised	(16,996,410)	(87,237)	(1,742,836)	(18,826,483)
Transfers to Stage 2	(132,571)	132,571	—	—
Transfers to Stage 3	(5,057)	(412,800)	417,857	—
Net remeasurement of ECLs arising from transfer of stage	—	482,823	1,546,458	2,029,281
Changes to inputs used for ECL calculations	—	—	1,855,903	1,855,903
Accreted interest on impaired loans	—	—	(285,704)	(285,704)
At 31 December 2018	17,816,242	318,462	9,105,521	27,240,225

Notes to Financial Statements

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(Amounts expressed in RMB unless otherwise stated)

15. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of-use assets	Total
Cost:					
At 1 January 2018	1,429,490	871,032	7,602,632	—	9,903,154
Additions	844,670	112,141	179,418	—	1,136,229
Disposals	(248,526)	—	—	—	(248,526)
At 31 December 2018	2,025,634	983,173	7,782,050	—	10,790,857
Effect of adopting IFRS 16	—	—	—	2,626,966	2,626,966
At 1 January 2019	2,025,634	983,173	7,782,050	2,626,966	13,417,823
Additions	—	502,407	2,755,469	—	3,257,876
Disposals	—	(93,622)	—	—	(93,622)
At 31 December 2019	2,025,634	1,391,958	10,537,519	2,626,966	16,582,077
Accumulated depreciation:					
At 1 January 2018	545,704	530,905	6,815,983	—	7,892,592
Depreciation charge for the year	321,858	121,193	379,637	—	822,688
Disposals	(248,526)	—	—	—	(248,526)
At 31 December 2018	619,036	652,098	7,195,620	—	8,466,754
Depreciation charge for the year	477,970	176,901	721,061	555,683	1,931,615
Disposals	—	(93,622)	—	—	(93,622)
At 31 December 2019	1,097,006	735,377	7,916,681	555,683	10,304,747
Net carrying amount:					
At 31 December 2018	1,406,598	331,075	586,430	—	2,324,103
At 31 December 2019	928,628	656,581	2,620,838	2,071,283	6,277,330

As at 31 December 2019, one of the Company's motor vehicles with a net carrying amount of RMB499,363 was pledged to secure the instalment loan payable of the Company (As at 31 December 2018: RMB670,574).

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(Amounts expressed in RMB unless otherwise stated)

16. DEFERRED TAX

(a) Analysed by nature

	31 December			
	2019		2018	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment allowance	30,815,776	7,703,944	19,818,063	4,954,516
Liabilities from guarantees	752,606	188,152	83,852	20,963
Deferred income	678,206	169,551	112,070	28,017
Leases	169,213	42,303	—	—
Depreciation	(1,110,716)	(277,679)	—	—
Deferred income tax	31,305,085	7,826,271	20,013,985	5,003,496

(b) Movements of deferred tax assets and liabilities

Deferred tax assets

	Impairment allowance	Liabilities from guarantees	Deferred income	Others	Total
At 1 January 2018	4,351,934	14,500	99,425	—	4,465,859
Recognised in profit or loss (Note 10)	602,582	6,463	(71,408)	—	537,637
At 31 December 2018	4,954,516	20,963	28,017	—	5,003,496
Recognised in profit or loss	2,749,428	167,189	141,534	42,303	3,100,454
At 31 December 2019	7,703,944	188,152	169,551	42,303	8,103,950

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16. DEFERRED TAX (continued)

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

Deferred tax liabilities

	Depreciation of property and equipment
At 31 December 2018	—
Recognised in profit or loss	(277,679)
At 31 December 2019	(277,679)

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

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

17. OTHER ASSETS

	31 December	
	2019	2018
Prepayments	257,643	1,384,071
Other receivables	1,053,981	1,088,749
Less: Allowance for doubtful debt	881,972	955,983
	429,652	1,516,837

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17. OTHER ASSETS (continued)

Movements of allowance for doubtful debts are as follows:

	31 December	
	2019	2018
As at 1 January	955,983	917,779
Charge for the year	(63,287)	86,483
Amount written off as uncollectible	(10,724)	(48,279)
As at 31 December	881,972	955,983

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

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

31 December 2019				
Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	146,016	13.85%	—	0.00%
91 to 365 days	49,585	4.70%	23,592	47.58%
Over 365 days	858,380	81.45%	858,380	100.00%
Total	1,053,981	100.00%	881,972	83.68%

31 December 2018				
Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	29,817	2.74%	—	0.00%
91 to 365 days	167,899	15.42%	64,950	38.68%
Over 365 days	891,033	81.84%	891,033	100.00%
Total	1,088,749	100.00%	955,983	87.81%

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18. LIABILITIES FROM GUARANTEES

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

	Stage 1	
	(12-month ECLs) Collectively assessed	Total
ECLs as at 31 December 2017	58,000	58,000
New exposure	83,852	83,852
Exposure derecognised	(58,000)	(58,000)
At 31 December 2018	83,852	83,852
New exposure	752,606	752,606
Exposure derecognised	(83,852)	(83,852)
At 31 December 2019	752,606	752,606

19. LEASE LIABILITIES

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

	31 December 2019
Carrying amount at 1 January	2,802,226
Accretion of interest recognised during the year	262,440
Payments	(775,260)
	2,289,406

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20. OTHER LIABILITIES

	31 December	
	2019	2018
Payrolls payable	677,308	652,207
Instalment loan payable (i)	285,015	421,000
Other payables	6,979,173	6,832,563
	7,941,496	7,905,770

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

	31 December	
	2019	2018
Due within one year	145,278	135,986
Due in one year to two years	139,736	145,278
Due in two year to three years	—	139,736
	285,015	421,000

21. SHARE CAPITAL

	31 December	
	2019	2018
Issued and fully paid	600,000,000	600,000,000

There were no movements during the year of 2019 (2018: There were no movements).

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22. RESERVES

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

Capital reserve

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

Surplus reserve

Surplus reserve represents statutory surplus reserve.

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

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

General reserve

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

For the year ended 31 December 2019, the Company made appropriations amounting to RMB611,682 to the general reserve.

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23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Company had recognised lease liabilities of RMB2,802,226 at 1 January 2019, in respect of lease arrangements for office premises (2018: the Company entered into an instalment loan arrangement in respect of purchasing motor vehicles, with a total capital value at the inception of the loan of RMB434,280).

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

	Borrowing from other institutions	Lease liabilities	Total
At 1 January 2018	—	—	—
New instalment loan	434,280	—	434,280
Repayment of the instalment loan	(13,280)	—	(13,280)
At 31 December 2018	421,000	—	421,000
Impact of adopting IFRS 16	—	2,802,226	2,802,226
At 1 January 2019	421,000	2,802,226	3,223,226
Repayment of the instalment loan	(135,985)	—	(135,985)
Repayment of lease liabilities	—	(700,679)	(700,679)
Interest expense	20,687	262,440	283,127
Repayment of interest expense	(20,687)	(74,581)	(95,268)
At 31 December 2019	285,015	2,289,406	2,574,421

(c) Total cash outflow for leases:

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

	2019
Within financing activities	775,260
	775,260

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24. RELATED PARTY TRANSACTIONS

(a) Leasing

	Note	Year ended 31 December	
		2019	2018
Leasing expense	(i)	—	571,429
Depreciation of right-of-use assets	(i)	513,416	—
Interest expense on lease liabilities	(i)	254,722	—

Notes:

- (i) The Company entered into a lease contract in respect of the Company's office with an entity with significant influence over the Company. As at 28 November 2017, the Company agreed with the lessor and renewed the lease contract. The leasing period is from 1 January 2018 to 31 December 2020. The leasing expense for year 2019 was RMB600,000 (2018: RMB571,429) (not including VAT).

The Company has adopted IFRS 16 since 1 January 2019 and recognised lease liabilities as well as right-of-use assets accordingly. The depreciation of right-of-use assets and interest expense on lease liabilities for the year ended 31 December 2019 were RMB513,416 and RMB254,722, respectively.

(b) Key management personnel's remuneration

	Year ended 31 December	
	2019	2018
Key management personnel's remuneration	1,560,777	1,432,563

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

(c) Outstanding balances with related parties

Amounts due to related parties	Note	Year ended 31 December	
		2019	2018
Entity with significant influence over the Company: Liantai Guangchang	(i)	2,228,855	—
Total		2,228,855	—

Notes:

- (i) As at 31 December 2019, the outstanding balance of the Company's lease liability due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd. ("Liantai Guangchang") was RMB2,228,855 (as at 1 January 2019: RMB2,574,132).

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25. SEGMENT INFORMATION

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

26. CONTINGENT LIABILITIES

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

	31 December	
	2019	2018
Financial guarantee contracts	34,000,000	4,000,000

27. COMMITMENTS

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

	31 December	
	2019	2018
Contracted, but not provided for:		
– Property and equipment	—	199,999
– Leasehold improvements	21,200	791,613
	21,200	991,612

(b) Operating lease commitments as at 31 December 2018:

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

	31 December 2018
Within one year	681,355
In the second year	712,855
In the third year	51,355
After three years	51,355
	1,496,920

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28. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December	
	2019	2018
Financial assets		
Financial assets at amortised cost		
– Cash at banks and a third party	3,779,385	4,337,348
– Loans receivable	862,691,722	814,275,722
– Other receivables	172,009	132,766
	866,643,116	818,745,836

	31 December	
	2019	2018
Financial liabilities		
Financial liabilities at amortised cost		
– Other payables	2,274,669	2,142,882
– Lease liabilities	2,289,406	—
	4,564,075	2,142,882

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

(a) Credit risk

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

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

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

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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

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

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

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

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

Credit risk measurement

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

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

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(Amounts expressed in RMB unless otherwise stated)

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Criteria for judging significant increases in credit risk

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

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

Quantitative criteria

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

Qualitative criteria

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

Backstop criteria

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

Definition of credit-impaired financial asset

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

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

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

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk measurement (continued)

Parameters of ECL measurement

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

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

Forward-looking information

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

Collateral and other credit enhancements

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

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

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

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Collateral and other credit enhancements (continued)

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

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

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

Analysis of risk concentration

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

Write-off policy

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

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(b) Foreign currency risk

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

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

31 December		
	2019	2018
	Impact on profit before tax	Impact on profit before tax
Changes in HKD exchange rate		
+5%	58	116
- 5%	(58)	(116)

(c) Interest rate risk

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

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

31 December		
	2019	2018
	Impact on profit before tax	Impact on profit before tax
Changes in RMB interest rate		
+ 50 basis points	18,897	21,687
- 50 basis points	(18,897)	(21,687)

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(d) Liquidity risk

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

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

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

As at 31 December 2019						
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and a third party	3,779,385	—	—	—	—	3,779,385
Loans receivable	—	44,848,618	77,738,364	831,025,455	—	953,612,437
Other assets	1,053,981	—	—	—	—	1,053,981
Subtotal	4,833,366	44,848,618	77,738,364	831,025,455	—	958,445,803
Financial liabilities:						
Other liabilities	—	—	1,909,223	124,104	256,376	2,289,703
Lease liabilities	—	—	61,137	630,000	2,085,379	2,776,516
Subtotal	—	—	1,970,360	754,104	2,341,755	5,066,219
Net	4,833,366	44,848,618	75,768,004	830,271,351	(2,341,755)	953,379,584
Off-balance sheet guarantee	—	—	—	34,000,000	—	34,000,000
As at 31 December 2018						
	On demand	Past due	Less than 3 months	3 to 12 months	1 to 5 years	Total
Financial assets:						
Cash at banks and a third party	4,337,348	—	—	—	—	4,337,348
Loans receivable	—	14,693,609	133,786,542	756,629,225	—	905,109,376
Other assets	1,088,749	—	—	—	—	1,088,749
Subtotal	5,426,097	14,693,609	133,786,542	756,629,225	—	910,535,473
Financial liabilities:						
Other liabilities	—	—	1,553,150	308,799	280,933	2,142,882
Subtotal	—	—	1,553,150	308,799	280,933	2,142,882
Net	5,426,097	14,693,609	132,233,392	756,320,426	(280,933)	908,392,591
Off-balance sheet guarantee	—	—	—	4,000,000	—	4,000,000

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

(e) Capital management

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

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

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

	Note	31 December	
		2019	2018
Instalment loan payable		285,015	421,000
Lease liabilities	(i)	2,289,406	—
Less: Cash and cash equivalents		3,779,385	4,337,348
Net debt		(1,204,964)	(3,916,348)
Share capital		600,000,000	600,000,000
Reserves		108,698,142	103,074,536
Retained earnings		152,732,182	108,236,543
Capital		861,430,324	811,311,079
Capital and net debt		860,225,360	807,394,731
Gearing ratio		N/A	N/A

Note:

- (i) The Company has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Company's net debt when compared with the position as at 31 December 2018.

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

31. EVENTS AFTER THE REPORTING PERIOD

As approved at the board of directors' meeting held on 25 March 2020, the profit distribution plan of 2019 was as follows:

1. 10% of 2019 net profit amounting to RMB5,011,924 is appropriated to the statutory surplus reserve;
2. RMB611,682 is appropriated to the general reserve.
3. A cash dividend of RMB0.025 per share amounting to RMB15,000,000 was approved, and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The coronavirus outbreak has spread rapidly since January 2020 and will have a certain impact on the business operation and overall economic operation nationwide, which will furtherly affect the Company. The degree of impact will depend on the duration of the situation as well as the effect of various macroeconomic policies. The Company will continue to pay close attention to the development of pneumonia. As of the date of this announcement, the assessment the impact is still in progress.

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Company's board of directors on 25 March 2020.

Management Discussion and Analysis

BUSINESS REVIEW

During the year ended 31 December 2019, the Company continued to pursue business opportunities and strengthen its market position. For the year ended 31 December 2019, the Company recorded interest income of approximately RMB104.2 million, representing an decrease of approximately 3.9% as compared to approximately RMB108.3 million for the year ended 31 December 2018, which was mainly due to the decrease of the effective interest rate; profit after tax of approximately RMB50.1 million, representing a decrease of approximately 27.1% as compared to approximately RMB68.8 million for the year ended 31 December 2018, which was mainly due to the increase in accrual of provision for impairment losses and expenses related to the Company's transfer of listing from GEM to the Main Board of the Stock Exchange of Hong Kong Limited (the "**Transfer of Listing**"). As at 31 December 2019, the Company's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB901.6 million, representing an increase of approximately 7.1% as compared to approximately RMB841.5 million as at 31 December 2018, mainly attributable to the deployment of the net profits generated by the Company during the past years to expand the Company's loan business. The total assets of the Company as at 31 December 2019 were approximately RMB 881.0 million, representing an increase of approximately 6.5% as compared to approximately RMB827.5 million as at 31 December 2018, and net assets were approximately RMB861.4 million as at 31 December 2019, representing an increase of approximately 6.2%, as compared to approximately RMB811.3 million as at 31 December 2018.

The number of customers

We have a relatively broad customer base comprising primarily small and medium-sized enterprises ("**SMEs**"), microenterprises and individual proprietors situated or resided in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are also under the classification of AFR (三農) of the People's Bank of China. We consider the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, serve to alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries. For the year ended 31 December 2018 and 2019, we granted loans to 513 and 526 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated:

	Year ended 31 December			
	2019		2018	
	No. of Customers	%	No. of Customers	%
Customer by type				
SMEs and microenterprises	18	3.4	28	5.5
Individual proprietors	508	96.6	485	94.5
Total	526	100.0	513	100.0

Management Discussion and Analysis

Loan portfolio by size

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

	As at 31 December 2019		As at 31 December 2018	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Less than or equal to RMB0.5 million				
– Guaranteed loans	25,835	2.9	21,088	2.5
– Collateralized loans	8,650	1.0	7,613	0.9
	34,485	3.9	28,701	3.4
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	112,563	12.5	95,789	11.4
– Collateralized loans	3,415	0.4	704	0.1
	115,978	12.9	96,493	11.5
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	253,118	28.1	317,150	37.6
– Collateralized loans	10,971	1.2	10,792	1.3
	264,089	29.3	327,942	38.9
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	466,018	51.6	367,322	43.7
– Collateralized loans	21,045	2.3	21,058	2.5
	487,063	53.9	388,380	46.2
Total	901,615	100.0	841,516	100.0

Management Discussion and Analysis

Loan portfolio by security

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

	As at 31 December 2019		As at 31 December 2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Guaranteed loans	857,534	95.1	801,349	95.2
Collateralized loans	44,081	4.9	40,167	4.8
included: Guaranteed and collateralized loans	42,548	4.7	37,989	4.5
Total	901,615	100.0	841,516	100.0

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

	Year ended 31 December	
	2019	2018
Guaranteed loans	662	522
Collateralized loans	30	42
included: Guaranteed and collateralized loans	30	41
Total	692	564

Asset quality

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

	As at 31 December 2019		As at 31 December 2018	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Normal	856,767	95.0	826,672	98.2
Special-Mention	15,140	1.7	3,301	0.5
Substandard	12,485	1.4	3,237	0.4
Doubtful	9,728	1.1	1,165	0.1
Loss	7,495	0.8	7,141	0.8
Total	901,615	100.0	841,516	100.0

Management Discussion and Analysis

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

	As at 31 December 2019	As at 31 December 2018
Impaired loan ratio ⁽¹⁾	3.3%	1.4%
Balance of impaired loans (RMB'000)	29,708	11,543
Total amount of loans receivable (RMB'000)	901,615	841,516
	As at 31 December 2019	As at 31 December 2018
Allowance coverage ratio ⁽²⁾	131.0%	236.0%
Allowance for impairment losses (RMB'000) ⁽³⁾	38,924	27,240
Balance of impaired loans (RMB'000)	29,708	11,543
Provisions for impairment losses ratio ⁽⁴⁾	4.3%	3.2%
	As at 31 December 2019	As at 31 December 2018
Balance of overdue loans (RMB'000)	44,848	14,694
Total amount of loans receivable (RMB'000)	901,615	841,516
Overdue loan ratio ⁽⁵⁾	5.0%	1.7%

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.

Management Discussion and Analysis

FINANCIAL REVIEW

Interest income

Our interest income decreased by approximately 3.9% from approximately RMB108.3 million for the year ended 31 December 2018 to approximately RMB104.2 million for the year ended 31 December 2019. The Company's interest income on loans receivable is mainly affected by two factors: the daily balance of loans receivable and the effective interest rates that the Company charges to its customers. The decrease in our interest income was due to the decrease in effective interest rates charged by our Company from 13.2% for the year ended 31 December 2018 to 12.0% for the year ended 31 December 2019 which was partially offset by an increase in the average daily balance of our loans receivable by approximately 5.6% from approximately RMB822.3 million for the year ended 31 December 2018 to approximately RMB867.9 million for the year ended 31 December 2019. During the year ended 31 December 2019, we lowered our effective interest rates to attract customers, and hence there was a decrease in effective interest rates charged by our Company. On the other hand, the increase in the average daily balance of our loans receivable was mainly attributable to the deployment of the net profits generated by the Company during the past years for the expansion of the Company's loan business.

Interest expense

Our interest expense was nil and RMB283,127 for the year ended 31 December 2018 and 2019, respectively. There was no interest expense for the year ended 31 December 2018 primarily because all external borrowings had been repaid in November 2017 while no additional external borrowing was obtained throughout the year ended 31 December 2018. Interest expense for the year ended 31 December 2019 was accrued from an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, for which no interest was accrued until 2019, and recognised lease liabilities relating to the lease contracts in respect of our office as we adopted IFRS 16 Leases since 1 January 2019.

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB3.0 million and RMB11.8 million for the years ended 31 December 2018 and 2019, respectively. Such increase in accrual of provision for impairment losses was mainly due to the increase of the Company's impaired loans from approximately RMB11.5 million as at 31 December 2018 to approximately RMB29.7 million as at 31 December 2019. The higher balance of impaired loans as at 31 December 2019 was primarily a result of certain clients who experienced financial difficulties, and hence defaulted in repayment of our loans.

Accrual of provision for guarantee losses

During the years ended 31 December 2018 and 2019, we had provided financing guarantee services on an occasional basis, upon our customers request and at our sole discretion. We had accrued provisions for guarantee losses provided for our outstanding financing guarantee obligation of RMB25,852 and RMB0.7 million for the years ended 31 December 2018 and 2019, respectively. The increase in accrual of provision for guarantee losses was due to the increase in the outstanding exposure of financial guarantee contracts.

Management Discussion and Analysis

Administrative expenses

Our administrative expenses increased by approximately 62.7% from approximately RMB15.3 million for the year ended 31 December 2018 to approximately RMB24.9 million for the year ended 31 December 2019, primarily due to the increase in professional service fees which amounted to approximately RMB8.1 million in relation to the Transfer of Listing of our Company.

Other income, net

We had net other income of RMB2.3 million and RMB1.4 million for the years ended 31 December 2018 and 2019 respectively. The decrease was primarily due to the decrease in gain on disposal of fixed assets, government grants and guarantee fee income.

Income tax expense

Income tax expense decreased by approximately 24.4% from approximately RMB23.5 million for the year ended 31 December 2018 to approximately RMB17.8 million for the year ended 31 December 2019. 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 increase in accrual of provision for impairment losses and professional service fees in relating to the Transfer of Listing, our profit after tax and total comprehensive income decreased by approximately 27.1% from approximately RMB68.8 million for the year ended 31 December 2018 to approximately RMB50.1 million for the year ended 31 December 2019.

Significant investments

The Company has no significant investment during the year ended 31 December 2019 and up to the date of this announcement.

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

The Company has no material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 December 2019 and up to the date of this announcement.

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

The Company has no specific future plans for material investments or capital assets during the year ended 31 December 2019 and up to the date of this announcement.

Foreign exchange risk

The Company operates principally in the People's Republic of China (the "PRC") with only limited exposure to foreign exchange rate risk arising primarily from insignificant bank deposits denominated in HKD. The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. As at 31 December 2019, the Company did not have any outstanding hedge instruments.

Management Discussion and Analysis

Liquidity, financial resources and capital structure

As at 31 December 2019, the Company had bank balances and cash of approximately RMB3.8 million (31 December 2018: approximately RMB4.3 million). As at 31 December 2019, the Company had instalment loan payable amounting to approximately RMB285,015 with the effective interest rate of 5.3% (31 December 2018: RMB421,000 with the effective interest rate of 5.3%). The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was nil as at 31 December 2019 (31 December 2018: nil).

During the year ended 31 December 2019, the Company did not use any financial instruments for hedging purposes.

Treasury policy

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

Indebtedness and charges on assets

The Company entered into an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018, the balance of which was RMB285,015 as at 31 December 2019. One of the Company's motor vehicles with net carrying amounts of RMB499,363 was pledged to secure the instalment loan payable. Meanwhile, the Company adopted IFRS 16 Leases from 1 January 2019 and recognized the lease liability accordingly, the balance of which was approximately RMB2.3 million as at 31 December 2019.

Contingent liabilities

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

	As at 31 December	
	2019	2018
Financial guarantee contracts (RMB)	34,000,000	4,000,000

Off-balance sheet arrangements

The Company did not have any off-balance sheet arrangements during the year ended 31 December 2019 and up to the date of this announcement.

Management Discussion and Analysis

DIVIDEND POLICY

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

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

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

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.025 per share (tax inclusive) for the year ended 31 December 2019 to the Shareholders whose names appear on the register of members of the Company on 10 July 2020. The final dividend will be payable in or about 28 August 2020.

The proposed dividend will be denominated in Renminbi. Dividend payable to holders of Domestic Shares will be paid in Renminbi, whereas dividend payable to holders of H Shares will be paid in Hong Kong dollars. The exchange rate of Renminbi to Hong Kong dollars to be adopted will be the average middle rate of the five business days preceding the date of declaration of such dividend (exclusive) (being 12 June 2020 (Friday), the date of the 2019 annual general meeting of the Company) as announced by the People’s Bank of China.

During the year ended 31 December 2019 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 2019, the Company was not involved in any material litigation or arbitration.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Company had 26 full-time employees (31 December 2018: 32 full-time employees). The quality of our employees is the most important factor in maintaining a sustainable development and growth of the Company and to improve to profitability of the Company. We offer a base salary with bonuses based on our employees' performance, as well as benefits and allowances to all of our employees as an incentive. Total employees remuneration of the Company for the year ended 31 December 2019 was approximately RMB4.8 million (for the year ended 31 December 2018: approximately RMB4.5 million). The increase is mainly due to the increase of directors' and chief executives' remuneration from approximately RMB1.3 million for the year ended 31 December 2018 to approximately RMB1.5 million for the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

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

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

OUTLOOK

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

The Transfer of Listing has been successfully completed on 17 July 2019. The Board believes that the Transfer of Listing will, among others, enhance the corporate profile of the Company, increase the Company's brand awareness and reputation and improve the trading liquidity of the H shares of the Company. For further details, please refer to the announcement of the Company dated 8 July 2019.

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 2019.

ANNUAL FINANCIAL BUDGET FOR 2020

Considering the macro-economic situation, financial condition and the business growth of the Company in last three years, the Company has formulated the annual financial budget for 2020 after detailed calculation and analysis and collecting different opinions. The details are set out as follows:

- I. The estimated maximum total administrative expenses will be RMB20 million;
- II. According to the needs of strategic development and business expansion, the planned maximum capital expenditure of the Company will be RMB4 million, mainly including the expenses for properties renovation, IT system development and purchasing other fixed assets.

The annual financial budget for 2020 of the Company was considered and approved by the Board on 25 March 2020 and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

AUDIT COMMITTEE

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

The Company's results and the results announcement for the year ended 31 December 2019 have been reviewed by the Audit Committee. The Audit Committee and Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company has complied with the requirements of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules since 8 May 2017 being the date of listing of the Company's H shares (the "**H Shares**") 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.

Others

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

During the year ended 31 December 2019, the Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. Having made all reasonable enquires, all the Directors and Supervisors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors and Supervisors adopted by the Company throughout the year under review. The Company continues and will continue to ensure compliance with the code of conduct.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the year of 2019 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 2019 have been audited by Ernst & Young, who will retire and a resolution to re-appoint Ernst & Young as auditor of the Company will be proposed at the annual general meeting of the Company.

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

EVENTS AFTER THE PERIOD

The Company proposes to amend the Articles of Association and issue debt financing instruments at the 2019 annual general meeting. For further details, please refer to the notice and circular of the 2019 annual general meeting to be published and disseminated to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The 2019 annual general meeting (the “**AGM**”) of the Company will be held at 10 a.m. on Friday, 12 June 2020 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 Wednesday, 13 May 2020 to Friday, 12 June 2020, 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 Friday, 12 June 2020 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 Tuesday, 12 May 2020.

The register of members of the Company will also be closed from 6 July 2020 (Monday) to 10 July 2020 (Friday), both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. The Shareholders whose names appear on the register of members of the Company on 10 July 2020 (Friday) will be entitled to the final dividend. In order to be eligible to entitle to the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H share register, 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 registered office 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 3 July 2020 (Friday).

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 2019 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 2020

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.