

2017 Third Quarterly Report

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: 8252

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This report, for which the directors (the “**Directors**”) of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the “**Company**” or “**Our**” or “**We**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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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

Joint company secretaries

Mr. Xu Lei
Mr. Wong Yat Tung (*ACIS, ACS*)

Authorized representatives for the Hong Kong Stock Exchange

Mr. Bo Wanlin
Mr. Xu Lei

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

18/F, Tesbury Centre
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Wanchai, Hong Kong

Company website address

www.gltaihe.com

Stock code

8252

Auditors and reporting accountants

Ernst & Young
Certified public accountant
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Company Profile

Legal advisers as to Hong Kong law

Li & Partners
22/F, World-Wide House
Central
Hong Kong

Legal advisers as to PRC law

Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Beijing, China 100022

Compliance adviser

China Galaxy International Securities
(Hong Kong) Co., Limited
20th Floor, Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

H Share registrar

Tricor Investor Services Limited
Level 22, 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
PRC

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

Financial Highlights

- (1) For the nine months ended 30 September 2017, the Company recorded a gross interest income of approximately RMB 64.7 million, representing an increase of approximately 16.4% as compared to approximately RMB 55.6 million in the corresponding period in 2016.
- (2) For the nine months ended 30 September 2017, the profit after tax of the Company amounted to approximately RMB 32.0 million, representing an increase of approximately 14.3% as compared to approximately RMB 28.0 million in the corresponding period in 2016.
- (3) As at 30 September 2017, the balance of outstanding loan (before allowance for impairment losses) of the Company amounted to approximately RMB 801.3 million, representing an increase of approximately 33.7% as compared to approximately RMB 599.4 million as at 31 December 2016.

Condensed Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		<i>(unaudited)</i> RMB	<i>(unaudited)</i> RMB	<i>(unaudited)</i> RMB	<i>(unaudited)</i> RMB
Interest income	2	26,105,260	17,469,054	64,687,075	55,583,245
Interest expense		(30,693)	—	(30,693)	(595,772)
Interest income, net		26,074,567	17,469,054	64,656,382	54,987,473
Reversal/(accrual) of provision for impairment losses		(2,786,964)	(1,113,770)	(3,444,694)	760,736
Accrual of provisions for guarantee losses		(61,192)	—	(61,192)	—
Administrative expenses	4	(4,234,734)	(5,096,297)	(14,869,582)	(17,968,090)
Other expense, net	3	(592,129)	(7,339)	(3,263,264)	(18,010)
PROFIT BEFORE TAX		18,399,548	11,251,648	43,017,650	37,762,109
Income tax expense	5	(4,710,392)	(3,129,719)	(11,003,373)	(9,787,831)
PROFIT AFTER TAX AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,689,156	8,121,929	32,014,277	27,974,278
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic	7	0.02	0.02	0.06	0.06
Diluted	7	0.02	0.02	0.06	0.06

Condensed Statement of Financial Position

As at 30 September 2017

	Notes	As at 30 September 2017 <i>(unaudited)</i> RMB	As at 31 December 2016 <i>(audited)</i> RMB
ASSETS			
Cash and cash equivalents		14,160,549	3,552,827
Loans receivable	8	779,448,465	580,544,326
Property and equipment		2,225,773	1,483,786
Deferred tax assets		3,461,170	4,709,204
Other assets		1,441,267	7,660,783
TOTAL ASSETS		800,737,224	597,950,926
LIABILITIES			
Interest-bearing borrowings		10,000,000	—
Deferred income		231,352	—
Income tax payable		6,796,482	5,669,546
Liabilities from guarantees		61,192	—
Other liabilities		6,911,437	11,498,460
TOTAL LIABILITIES		24,000,463	17,168,006
EQUITY			
Share capital	9	600,000,000	450,000,000
Reserves		89,432,540	75,492,976
Retained earnings		87,304,221	55,289,944
TOTAL EQUITY		776,736,761	580,782,920
TOTAL EQUITY AND LIABILITIES		800,737,224	597,950,926

Condensed Statement of Changes in Equity

For the nine months ended 30 September 2017

	Paid in capital RMB	Reserves			Retained earnings RMB	Total RMB
		Capital reserve RMB	Surplus reserve RMB	General reserve RMB		
Balance as at 1 January 2016	450,000,000	40,477,627	24,772,271	6,195,009	63,857,325	585,302,232
Profit for the period and total comprehensive income	—	—	—	—	27,974,278	27,974,278
Dividends paid (Note 6)	—	—	—	—	(45,000,000)	(45,000,000)
Balance as at 30 September 2016 (unaudited)	<u>450,000,000</u>	<u>40,477,627</u>	<u>24,772,271</u>	<u>6,195,009</u>	<u>46,831,603</u>	<u>568,276,510</u>
Balance as at 1 January 2017	450,000,000	40,477,627	28,820,340	6,195,009	55,289,944	580,782,920
H shares issued (Note 9)	150,000,000	13,939,564	—	—	—	163,939,564
Profit for the period and total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>32,014,277</u>	<u>32,014,277</u>
Balance as at 30 September 2017 (unaudited)	<u>600,000,000</u>	<u>54,417,191</u>	<u>28,820,340</u>	<u>6,195,009</u>	<u>87,304,221</u>	<u>776,736,761</u>

Condensed Statement of Cash Flow

For the nine months ended 30 September 2017

	Nine months ended 30 September	
	2017	2016
	(unaudited)	(unaudited)
	RMB	RMB
Net cash (used in)/generated from operating activities	(167,314,602)	64,195,365
Net cash used in investing activities	(1,529,829)	(24,663)
Net cash generated from/(used in) financing activities	179,452,153	(56,509,900)
Net increase in cash and cash equivalents	10,607,722	7,660,802
Cash and cash equivalents at the beginning of period	3,552,827	417,519
Effect of foreign exchange rate changes on cash and cash equivalents	—	—
Cash and cash equivalents at the end of period	14,160,549	8,078,321

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited financial statements have been prepared in accordance with the requirements of GEM Listing Rules, accounting principles comply with IFRSs, which include all standards and interpretations approved by the IASB and International Accounting Standards (the “IASs”) and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect.

The financial statements have not been audited by the Company’s auditors. The principal accounting policies and methods of computation used in preparing these results are consistent with those used in preparing the Company’s audited financial statements for the year ended 31 December 2016.

IASB has issued a number of new and revised International Financial Reporting Standards, International Accounting Standards and Interpretations (the “new and revised IFRS”). The Company has not early adopted the new and revised IFRS that have been issued but are not yet effective, as the Company is in the process of assessing the impact of these new and revised IFRS on the financial performance and financial position of the Company.

2. INTEREST INCOME

Interest income mainly represents the amounts received and receivable from loans receivable.

3. OTHER EXPENSE, NET

	Three months ended 30 September		Nine months ended 30 September	
	2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB	2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB
Fee and commission Expense	(3,414)	(7,339)	(17,730)	(18,010)
Loss from foreign exchange, net	(584,538)	—	(3,231,357)	—
Others	(4,177)	—	(14,177)	—
Total	<u>(592,129)</u>	<u>(7,339)</u>	<u>(3,263,264)</u>	<u>(18,010)</u>

Notes to the Condensed Financial Statements

4. ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB	2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB
Staff costs	1,075,375	1,133,343	2,794,396	2,898,280
Business tax and surcharges	141,970	39,387	334,300	924,271
Listing expenses	—	1,091,001	5,221,535	6,203,468
Depreciation and amortisation	210,304	371,591	613,170	1,153,611
Leasing expense	144,088	144,088	432,266	432,266
Office expenses	33,698	37,289	163,312	92,712
Auditor's remuneration	—	495,890	507,030	1,566,203
Advertising and entertainment Expenses	1,690,716	610,206	2,465,751	1,320,708
Service fees	604,237	—	1,114,816	—
Others	334,346	1,173,502	1,223,006	3,376,571
Total	4,234,734	5,096,297	14,869,582	17,968,090

5. INCOME TAX EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB	2017 <i>(unaudited)</i> RMB	2016 <i>(unaudited)</i> RMB
Current income tax	3,375,093	3,332,637	9,755,340	9,366,054
Deferred income tax	1,335,299	(202,918)	1,248,033	421,777
	4,710,392	3,129,719	11,003,373	9,787,831

Income tax expense for the nine-month period represents PRC Enterprise Income Tax.

6. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2017 (nine months ended 30 September 2016: RMB 45.0 million).

Notes to the Condensed Financial Statements

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue for the three months and nine months period ended 30 September 2017 as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	(unaudited)	<i>(unaudited)</i>	(unaudited)	<i>(unaudited)</i>
	RMB	<i>RMB</i>	RMB	<i>RMB</i>
Earnings				
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	13,689,156	8,121,929	32,014,277	27,974,278
	<u>13,689,156</u>	<u>8,121,929</u>	<u>32,014,277</u>	<u>27,974,278</u>
	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	(unaudited)	<i>(unaudited)</i>	(unaudited)	<i>(unaudited)</i>
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (i)	600,000,000	450,000,000	530,219,780	450,000,000
	<u>600,000,000</u>	<u>450,000,000</u>	<u>530,219,780</u>	<u>450,000,000</u>

(i) Weighted average number of ordinary shares

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	(unaudited)	<i>(unaudited)</i>	(unaudited)	<i>(unaudited)</i>
Issued ordinary shares at the beginning of the period	450,000,000	450,000,000	450,000,000	450,000,000
Weighted average number of ordinary shares at the end of the period	600,000,000	450,000,000	530,219,780	450,000,000
	<u>600,000,000</u>	<u>450,000,000</u>	<u>530,219,780</u>	<u>450,000,000</u>

There were no dilutive potential ordinary shares during the nine month period ended 30 September 2017, and therefore, diluted earnings per share are the same as the basic earnings per share.

Notes to the Condensed Financial Statements

8. LOANS RECEIVABLE

	As at 30 September 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
Loans receivables	801,265,449	599,381,140
Less: Allowance for impairment losses	(21,816,984)	(18,836,814)
Total	<u>779,448,465</u>	<u>580,544,326</u>

The types of loans receivable are as follow:

	As at 30 September 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
Guaranteed loans	740,759,214	518,850,072
Loans secured by mortgages	60,506,235	80,531,068
	801,265,449	599,381,140
Less: Allowance for impairment losses	(21,816,984)	(18,836,814)
	<u>779,448,465</u>	<u>580,544,326</u>

Movements of allowance for impairment losses during the relevant financial years are as follows:

	Individually assessed	Collectively assessed	Total
As at 1 January 2016	6,112,962	16,296,271	22,409,233
Charges/(reversals) for the year	1,244,141	(3,617,841)	(2,373,700)
Accreted interest on impaired loans	(1,198,719)	—	(1,198,719)
	<u>6,158,384</u>	<u>12,678,430</u>	<u>18,836,814</u>
As at 31 December 2016	6,158,384	12,678,430	18,836,814
Charges/(reversals) for the period	160,002	3,284,692	3,444,694
Accreted interest on impaired loans	(464,524)	—	(464,524)
	<u>5,853,862</u>	<u>15,963,122</u>	<u>21,816,984</u>
As at 30 September 2017	<u>5,853,862</u>	<u>15,963,122</u>	<u>21,816,984</u>

Notes to the Condensed Financial Statements

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

	30 September 2017			Total RMB
	Overdue within 3 months RMB	Overdue more than 3 to 12 months RMB	Overdue more than 1 year RMB	
Guaranteed loans	150,000	52,500	2,674,070	2,876,570
Loans secured by mortgages	—	77,119	6,491,000	6,568,119
Total	<u>150,000</u>	<u>129,619</u>	<u>9,165,070</u>	<u>9,444,689</u>

	31 December 2016			Total RMB
	Overdue within 3 months RMB	Overdue more than 3 to 12 months RMB	Overdue more than 1 year RMB	
Guaranteed loans	—	712,500	1,680,000	2,392,500
Loans secured by mortgages	87,570	250,000	7,338,680	7,676,250
Total	<u>87,570</u>	<u>962,500</u>	<u>9,018,680</u>	<u>10,068,750</u>

9. SHARE CAPITAL

	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)
Issued and fully paid ordinary shares of RMB1.00 each	<u>600,000,000</u>	<u>450,000,000</u>

Movements in the Company's share capital are as follows:

	Number of shares issued	Share capital RMB
At 1 January 2016 and 31 December 2016	450,000,000	450,000,000
Issuance of H shares	<u>150,000,000</u>	<u>150,000,000</u>
At 30 September 2017	<u>600,000,000</u>	<u>600,000,000</u>

On 8 May 2017, 150,000,000 ordinary shares of the Company of nominal value of RMB1.00 each were issued and listed on the GEM of the Stock Exchange. As at 30 September 2017, the share capital represented 600,000,000 ordinary shares of the Company of RMB 1.00 each.

Notes to the Condensed Financial Statements

10. RELATED PARTY DISCLOSURES

(i) Other receivables from related parties

	As at 30 September 2017 (unaudited) RMB	As at 31 December 2016 (audited) RMB
Key management personnel	<u>61,514</u>	<u>100,000</u>

Other receivables from related parties are interest-free and repayable on demand.

(ii) Leasing

	Nine months ended 30 September 2017 (unaudited) RMB	2016 (unaudited) RMB
Leasing expense	<u>393,750</u>	<u>393,750</u>

Leasing expense was paid to one of our controlling shareholders in respect of the Company's office. On 10 November 2014, the Company renewed the lease agreement with 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) to lease its premises as office and for operation of the Company, the leasing period is from 1 January 2015 to 31 December 2017. The leasing expense of year 2015 is RMB 500,000 with yearly increment of 5%. The leasing expense of nine months ended 30 September of 2017 is RMB 393,750 (nine months ended 30 September of 2016: RMB 393,750).

(iii) Key management personnel remuneration

	Nine months ended 30 September 2017 (unaudited) RMB	2016 (unaudited) RMB
Key management personnel remuneration	<u>862,352</u>	<u>851,990</u>

* For identification purpose only

Management Discussion and Analysis

BUSINESS REVIEW

During the nine months ended 30 September 2017, the Company continued to pursue business opportunities, strengthen its market position and achieve stable operating results. For the nine months ended 30 September 2017, the Company recorded gross interest income of approximately RMB 64.7 million, representing an increase of approximately 16.4% as compared to approximately RMB 55.6 million in the corresponding period in 2016; and profit after tax of approximately RMB 32.0 million, representing an increase of approximately 14.3% as compared to approximately RMB 28.0 million for the corresponding period in 2016. As at 30 September 2017, the Company's balance of outstanding loans (before allowance for impairment losses) was approximately RMB 801.3 million, representing an increase of approximately 33.7% as compared to approximately RMB 599.4 million as at 31 December 2016. Total assets as at 30 September 2017 were approximately RMB 800.7 million, representing an increase of approximately 33.9% as compared to approximately RMB 598.0 million as at 31 December 2016, and net assets were approximately RMB 776.7 million as at 30 September 2017, representing an increase of approximately 33.7% as compared to approximately RMB 580.8 million as at 31 December 2016.

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 nine months ended 30 September 2016 and 2017, we granted loans to 272 and 403 customers, respectively. The following table sets forth the number of customers to whom we have granted loans for the periods indicated:

	Nine months ended 30 September			
	2017		2016	
	<i>No. of Customers</i>	<i>%</i>	<i>No. of Customers</i>	<i>%</i>
Customer by type				
SMEs and microenterprises	28	6.9	17	6.2
Individual proprietors	375	93.1	255	93.8
Total	403	100.0	272	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 September 2017		As at 31 December 2016	
	RMB'000	%	RMB'000	%
Less than or equal to RMB0.5 million				
– Guaranteed loans	18,863	2.3	10,275	1.8
– Collateralized loans	5,612	0.7	8,470	1.4
	24,475	3.0	18,745	3.2
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	64,247	8.0	34,935	5.8
– Collateralized loans	2,533	0.3	5,549	0.9
	66,780	8.3	40,484	6.7
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	372,262	46.5	368,303	61.4
– Collateralized loans	14,174	1.8	17,288	2.9
	386,436	48.3	385,591	64.3
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	285,387	35.6	105,337	17.6
– Collateralized loans	38,187	4.8	49,224	8.2
	323,574	40.4	154,561	25.8
Total	801,265	100	599,381	100

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 (including loans granted before 1 January 2017) by security as at the dates indicated:

	As at 30 September 2017		As at 31 December 2016	
	RMB'000	%	RMB'000	%
Guaranteed loans	740,759	92.4	518,850	86.6
Collateralized loans	60,506	7.6	80,531	13.4
<i>included: Guaranteed and collateralized loans</i>	44,764	5.6	77,466	12.9
Total	801,265	100	599,381	100

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

	Nine months ended	
	30 September 2017 (unaudited)	2016 (unaudited)
Guaranteed loans	432	264
Collateralized loans	35	49
<i>included: Guaranteed and collateralized loans</i>	35	48
Total	467	313

Management Discussion and Analysis

ASSET QUALITY

The following table sets forth the balance of our outstanding loans by the “Five-Tier Principle” category as at the dates indicated:

	As at 30 September 2017		As at 31 December 2016	
	RMB'000	%	RMB'000	%
Normal	791,820	98.8	588,991	98.2
Special-Mention	150	0.0	409	0.1
Substandard	3,761	0.5	5,092	0.9
Doubtful	2,490	0.3	1,790	0.3
Loss	3,044	0.4	3,099	0.5
Total	801,265	100	599,381	100

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

	As at	As at
	30 September	31 December
	2017	2016
Impaired loan ratio	1.2%	1.7%
Balance of impaired loans (RMB'000)	9,295	9,981
Total amount of loans receivable (RMB'000)	801,265	599,381
	As at	As at
	30 September	31 December
	2017	2016
Allowance coverage ratio	234.7%	188.7%
Allowance for impairment losses (RMB'000)	21,817	18,837
Balance of impaired loans (RMB'000)	9,295	9,981
Provisions for impairment losses ratio	2.7%	3.1%
	As at	As at
	30 September	31 December
	2017	2016
Balance of overdue loans (RMB'000)	9,445	10,069
Total amount of loans receivable (RMB'000)	801,265	599,381
Overdue loan ratio	1.2%	1.7%

Management Discussion and Analysis

FINANCIAL REVIEW

Interest income

Our gross interest income increased by approximately 16.4% from approximately RMB 55.6 million for the nine months ended 30 September 2016 to approximately RMB 64.7 million for the nine months ended 30 September 2017. This increase was mainly attributable to an increase in the average daily balance of our loans receivable of approximately 15.8% from approximately RMB 582.4 million for the nine months ended 30 September 2016 to approximately RMB 674.6 million for the nine months ended 30 September 2017 and an increase in the effective interest rate per annum from 12.69% for the nine months ended 30 September 2016 to 12.74% for the nine months ended 30 September 2017, partially offset by the imposition of value – added tax (“VAT”) on our interest income in lieu of business tax with effect from 1 May 2016, as our interest income has been recognized net of applicable VAT starting from 1 May 2016.

Interest expense

Our interest expense decreased from RMB 0.6 million for the nine months ended 30 September 2016 to RMB 0.03 million for the nine months ended 30 September 2017, primarily due to the decrease in our average daily balance of borrowings from approximately RMB 6.9 million for the nine months ended 30 September 2016 to RMB 0.6 million for the nine months ended 30 September 2017.

Reversal/(accrual) of provision for impairment losses

We had reversal of provision for impairment losses of approximately RMB 0.8 million and accrual of provision for impairment losses of RMB 3.4 million for the nine months ended 30 September 2017, respectively. The accrual of provision for impairment losses for the nine months ended 30 September 2017 is primarily attributable to the increase in our balance of loans receivable.

Administrative expenses

Our administrative expenses decreased by approximately 17.2% from approximately RMB 18.0 million for the nine months ended 30 September 2016 to approximately RMB 14.9 million for the nine months ended 30 September 2017. This was primarily due to a decrease in auditor’s remuneration, business tax and surcharges.

Income tax expense

Income tax expense increased by approximately 12.2% from approximately RMB 9.8 million for the nine months ended 30 September 2016 to approximately RMB 11.0 million for the nine months ended 30 September 2017. Such increase was mainly attributable to an increase in deferred income tax of approximately RMB 0.8 million due to the increase in provision for impairment losses.

Management Discussion and Analysis

Material acquisitions or disposals of subsidiaries and affiliated companies

The Company has no material acquisition or disposal of subsidiaries and affiliated companies during the nine months ended 30 September 2017.

Foreign exchange 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 after Listing, the balance of which is approximately HKD 13.7 million as at 30 September 2017.

Liquidity, financial resources and capital structure

As at 30 September 2017, the Company had bank balances and cash of approximately RMB 14.2 million (31 December 2016: approximately RMB 3.6 million). The Company had interest-bearing borrowings amounted to RMB 10.0 million as at 30 September 2017 (31 December 2016: nil). The gearing ratio, representing the ratio of total borrowings to total assets of the Company, was 1.25% as at 30 September 2017 (31 December 2016: nil).

During the period under review, the Company did not use any financial instruments for hedging purposes.

Contingent liabilities

The Company did not have any material contingent liability in the nine months ended 30 September 2017 and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Company had 34 full-time employees (30 September 2016: 28 full-time employees). Quality of our employees is the most important factor in maintaining a sustained development and growth of the Company 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 our employees as an incentive. Total remuneration of the Company for the nine months ended 30 September 2017 was approximately RMB 2.8 million (for the nine months ended 30 September 2016: approximately RMB 2.9 million).

OUTLOOK

Following the listing of the Company's H shares (the "H Shares") on the Stock Exchange on 8 May 2017 (the "Listing"), the Company has deployed the net proceeds from the Listing to expand its loan business. Coupled with an enhanced brand influence, it is expected that the prospects of the company will remain positive.

Others

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 September 2017, interests or short positions of the Directors, supervisors (the "**Supervisors**") and chief executive of the Company and their associates in any of the shares (the "**Shares**") and debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") (Chapter 571 of the Laws of Hong Kong)), 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 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 share transaction as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM 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	Interest in controlled corporation ⁽⁴⁾	430,100,000	95.58%	71.68%
		Domestic Shares (L)		
Ms. Bai Li	Beneficial owner	10,000,000	2.22%	1.67%
		Domestic Shares (L)		
Mr. Zuo Yuchao	Beneficial owner	2,600,000	0.58%	0.43%
		Domestic Shares (L)		
Ms. Zhou Yinqing	Beneficial owner	700,000	0.16%	0.12%
		Domestic Shares (L)		

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 RMB 1.00 each, which are subscribed for and paid up in Renminbi by PRC nationals and/or PRC-incorporated entities).
- (3) The calculation is based on the total number of 600,000,000 Shares in issue.

- (4) 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 16.67% by Mr. Bo Nianbin, approximately 16.67% by Ms. Bai Li, approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) and approximately 16.67% by Ms. Zhu Wenyong (mother 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.

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⁾	16.67%
Mr. Bo Nianbin	Botai Group	Beneficial owner ⁽¹⁾	16.67%

Notes:

- (1) The disclosed interest represents the interests in Botai Group, the associated corporation which is wholly owned as to approximately 33.33% by Mr. Bo Wanlin, approximately 16.67% by Mr. Bo Nianbin, approximately 16.67% by Ms. Bai Li, approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) and approximately 16.67% by Ms. Zhu Wenyong (mother of Mr. Bo Wanlin).
- (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 September 2017, 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 or underlying Shares 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 Rules 5.46 to 5.68 of the GEM Listing Rules.

Others

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

As at 30 September 2017, so far as the Directors are aware, each of the following persons have 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	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	Interest in controlled corporation ⁽⁵⁾	430,100,000 Domestic Shares (L)	95.58% ⁽²⁾	71.68%
Ms. Wang Zhengru	Family interest of spouse ⁽⁶⁾	430,100,000 Domestic Shares (L)	95.58% ⁽²⁾	71.68%
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")	Beneficial owner	189,900,000 Domestic Shares (L)	42.20% ⁽²⁾	31.65%
Mr. Suen Cho Hung, Paul	Beneficial owner	54,000,000 (L) H Shares	36.00% ⁽⁷⁾	9.00%
Mr. Lai Ming Wai	Beneficial owner	8,458,000 (L) H Shares	5.64% ⁽⁷⁾	1.41%

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 15.00% by Mr. Bo Nianbin and approximately 10.00% by Ms. Zhu Wenying (mother of Mr. Bo Wanlin). Botai Group controls more than one-third of the voting rights of Liantai Guangchang and are deemed to be interested in its interest in the Company by virtue of the SFO.

* For identification purpose only

- (5) As at the date of this report, Botai Group is held as to approximately 33.33% by Mr. Bo Wanlin, approximately 16.67% by Mr. Bo Nianbin, approximately 16.67% by Ms. Bai Li, approximately 16.67% by Ms. Wang Zhengru (spouse of Mr. Bo Wanlin) and approximately 16.67% by Ms. Zhu Wenyong (mother 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) The calculation is based on the percentage of shareholding in the H Shares.

Save as disclosed above, as at 30 September 2017, 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.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the reporting period and up to the date of this report, at least 25% of the issued shares of the Company was held by public shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company did not purchase, sale or redeem any Shares since 8 May 2017 (being the first date of Listing) and up to the date of this report.

INTERESTS IN COMPETING BUSINESS

Directors' and Controlling Shareholders' Interest in Competing Business

As at the date of this report, each of Botai Group and Liantai Guangchang (both are our "**Controlling Shareholders**" (as defined in the GEM Listing Rules)) held 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**") as passive investors, and Botai Group 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**") 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; inter-bank 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.

Zhongcheng Bank principally engages in the Banking Business in Guangling District of Yangzhou City.

* For identification purposes only

Others

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 September 2017, none of the Controlling Shareholders, 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 11.04 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 January 2015 in accordance with Rules 5.28 to 5.33 of the GEM 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 our audit committee. The Audit Committee had reviewed the unaudited financial statements of the Company for the nine months ended 30 September 2017 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.

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 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 on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM 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 since 8 May 2017 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 was no significant event relevant to the business or financial performance of the Company that comes to the attention of the Directors after the nine months ended 30 September 2017.

INTEREST OF THE COMPLIANCE ADVISER

As confirmed by the Company's compliance adviser, China Galaxy International Securities (Hong Kong) Co., Limited (the "**Compliance Adviser**"), save for the compliance adviser agreement dated 16 August 2016 and the supplemental agreement dated 31 March 2017 entered into between the Company and the Compliance Adviser, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Company or in the share capital of any member of the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules during the reporting period.

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

Yangzhou, the PRC, 8 November 2017

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.

This report will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company (www.gltaihe.com).