

Interim Report 2021



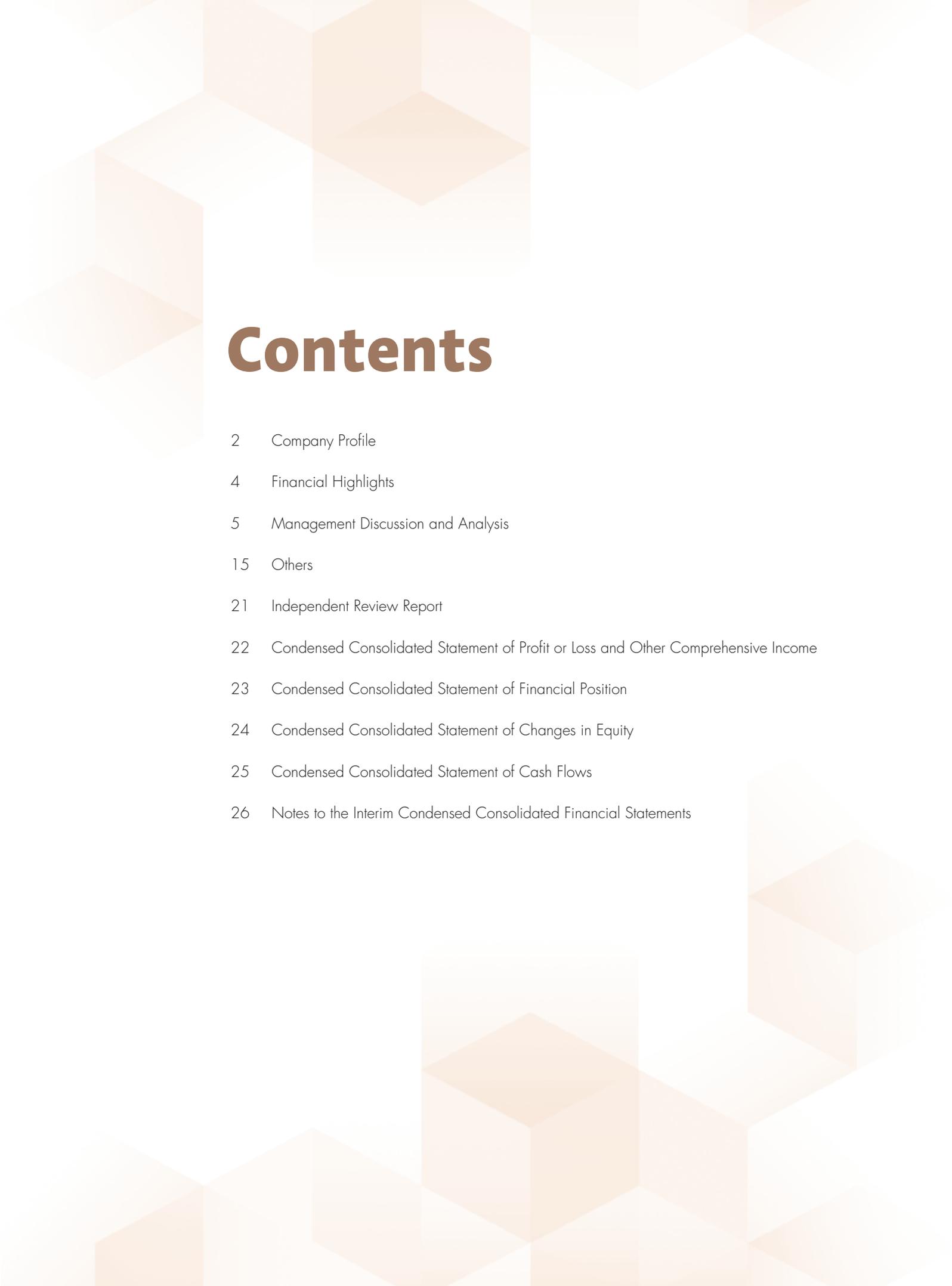
TaiHe

**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



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Company Profile

DIRECTORS

Executive Directors

Mr. Bo Wanlin (*Chairman*)
Ms. Bai Li
Ms. Zhou Yinqing

Non-executive Directors

Mr. Bo Nianbin
Mr. Zuo Yuchao

Independent non-executive Directors

Mr. Bao Zhenqiang
Mr. Wu Xiankun
Mr. Chan So Kuen

Supervisors

Ms. Wang Chunhong
Mr. Zhang Yi
Ms. Li Guoyan

BOARD COMMITTEES

Audit committee

Mr. Chan So Kuen (*Chairman*)
Mr. Wu Xiankun
Mr. Bao Zhenqiang

Remuneration committee

Mr. Bao Zhenqiang (*Chairman*)
Mr. Chan So Kuen
Mr. Wu Xiankun

Nomination committee

Mr. Bo Wanlin (*Chairman*)
Mr. Wu Xiankun
Mr. Bao Zhenqiang

Company secretaries

Mr. Xu Lei (resigned on 28 June 2021)
Mr. Lau Kwok Yin (*HKICPA, FCG FCS*)

Authorized representatives for the Stock Exchange of Hong Kong Limited

Mr. Bo Wanlin
Mr. Xu Lei (resigned on 28 June 2021)
Mr. Lau Kwok Yin (appointed on 28 June 2021)

Compliance officer

Ms. Bai Li

Headquarters and registered office in the PRC

Beizhou Road, Lidian Town, Guangling District Yangzhou City, Jiangsu Province, the PRC

Principal place of business in Hong Kong

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Company website address

www.gltaihe.com

Stock code

1915

Auditors and reporting accountants

Ernst & Young
Certified public accountant
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Company Profile

Legal adviser as to Hong Kong law

Chungs Lawyers *in association with*
DeHeng Law Offices
28/F, Henley Building
5 Queen's Road Central
Central
Hong Kong

Legal adviser as to PRC law

Commerce & Finance Law Offices
12-14/F, China World Office 2
No.1 Jianguomenwai Avenue
Beijing, the PRC

H Share registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Agricultural Bank of China
(Yangzhou Jiangwang Branch)
Room B6, Wanduwujinjidiancheng
Jiangwang Town
Hanjiang District
Yangzhou City
Jiangsu Province
The PRC

Bank of Communications Co., Ltd.
Hong Kong Branch
20 Pedder Street
Central, Hong Kong

Financial Highlights

- (1) For the six months ended 30 June 2021, Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**", together with its subsidiary (the "**Group**")) recorded interest income of approximately RMB33.1 million, representing a decrease of approximately 11.3% as compared to approximately RMB37.3 million in the corresponding period in 2020.
- (2) For the six months ended 30 June 2021, profit after tax of the Group amounted to approximately RMB14.8 million, representing an increase of approximately 5.0% as compared to approximately RMB14.1 million in the corresponding period in 2020, which was mainly attributed to the fact that the Company invested and established an associate during the reporting period, and the reduction in administrative expenses and loan impairment loss provisions as a result of the appropriate downsizing of the Group's lending business.
- (3) As at 30 June 2021, the balance of outstanding loans (before allowance for impairment losses) of the Group amounted to approximately RMB848.0 million, representing a decrease of approximately 9.1% as compared to approximately RMB932.7 million as at 31 December 2020, which was mainly attributed to the Company invested and established an associate during the reporting period, and the appropriate downsizing of the Group's lending business.

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2021, the Group continued to pursue business opportunities and strengthen its market position. For the six months ended 30 June 2021, the Group recorded interest income of approximately RMB33.1 million, representing a decrease of approximately 11.3% as compared to approximately RMB37.3 million in the corresponding period in 2020; and profit after tax of approximately RMB14.8 million, representing an increase of approximately 5.0% as compared to approximately RMB14.1 million for the corresponding period in 2020, which was mainly attributed to the fact that the Company invested and established an associate during the reporting period, and the reduction in administrative expenses and loan impairment loss provisions as a result of the appropriate downsizing of the Group's lending business. As at 30 June 2021, the Group's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB848.0 million, representing a decrease of approximately 9.1% as compared to approximately RMB932.7 million as at 31 December 2020, which was mainly due to the Company invested and established an associate during the reporting period, and the appropriate downsizing of the Group's lending business. The total assets of the Group as at 30 June 2021 were approximately RMB911.7 million, representing an increase of approximately 0.4% as compared to approximately RMB907.8 million as at 31 December 2020, and net assets were approximately RMB898.0 million as at 30 June 2021, representing an increase of approximately 1.7%, as compared to approximately RMB883.2 million as at 31 December 2020.

The number of customers

We have a relatively broad customer base comprising primarily small and medium-sized enterprises ("**SMEs**"), microenterprises and individual proprietors situated or resided in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are also under the classification of AFR (三農) of the People's Bank of China. We have launched a digital financial product in 2020 to promote our inclusive finance business. We leveraged the application of digital technology as risk management and granted unsecured loans to qualified customers. We consider that the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, can alleviate our risk of concentration and to better position ourselves to withstand periodic business and economic cycles of different industries. For the six months ended 30 June 2020 and 2021, we granted loans to 116 and 161 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated:

	Six months ended 30 June			
	2021		2020	
	<i>No. of Customers</i>	<i>%</i>	<i>No. of Customers</i>	<i>%</i>
Customer by type				
SMEs and micro-enterprises	1	0.6	7	6.0
Individual proprietors	160	99.4	109	94.0
Total	161	100.0	116	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 30 June 2021		As at 31 December 2020	
	RMB'000	%	RMB'000	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	35,713	4.2	35,916	3.9
– Collateralized loans	3,474	0.4	4,051	0.4
– Unsecured loans	2,211	0.3	2,219	0.2
	41,398	4.9	42,186	4.5
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	72,663	8.6	88,725	9.5
– Collateralized loans	1,834	0.2	3,342	0.4
	74,497	8.8	92,067	9.9
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	313,803	37.0	367,560	39.4
– Collateralized loans	7,820	0.9	10,252	1.1
	321,623	37.9	377,812	40.5
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	395,358	46.6	402,543	43.2
– Collateralized loans	15,071	1.8	18,071	1.9
	410,429	48.4	420,614	45.1
Total	847,947	100.0	932,679	100.0

Management Discussion and Analysis

Loan portfolio by security

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

	As at 30 June 2021		As at 31 December 2020	
	RMB'000	%	RMB'000	%
Guaranteed loans	817,537	96.4	894,744	96.0
Collateralized loans	28,199	3.3	35,716	3.8
included: Guaranteed and collateralized loans	26,994	3.2	34,628	3.7
Unsecured loans	2,211	0.3	2,219	0.2
Total	847,947	100.0	932,679	100.0

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

	Six months ended 30 June	
	2021	2020
Guaranteed loans	139	131
Collateralized loans	6	6
included: Guaranteed and collateralized loans	5	6
Unsecured loans	83	—
Total	228	137

Management Discussion and Analysis

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 (“**CBIRC**”). 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 30 June 2021		As at 31 December 2020	
	RMB'000	%	RMB'000	%
Normal	817,806	96.4	905,291	97.1
Special-Mention	10,917	1.3	—	—
Substandard	13,471	1.6	1,102	0.1
Doubtful	5,596	0.6	20,245	2.2
Loss	157	0.1	6,041	0.6
Total	847,947	100.0	932,679	100.0

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

	As at 30 June 2021	As at 31 December 2020
Impaired loan ratio ⁽¹⁾	2.3%	2.9%
Balance of impaired loans (RMB'000)	19,224	27,388
Total amount of loans receivable (RMB'000)	847,947	932,679

	As at 30 June 2021	As at 31 December 2020
Allowance coverage ratio ⁽²⁾	146.9%	143.7%
Allowance for impairment losses (RMB'000) ⁽³⁾	28,240	39,346
Balance of impaired loans (RMB'000)	19,224	27,388
Provisions for impairment losses ratio ⁽⁴⁾	3.3%	4.2%

Management Discussion and Analysis

Asset quality (continued)

	As at 30 June 2021	As at 31 December 2020
Balance of overdue loans (RMB'000)	29,171	27,388
Total amount of loans receivable (RMB'000)	847,947	932,679
Overdue loan ratio ⁽⁵⁾	3.4%	2.9%

Notes:

- (1) Represents the balance of impaired loans divided by the total amount of loans receivable.
- (2) Represents the allowance for impairment losses on all loans divided by the balance of impaired loans. The allowance for impairment losses on all loans includes provisions provided for loans which are assessed collectively and provisions provided for impaired loans which are assessed individually. Allowance coverage ratio indicates the level of allowance we set aside to cover the probable loss in our loan portfolio.
- (3) Allowance for impairment losses reflects our management's estimate of the probable loss in our loan portfolio.
- (4) Represents the allowance for impairment losses divided by the total amount of loans receivable. Provisions for impairment losses ratio measures the cumulative level of provisions.
- (5) Represents the overdue loans, being loans with whole or part of the principal and/or interest that was overdue for one day or more, divided by the total amount of loans receivable.

FINANCIAL REVIEW

Interest income

Our interest income decreased by approximately 11.3% from approximately RMB37.3 million for the six months ended 30 June 2020 to approximately RMB33.1 million for the six months ended 30 June 2021. The Group'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 Group charges its customers. The Group's average daily balance of loans receivable decreased from approximately RMB907.4 million for the six months ended 30 June 2020 to approximately RMB868.3 million for the six months ended 30 June 2021, mainly attributable to the fact that the Company invested and established an associate during the reporting period, and the appropriate downsizing of the Group's lending business. Meanwhile, the effective interest rate per annum decreased from 8.2% for the six months ended 30 June 2020 to 7.6% for the six months ended 30 June 2021.

Interest expense

Our interest expense was RMB118,949 and RMB97,369 for the six months ended 30 June 2020 and 2021, respectively. Interest expense for the six months ended 30 June 2020 and 2021 was accrued from an instalment loan arrangement in respect of purchasing motor vehicles at the end of 2018 and recognised lease liabilities related to the lease contracts in respect of our office as we have adopted IFRS 16 Leases since 1 January 2019.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Accrual of provision for impairment losses

We had accrual of provision for impairment losses of approximately RMB12.0 million and RMB9.4 million for the six months ended 30 June 2020 and 2021, respectively. Such decrease in accrual of provision for impairment losses was mainly due to the fact that the Company invested and established an associate during the reporting period, and the reduction in loan impairment loss provisions as a result of the appropriate downsizing of the Group's lending business.

Accrual and reversal of provision for guarantee losses

We had accrual of provision for guarantee losses of RMB856,772 and reversal of provision for guarantee losses of RMB116,232 for our outstanding financing guarantee obligation for the six months ended 30 June 2020 and 2021, respectively. Such reversal of provision for guarantee losses was due to the decrease in the outstanding exposure of financial guarantee contracts as at 30 June 2021 as compared to that as at 30 June 2020.

Administrative expenses

Our administrative expenses decreased by approximately 21.0% from approximately RMB6.2 million for the six months ended 30 June 2020 to approximately RMB4.9 million for the six months ended 30 June 2021. Such decrease was primarily due to the reduction in administrative expenses as a result of the appropriate downsizing of the Group's lending business.

Other income, net

We had net other income of RMB703,614 and RMB1,054,584 for the six months ended 30 June 2020 and 2021 respectively. Such increase was primarily due to the increase in guarantee fee income of RMB0.32 million.

Income tax expense

Income tax expense increased by approximately 4.2% from approximately RMB4.8 million for the six months ended 30 June 2020 to approximately RMB5.0 million for the six months ended 30 June 2021. Such increase was mainly caused by the increase in profit before tax.

Profit after tax and total comprehensive income

Our profit after tax and total comprehensive income increased by approximately 5.0% from approximately RMB14.1 million for the six months ended 30 June 2020 to approximately RMB14.8 million for the six months ended 30 June 2021, which was mainly due to the combination effect of the increase in guarantee fee income of RMB0.32 million attributed to the increase in guarantees during the first half of 2021 and the reduction in administrative expenses and loan impairment loss provisions as a result of the appropriate downsizing of the Group's lending business.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Significant investments

On 27 January 2021, the Company entered into a joint venture agreement with Yangzhou Tuyun IoT Technology Co., Ltd.* (揚州圖雲物聯科技有限公司) for the formation of a joint venture company, namely “Jiangsu Interactive Photosensitive IoT Technology Co., Ltd.* (江蘇互動感光物聯科技有限公司)” (the “**JV Co.**”). The Company (as passive investor) contributed RMB80 million to the JV Co., representing 40% of the equity interests of the JV Co., in March 2021. The capital contribution by the Company to the JV Co. was funded by the internal resources of the Company. The JV Co. is primarily engaged in the development of technologies, products and solutions in relation to artificial intelligence (“**AI**”) and internet of things (“**IoT**”) and promoting the applicability of such technologies, products and solutions. The Company does not participate in the management and operation of the JV Co., which is classified as an associate of the Company. The JV Co. is still in the preparation stage and has no operation yet as at the date of this report. For further details, please refer to the announcement of the Company dated 27 January 2021 and note 9 to the interim condensed consolidated financial statements of this report.

On 21 June 2021, the Company set up a wholly-owned subsidiary (Hainan Luhang Chaincar Technology Co., Ltd.* (海南路航鏈車科技有限公司)) (“**Hainan Luhang**”) in Hainan Province. Hainan Luhang has a registered capital of RMB100 million and is primarily engaged in providing internet data services, cloud computing equipment technology services, industrial internet data services, network technology services and big data services and software development. As at the date of this report, the Company has not yet paid up the registered capital of Hainan Luhang. The registered capital will be funded by the internal recourses of the Company.

Save as disclosed above, the Group has no significant investments during the six months ended 30 June 2021 and up to the date of this report.

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

Save as disclosed above, the Group has no material acquisitions or disposals of subsidiaries, affiliated companies and joint ventures during the six months ended 30 June 2021 and up to the date of this report.

* For identification purpose only

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

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

Other than the abovementioned significant investment which the Group has not yet paid up its committed capital, the Group has no specific future plans for material investments or capital assets during the six months ended 30 June 2021 and up to the date of this report.

Foreign exchange risk

The Group operates principally in the Peoples's Republic of China (the "PRC") with only limited exposure to foreign exchange rate risk arising primarily from certain bank deposits denominated in Hong Kong dollars ("HKD"). The management will continue to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. As at 30 June 2021, the Group did not have any outstanding hedge instruments.

Liquidity, financial resources and capital structure

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB0.7 million (31 December 2020: approximately RMB0.8 million). As at 30 June 2021, the Group had installment loan payable which was denominated in RMB with fixed interest rate, amounting to approximately RMB64,204 (31 December 2020: RMB127,296). The gearing ratio, representing the ratio of total net debt divided by capital and net debt, was 0.16% as at 30 June 2021 (31 December 2020: 0.15%).

During the six months ended 30 June 2021, the Group did not use any financial instruments for hedging purposes.

Treasury policy

The Company adopts a prudent financial management strategy in implementing the treasury policy and a sound liquidity position was maintained throughout the 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 Group to ensure its assets, liabilities and liquidity structure would satisfy the funding needs from time to time.

Indebtedness and charges on assets

The Company entered into an installment loan arrangement in respect of purchasing motor vehicles at the end of 2018, the balance of which was RMB64,204 as at 30 June 2021. One of the Group's motor vehicles with net carrying amounts of RMB242,548 was pledged to secure the installment 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 RMB2.1 million as at 30 June 2021.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Contingent liabilities

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

	As at 30 June 2021	As at 31 December 2020
	<i>RMB</i>	<i>RMB</i>
Financial guarantee contracts	59,800,000	64,050,000

The Group provides financial guarantee services on an occasional basis.

Off-balance sheet arrangements

The Group did not have any off-balance sheet arrangements during the six months ended 30 June 2021 and up to the date of this report.

INTERIM DIVIDEND

The board of directors of the Company (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2021, the Group was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 21 full-time employees (31 December 2020: 24 full-time employees). The quality of our employees is the most important factor in maintaining a sustained development and growth of the Group and in improving its profitability. We offer a base salary with bonuses based on our employees’ performance, as well as benefits and allowances to all of our employees as an incentive. The total employees remuneration of the Group for the six months ended 30 June 2021 was approximately RMB1.8 million (for the six months ended 30 June 2020: approximately RMB2.0 million).

Management Discussion and Analysis

CORPORATE DEVELOPMENT STRATEGIES AND OUTLOOK

The objective of the Company is to become a leading regional microfinance company focusing on fulfilling the interim business financing needs of SMEs, micro-enterprises and individual proprietors.

Although the COVID-19 pandemic continues to affect the global market and poses a lot of uncertainty, implementation of the precautionary measures adopted by the PRC Government and the launch of COVID-19 vaccines bring along hope to the epidemic control and the economy is expected to improve gradually. With a better economy, it is expected that our customers will have a lower risk of default in repayment of loans. The COVID-19 pandemic has accelerated the digitalization process of the credit industry. We will continue to monitor and improve our digitalized and intelligent retail credit platform to satisfy various credit needs of our customers, and to continuously provide convenient and intelligent credit solutions to our customers.

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

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

Looking ahead, the Board and all staff of the Group will continue to explore new opportunities and innovate and keep pace with the latest market trend in order to create greater values for our customers, employees and shareholders.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2021, interests or short positions of the directors (the "**Directors**"), supervisors (the "**Supervisors**") and the chief executive of the Company and their associates in any of the shares of the Company (the "**Shares**"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including circumstance of interests or short positions deemed or taken to have under such provisions of the SFO), or interests or short positions in the underlying shares and debt securities of the Company recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Shares of the Company

Director	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares ⁽²⁾	Approximate percentage of shareholding in the total issued share capital of the Company ⁽³⁾
Mr. Bo Wanlin ⁽⁵⁾⁽⁶⁾	Interest in controlled corporation ⁽⁴⁾	430,100,000	95.58%	71.68%
Ms. Bai Li	Beneficial owner	10,000,000	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000	0.16%	0.12%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the domestic shares of the Company (the "**Domestic Shares**").
- (2) The calculation is based on the percentage of shareholding in Domestic Shares (namely, ordinary shares in the Company capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities).
- (3) The calculation is based on the total number of 600,000,000 Shares in issue.
- (4) Jiangsu Botai Group Co., Ltd.* (江蘇柏泰集團有限公司) ("**Botai Group**") is directly interested in approximately 40.03% in the Company. The disclosed interest represents the interest in the Company held by Botai Group which is in turn held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at 30 June 2021. Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.

* For identification purpose only

Others

- (5) Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd.* (江蘇聯泰時尚購物廣場置業有限公司) ("**Liantai Guangchang**") is directly interested in approximately 31.65% in the Company. The disclosed interest represents the interest in the Company held by Liantai Guangchang, which is in turn held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li as at 30 June 2021. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO, and Mr. Bo Wanlin and his spouse Ms. Wang Zhengru control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in Liantai Guangchang and the Company by virtue of the SFO. On 12 December 2017, Botai Group and Liantai Guangchang, the controlling shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40,000,000 and RMB30,000,000 respectively. On 26 March 2021 and 16 April 2021, Botai Group pledged 30,000,000 and 10,000,000 Domestic Shares in favour of two different independent commercial banks in the PRC as securities for bank facilities in the amount of RMB12,000,000 and RMB40,000,000, respectively.
- (6) On 15 July 2021, Botai Group and Liantai Guangchang respectively entered into domestic share transfer agreement(s) to transfer an aggregate of 108,000,000 Domestic Shares to three individuals who are not connected persons of the Company and its connected persons (the "**Independent Third Parties**"). For further details, please refer to the announcement of the Company dated 15 July 2021.

Associated Corporation

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

Notes:

- (1) The disclosed interest represents the interests in Botai Group, the associated corporation which is owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) as at 30 June 2021.
- (2) Mr. Bo Wanlin is the spouse of Ms. Wang Zhengru and is deemed to be interested in Ms. Wang Zhengru's interest in Botai Group by virtue of the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors and chief executive of the Company nor their associates had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to section 352 of the SFO, or transactions of shares and debt securities otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in Appendix 10 of the Listing Rules.

* For identification purpose only

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as the Directors are aware, each of the following persons has an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be entered into the register referred to in section 336 of the SFO:

Shareholders	Nature of interest	Number of Shares held ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares	Approximate percentage of shareholding in the total issued share capital of the Company ⁽³⁾
Botai Group ⁽⁷⁾⁽⁸⁾	Beneficial owner	240,200,000 Domestic Shares(L)	53.38% ⁽²⁾	40.03%
	Interest in controlled corporation ⁽⁴⁾	189,900,000 Domestic Shares(L)	42.20% ⁽²⁾	31.65%
Mr. Bo Wanlin ⁽⁷⁾⁽⁸⁾	Interest in controlled corporation ⁽⁵⁾	430,100,000 Domestic Shares(L)	95.58% ⁽²⁾	71.68%
Ms. Wang Zhengru ⁽⁷⁾	Family interest of spouse ⁽⁶⁾	430,100,000 Domestic Shares(L)	95.58% ⁽²⁾	71.68%
Liantai Guangchang ⁽⁷⁾⁽⁸⁾	Beneficial owner	189,900,000 Domestic Shares(L)	42.20% ⁽²⁾	31.65%

Notes:

- (1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares of the Company.
- (2) The calculation is based on the percentage of shareholding in the Domestic Shares.
- (3) The calculation is based on the total number of 600,000,000 Shares in issue after the listing.
- (4) As at the date of this report, Liantai Guangchang is held as to approximately 48.67% by Botai Group, approximately 26.33% by Mr. Bo Wanlin, approximately 20.00% by Mr. Bo Nianbin and approximately 5.00% by Ms. Bai Li. Botai Group controls more than one-third of the voting rights of Liantai Guangchang and is deemed to be interested in its interest in the Company by virtue of the SFO.
- (5) As at the date of this report, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 25.00% by Mr. Bo Nianbin, approximately 25.00% by Ms. Bai Li and approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin). Mr. Bo Wanlin and his spouse control more than one-third of the voting rights of Botai Group and are deemed to be interested in its interest in the Company by virtue of the SFO.
- (6) Ms. Wang Zhengru, the spouse of Mr. Bo Wanlin, is deemed to be interested in Mr. Bo Wanlin's interest in the Company by virtue of the SFO.
- (7) On 12 December 2017, Botai Group and Liantai Guangchang, the controlling shareholders of the Company, pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40 million and RMB30 million respectively. On 26 March 2021 and 16 April 2021, Botai Group pledged 30,000,000 and 10,000,000 Domestic Shares in favour of two different independent commercial banks in the PRC as securities for bank facilities in the amount of RMB12 million and RMB40 million, respectively.
- (8) As at 15 July 2021, Botai Group and Liantai Guangchang respectively entered into domestic share transfer agreement(s) to transfer an aggregate of 108,000,000 Domestic Shares to three Independent Third Parties. For further details, please refer to the announcement of the Company dated 15 July 2021.

Others

Save as disclosed above, as at 30 June 2021, so far as known to the Directors, no interests or short positions of substantial shareholders of the Company and other persons in any Shares and debentures or underlying Shares of the Company were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or were required to be entered into the register referred to in section 336 of the SFO.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

On 12 December 2017, Botai Group and Liantai Guangchang, the controlling shareholders (as defined in the Listing Rules), pledged 45,000,000 and 35,000,000 Domestic Shares in favour of an independent commercial bank in the PRC as securities for bank facilities in the amount of RMB40 million and RMB30 million respectively. On 26 March 2021 and 16 April 2021, Botai Group pledged 30,000,000 and 10,000,000 Domestic Shares in favour of two different independent commercial banks in the PRC as securities for bank facilities in the amount of RMB12 million and RMB40 million, respectively. The pledged Domestic Shares represent approximately 27.9% of the aggregate Domestic Shares held by Botai Group and Liantai Guangchang, approximately 26.7% of the total number of Domestic Shares in issue, and approximately 20.0% of the total issued share capital of the Company on 16 April 2021.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the six months ended 30 June 2021 and up to the date of this report, at least 25% of the issued shares of the Company are held by public shareholders and the Company has maintained the prescribed public float required by the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Company's listed securities during the six months ended 30 June 2021.

INTERESTS IN COMPETING BUSINESS

Directors' and Controlling Shareholders' Interest in Competing Business

As at the date of this report, Botai Group (a controlling shareholder of our Company (as defined in the Listing Rules)) held 8% interest in Yangzhou Guangling Zhongcheng Rural Bank Co., Ltd.* (揚州廣陵中成村鎮銀行股份有限公司) ("**Zhongcheng Bank**") and 10% interest in Jiangsu Hanjiang Mintai Rural Bank Co., Ltd.* (江蘇邗江民泰村鎮銀行股份有限公司) ("**Mintai Bank**") in the capacity as passive investor.

Mintai Bank principally engages in certain banking business such as taking public deposit; providing short term, medium term and long term loans; domestic exchange settlement; notes acceptance and discount; interbank borrowing; debit card issuing; issuing and cashing agency, undertaking governmental bond; accounts receivable and payable agency; and other business approved by China Banking Regulatory Commission ("**Banking Business**") in Hanjiang District of Yangzhou, whereas Zhongcheng Bank principally engages in the Banking Business in Guangling District of Yangzhou City.

For further details on the general information of Mintai Bank and Zhongcheng Bank and the reasons that our Directors are of the view that the competition between the principal businesses of Mintai Bank and Zhongcheng Bank and the Company is limited and not extreme, please refer to the paragraph titled "Relationship with the Controlling Shareholders – other Businesses Invested by our Controlling Shareholders" in the Company's prospectus dated 24 April 2017.

Save as disclosed above, as at 30 June 2021, none of the controlling shareholders of the Company, Directors and their respective close associates has any interests in any business which directly or indirectly competes or is likely to compete with our principal business, which would require disclosure under Rule 8.10 of the Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 January 2015 in accordance with Rules 3.21 to 3.23 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with 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 Group's financial reporting, risk management and internal control systems, oversee the audit process and provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of the Audit Committee. The Audit Committee had reviewed the 2021 interim report and the unaudited financial statements of the Group for the six months ended 30 June 2021 and was of the opinion that the preparation of such statements complied with the applicable accounting standards and requirements of the Stock Exchange and legal requirements, and that adequate disclosures have been made.

* For identification purpose only

Others

CORPORATE GOVERNANCE

The Company has complied with the requirements of the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2021 and up to the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company adopted a code of conduct regarding securities transactions by Directors and the Supervisors (the "**Code of Conduct**") on terms no less exacting than the required standard of dealings as set out in the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors have confirmed that they have complied with such Code of Conduct and required standard of dealings during the six months ended 30 June 2021 and up to the date of this report. The Company continues and will continue to ensure compliance with the Code of Conduct.

EVENT AFTER THE REPORTING PERIOD

Up to the date of this report, there has been no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the six months ended 30 June 2021.

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

Yangzhou, the PRC, 26 August 2021

As at the date of this report, 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.

Independent Review Report

To the board of directors of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited

(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 42, which comprise the condensed consolidated statement of financial position of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "Company") and its subsidiary(the "Group") as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-months period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2021

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

Six months ended 30 June 2021

(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
Interest income	4	33,085,437	37,299,531
Interest expense	4	(97,369)	(118,949)
Interest income, net	4	32,988,068	37,180,582
Accrual of provision for impairment losses		(9,423,869)	(11,971,468)
Reversal/(Accrual) of provision for guarantee losses		116,232	(856,772)
Administrative expenses		(4,898,467)	(6,175,769)
Other income, net		1,054,584	703,614
PROFIT BEFORE TAX		19,836,548	18,880,187
Income tax expense	5	(5,008,694)	(4,819,626)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,827,854	14,060,561
ATTRIBUTABLE TO:			
Owners of the parent		14,827,854	14,060,561
Non-controlling interests		—	—
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		0.02	0.02
Diluted		0.02	0.02

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

(Amounts expressed in RMB unless otherwise stated)

	Notes	As at 30 June 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(audited)</i>
ASSETS			
Cash and cash equivalents		656,799	803,738
Loans receivable	8	819,707,174	893,332,271
Investments in associates	9	80,000,000	—
Property and equipment	10	4,924,713	5,185,173
Deferred tax		5,275,773	7,910,412
Other assets	11	1,115,931	538,587
TOTAL ASSETS		911,680,390	907,770,181
LIABILITIES			
Deferred income		709,053	777,846
Income tax payable		3,505,047	13,924,780
Liabilities from guarantees	12	1,340,520	1,456,752
Lease liabilities		2,068,567	1,959,236
Other liabilities	13	6,064,390	6,486,608
TOTAL LIABILITIES		13,687,577	24,605,222
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	600,000,000	600,000,000
Reserves		112,684,337	112,684,337
Retained earnings		185,308,476	170,480,622
Equity attributable to owners of the parent		897,992,813	883,164,959
Non-controlling interests		—	—
TOTAL EQUITY		897,992,813	883,164,959
TOTAL EQUITY AND LIABILITIES		911,680,390	907,770,181

Bai Li
Director

Zhou Yinqing
Director

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2021

(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Paid in capital	Reserves				Retained earnings		
Capital reserve		Surplus reserve	General reserve					
Balance as at 1 January 2020	600,000,000	54,417,191	45,291,124	8,989,827	152,732,182	861,430,324	—	861,430,324
Profit for the period and total comprehensive income	—	—	—	—	14,060,561	14,060,561	—	14,060,561
Balance as at 30 June 2020 (unaudited)	600,000,000	54,417,191	45,291,124	8,989,827	166,792,743	875,490,885	—	875,490,885
Balance as at 1 January 2021	600,000,000	54,417,191	48,964,588	9,302,558	170,480,622	883,164,959	—	883,164,959
Profit for the period and total comprehensive income	—	—	—	—	14,827,854	14,827,854	—	14,827,854
Balance as at 30 June 2021 (unaudited)	600,000,000	54,417,191	48,964,588	9,302,558	185,308,476	897,992,813	—	897,992,813

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2021
 (Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June	
		2021 <i>(unaudited)</i>	2020 <i>(unaudited)</i>
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Profit before tax		19,836,548	18,880,187
Adjustments for:			
Depreciation and amortisation	10	980,429	1,006,991
Accrual of provision for impairment losses		9,423,869	11,971,468
(Reversal)/Accrual of provision for guarantee losses		(116,232)	856,772
Accreted interest on impaired loans	4	(591,084)	(620,661)
Net gain on disposal of property and equipment and other assets		(490)	—
Interest expense	4	97,369	118,949
Foreign exchange loss/(gain), net		3	(13)
Decrease/(increase) in loans receivable		65,004,354	(26,909,819)
(Increase)/decrease in other assets		(712,373)	101,886
Decrease in other liabilities		(427,919)	(944,269)
Net cash flows from operating activities before tax		93,494,474	4,461,491
Income tax paid		(12,793,788)	(6,687,142)
Net cash flows from/(used in) operating activities		80,700,686	(2,225,651)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(782,842)	(113,352)
Payment for the investment in an associate		(80,000,000)	—
Proceeds from disposal of property and equipment		500	—
Net cash flows used in investing activities		(80,782,342)	(113,352)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings		(63,092)	(71,697)
Payments for the principal portion of lease payments		—	(383,639)
Interest paid on borrowings		(2,188)	(6,639)
Payments for the interest portion of lease payments		—	(246,361)
Net cash flows used in financing activities		(65,280)	(708,336)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		803,738	3,779,385
Effect of foreign exchange rate changes, net		(3)	13
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
		656,799	732,059

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION

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

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

In May 2017, the Company conducted a public offering of overseas listed foreign shares ("**H shares**"). Upon the completion of the H share offering, the issued capital was increased to RMB600 million. The Company's H shares are listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited 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 and its subsidiary (collectively referred to as the "**Group**") 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 Group is Jiangsu Botai Group Co., Ltd., which is incorporated in the People's Republic of China.

Information about subsidiary

Particulars of the Company's subsidiary are as follows:

Name	Place of incorporation	Registered capital	Paid-up capital	Percentage of equity attributable to the Company (%)		Principal activities
				Direct	Indirect	
Hainan Luhang Chelian Technology Co., Ltd (海南路航鏈車科技有限公司) *	PRC/ Mainland China	RMB 100,000,000	RMB 0	100%	—	Internet and related services

* The subsidiary above was newly established in the year.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2020.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary which was newly established for the period ended 30 June 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2020, except for the adoption of accounting policies regarding the investment in an associate as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The newly adopted standards have no impact on the Group's financial statements.

Investment in an associate

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's consolidated financial statements for the year ended 31 December 2020.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

4. INTEREST INCOME, NET

	Six months ended 30 June	
	2021	2020
Interest income on:		
Loans receivable	33,082,725	37,294,432
Cash at banks	2,712	5,099
Subtotal	33,085,437	37,299,531
Interest expense on:		
Lease liabilities	(95,181)	(112,310)
Borrowing from other institutions	(2,188)	(6,639)
Subtotal	(97,369)	(118,949)
Interest income, net	32,988,068	37,180,582
Included: Interest income on impaired loans	591,084	620,661

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
Current income tax	2,374,055	6,395,789
Deferred income tax	2,634,639	(1,576,163)
	5,008,694	4,819,626

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

	Six months ended 30 June	
	2021	2020
Profit before tax	19,836,548	18,880,187
Tax at the applicable tax rate	4,959,137	4,720,047
Expenses not deductible for tax	49,557	99,579
Total tax expense for the period at the Group's effective tax rate	5,008,694	4,819,626

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

6. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2021 and 2020.

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

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

	Six months ended 30 June	
	2021	2020
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	14,827,854	14,060,561
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	600,000,000	600,000,000
Basic and diluted earnings per share	0.02	0.02

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2021	2020
Issued ordinary shares at the beginning of the period	600,000,000	600,000,000
Weighted average number of ordinary shares at the end of the period	600,000,000	600,000,000

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

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

8. LOANS RECEIVABLE

	As at 30 June 2021	As at 31 December 2020
Loans receivable	847,946,699	932,678,552
Less: Allowance for impairment losses	28,239,525	39,346,281
	819,707,174	893,332,271

The types of loans receivable are as follow:

	As at 30 June 2021	As at 31 December 2020
Guaranteed loans	817,537,514	894,743,515
Collateral-backed loans	28,198,395	35,716,030
Unsecured loans	2,210,790	2,219,007
	847,946,699	932,678,552
Less: Allowance for impairment losses	28,239,525	39,346,281
	819,707,174	893,332,271

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

8. LOANS RECEIVABLE (continued)

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

30 June 2021				
Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	817,806,329	—	—	817,806,329
Special mention	—	10,916,561	—	10,916,561
Sub-standard	—	—	13,471,324	13,471,324
Doubtful	—	—	5,595,925	5,595,925
Loss	—	—	156,560	156,560
Total	817,806,329	10,916,561	19,223,809	847,946,699

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

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2021

(Amounts expressed in RMB unless otherwise stated)

8. LOANS RECEIVABLE (continued)

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total
Outstanding exposure as at 31 December 2020	905,290,855	—	27,387,697	932,678,552
New exposures	253,243,028	—	—	253,243,028
Exposure derecognised	(316,429,669)	—	(1,817,713)	(318,247,382)
Transfers to Stage 2	(10,916,561)	10,916,561	—	—
Transfers to Stage 3	(13,381,324)	—	13,381,324	—
Amounts written off	—	—	(19,727,499)	(19,727,499)
At 30 June 2021	817,806,329	10,916,561	19,223,809	847,946,699

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

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8. LOANS RECEIVABLE (continued)

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL – impaired)	Total ECL allowance
ECLs as at 31 December 2020	20,589,922	—	18,756,359	39,346,281
Net charge/(reversal) of the impairment	(1,747,369)	—	5,057,343	3,309,974
Transfers to Stage 2	(248,286)	248,286	—	—
Transfers to Stage 3	(304,345)	—	304,345	—
Net remeasurement of ECL arising from transfer of stage	—	900,080	5,001,773	5,901,853
Accreted interest on impaired loans (Note 4)	—	—	(591,084)	(591,084)
Amounts written off	—	—	(19,727,499)	(19,727,499)
At 30 June 2021	18,289,922	1,148,366	8,801,237	28,239,525

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

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9. INVESTMENTS IN ASSOCIATES

	As at 30 June 2021	As at 31 December 2020
Share of net assets	80,000,000	—

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of Registration and business	Percentage of (%)		Principal activities
			Ownership interest	Profit sharing	
Jiangsu Interactive Photosensitive IoT Technology Co., Ltd. (江蘇互動感光物聯科技有限公司)	Registered capital of RMB 200,000,000	PRC/ Mainland China	40	40	Technology promotion and application service industry

Jiangsu Interactive Photosensitive IoT Technology Co., Ltd., which is engaged in the development of technologies, products and solutions in relation to artificial intelligence and internet of things and promoting the applicability of such technologies, products and solutions, is established in 2021 and is accounted for using the equity method.

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

	As at 30 June 2021
Current assets	200,000,000
Non-current assets	—
Current liabilities	—
Non-current liabilities	—
Net assets	200,000,000
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	40%
Group's share of net assets of the associate	80,000,000
Carrying amount of the investment	80,000,000
Revenue	—
Profit after tax and total comprehensive income for the period/year	—
Dividend received	—

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10. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of- use asset	Total
Cost:					
At 1 January 2020	2,025,634	1,391,958	10,537,519	2,626,966	16,582,077
Additions	—	83,526	638,806	181,406	903,738
Disposals	—	—	(636,600)	(52,834)	(689,434)
At 31 December 2020	2,025,634	1,475,484	10,539,725	2,755,538	16,796,381
Additions	293,009	339,810	73,000	14,150	719,969
Disposals	(113,757)	—	—	—	(113,757)
At 30 June 2021	2,204,886	1,815,294	10,612,725	2,769,688	17,402,593
Accumulated depreciation:					
At 1 January 2020	1,097,006	735,377	7,916,681	555,683	10,304,747
Depreciation charge for the year	477,969	179,339	784,548	554,039	1,995,895
Disposals	—	—	(636,600)	(52,834)	(689,434)
At 31 December 2020	1,574,975	914,716	8,064,629	1,056,888	11,611,208
Depreciation charge for the period	197,503	115,084	392,225	275,617	980,429
Disposals	(113,757)	—	—	—	(113,757)
At 30 June 2021	1,658,721	1,029,800	8,456,854	1,332,505	12,477,880
Net carrying amount:					
At 31 December 2020	450,659	560,768	2,475,096	1,698,650	5,185,173
At 30 June 2021	546,165	785,494	2,155,871	1,437,183	4,924,713

As at 30 June 2021, one of the Group's motor vehicles with net carrying amounts of RMB242,548 was pledged to secure the installment loan payable of the Group (As at 31 December 2020: RMB328,153).

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30 June 2021

(Amounts expressed in RMB unless otherwise stated)

11. OTHER ASSETS

	As at 30 June 2021	As at 31 December 2020
Prepayments	41,204	45,550
Other receivables	866,547	174,075
Repossessed asset (i)	432,600	432,600
Less: Allowance for doubtful debt	224,420	113,638
	1,115,931	538,587

Notes:

- (i) Repossessed asset is a property located at Yangzhou City, Jiangsu Province in the PRC. The Group plans to dispose of the repossessed assets held at June 30, 2021 by auction or transfer.

Movements of allowance for doubtful debts are as follows:

	Six months ended 30 June	
	2021	2020
At beginning of the period/year	113,638	881,972
Charge for the year	212,042	(19,848)
Amount written off as uncollectible	(101,260)	(748,486)
At end of the period/year	224,420	113,638

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

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11. OTHER ASSETS (continued)

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

30 June 2021				
Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	—	0.00%	—	0.00%
91 to 365 days	860,512	99.30%	218,385	25.38%
Over 365 days	6,035	0.70%	6,035	100.00%
Total	866,547	100.00%	224,420	25.90%

31 December 2020				
Ageing analysis	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	4,500	2.58%	—	0.00%
91 to 365 days	94,343	54.20%	38,406	40.71%
Over 365 days	75,232	43.22%	75,232	100.00%
Total	174,075	100.00%	113,638	65.28%

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12. LIABILITIES FROM GUARANTEES

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

	Stage 1 (12-month ECLs) Collectively assessed	Total
ECLs as at 31 December 2019	752,606	752,606
New exposure	1,456,752	1,456,752
Exposure derecognised	(752,606)	(752,606)
At 31 December 2020	1,456,752	1,456,752
New exposure	1,013,236	1,013,236
Exposure derecognised	(1,129,468)	(1,129,468)
At 30 June 2021	1,340,520	1,340,520

13. OTHER LIABILITIES

	As at 30 June 2021	As at 31 December 2020
Payrolls payable	456,876	582,298
Installment loan payable	64,204	127,296
Other payables	5,543,310	5,777,014
	6,064,390	6,486,608

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

	As at 30 June 2021	As at 31 December 2020
– Due within one year	64,204	127,296
– Due in one year to two years	—	—
– Due in two year to three years	—	—
	64,204	127,296

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(Amounts expressed in RMB unless otherwise stated)

14. SHARE CAPITAL

	As at 30 June 2021	As at 31 December 2020
Issued and fully paid	600,000,000	600,000,000

No movement occurred during the period of six-months ended 30 June 2021. (2020: There were no movements).

15. RELATED PARTY TRANSACTIONS

(a) Leasing

		Six months ended 30 June	
	Notes	2021	2020
Depreciation of right-of-use asset	(i)	257,626	256,708
Interest expense on lease liabilities	(i)	86,620	111,724

Notes:

- (i) The Group entered into a lease contract in respect of the Group's office with an entity with significant influence over the Group. As at 28 November 2017, the Group agreed with the lessor and renewed the lease contract, the leasing period is from 1 January 2019 to 31 December 2020. In January 2021, the Group has agreed with the lessor and renewed the lease contract. The leasing period is from 1 January 2021 to 31 December 2023.

The interest expense on lease liabilities and depreciation of right-of-use asset for the period of six months ended 30 June 2021 were RMB 86,620 and RMB 257,626, respectively (six months ended 30 June 2020: RMB111,724 and RMB256,708).

(b) Key management personnel's remuneration

	Six months ended 30 June	
	2021	2020
Key management personnel's remuneration	669,949	874,749

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(Amounts expressed in RMB unless otherwise stated)

15. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties

Amounts due to related parties	Notes	As at 30 June 2021	As at 31 December 2020
Entity with significant influence over the Group:			
Liantai Guangchang	(i)	1,945,253	1,811,150
Total		1,945,253	1,811,150

Notes:

- (i) As at 30 June 2021 the Group had an outstanding balance of lease liability and other payables due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd ("Liantai Guangchang"), amounting to RMB 1,945,253 (as at 31 December 2020: RMB1,811,150).

16. SEGMENT INFORMATION

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

17. CONTINGENT LIABILITIES

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

	As at 30 June 2021	As at 31 December 2020
Financial guarantee contracts	59,800,000	64,050,000

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18. COMMITMENTS

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

	As at 30 June 2021	As at 31 December 2020
Investment commitments	102,000,000	2,000,000
	102,000,000	2,000,000

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

20. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved and authorised for issue by the Company's board of directors on 26 August 2021.