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

2023

INTERIM REPORT

Contents

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 secretary

Mr. Lau Kwok Yin *(HKICPA, FCG HKFCS)*

Authorised representatives for the Stock Exchange of Hong Kong Limited

Mr. Bo Wanlin
Mr. Lau Kwok Yin (appointed on 28 June 2021)
Ms. Ching Suet Fan (alternate authorised representative to Mr. Lau Kwok Yin) (resigned on 30 June 2023)

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

DeHeng Law Offices (Hong Kong) LLP
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
17/F, Far East Finance Centre
16 Harcourt Road
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 2023, Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**", together with its subsidiaries (the "**Group**")) recorded interest income of approximately RMB26.1 million, representing a decrease of approximately 0.8% as compared to approximately RMB26.3 million in the corresponding period in 2022.

(2) For the six months ended 30 June 2023, loss after tax of the Group amounted to approximately RMB12.8 million, as compared with the loss after tax of approximately RMB2.9 million for the six months ended 30 June 2022. The increase in loss was primarily attributable to the continued downturn in the real estate and construction industries in Yangzhou City, which led to an increase in default of loan repayment by some of the Company's customers in such industries and an increase in provision for impairment loss.

(3) As at 30 June 2023, the balance of outstanding loans (before allowance for impairment losses) of the Group amounted to approximately RMB925.5 million, representing an increase of approximately 0.1% as compared to approximately RMB924.2 million as at 31 December 2022.

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2023, the Group continued to pursue business opportunities and strengthen its market position. For the six months ended 30 June 2023, the Group recorded interest income of approximately RMB26.1 million, representing a decrease of approximately 0.8% as compared to approximately RMB26.3 million in the corresponding period in 2022; and loss after tax of approximately RMB12.8 million, as compared with the loss after tax of approximately RMB2.9 million for the six months ended 30 June 2022. The increase in loss was primarily attributable to the continued downturn in the real estate and construction industries in Yangzhou City, which led to an increase in default of loan repayment by some of the Company's customers in such industries and an increase in provision for impairment loss. As at 30 June 2023, the Group's balance of outstanding loans (before allowance for impairment losses) amounted to approximately RMB925.5 million, representing an increase of approximately 0.1% as compared to approximately RMB924.2 million as at 31 December 2022. The total assets of the Group as at 30 June 2023 were approximately RMB884.6 million, representing a decrease of approximately 1.5% as compared to approximately RMB897.8 million as at 31 December 2022, and net assets were approximately RMB867.4 million as at 30 June 2023, representing a decrease of approximately 1.5%, as compared to approximately RMB880.2 million as at 31 December 2022.

The number of customers

Our customer base comprises primarily of individual proprietors in Yangzhou City. Our customers are engaged in a variety of industries, and a majority of which are under the classification of AFR (三農) (i.e. agriculture, farmers and rural areas or, as the case may be, individuals or organizations engaged in agricultural businesses and/or rural development activities, and/or residing in rural areas) of the People's Bank of China. We consider the diversity of industries and businesses of our customers, coupled with our relatively small individual loan size, can alleviate our risk of concentration and position us to better withstand periodic business and economic cycles of different industries. For the six months ended 30 June 2022 and 2023, we granted loans to 131 and 137 customers, respectively.

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 2023		As at 31 December 2022	
	RMB'000	*%*	*RMB'000*	*%*
Less than or equal to RMB0.5 million				
– Guaranteed loans	230	0.0	7,094	0.8
– Collateralized loans	68	0.0	73	0.0
– Unsecured loans	176	0.0	210	0.0
	474	0.1	7,377	0.8
Over RMB0.5 million but less than or equal to RMB1 million				
– Guaranteed loans	8,318	0.9	38,181	4.1
– Collateralized loans	—	—	640	0.1
	8,318	0.9	38,821	4.2
Over RMB1 million but less than or equal to RMB2 million				
– Guaranteed loans	144,515	15.6	187,746	20.3
– Collateralized loans	—	—	—	—
	144,515	15.6	187,746	20.3
Over RMB2 million but less than or equal to RMB3 million				
– Guaranteed loans	528,203	57.0	690,224	74.7
– Collateralized loans	—	—	—	—
	528,203	57.0	690,224	74.7
Over RMB3 million*				
– Guaranteed loans	243,981	26.4	—	—
– Collateralized loans	—	—	—	—
	243,981	26.4	—	—
Total	925,491	100.0	924,168	100.0

* We started to grant loans over RMB3 million per client in 2023 based on "Su Jin Jian Fa [2022] No 40" issued by the Financial Supervision Administration of Jiangsu province.

Loan portfolio by security

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

	As at 30 June 2023		As at 31 December 2022	
	RMB'000	*%*	*RMB'000*	*%*
Guaranteed loans	925,247	100.0	923,245	99.9
Collateralised loans	68	0.0	713	0.1
Unsecured loans	176	0.0	210	0.0
Total	925,491	100.0	924,168	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	
	2023	2022
Guaranteed loans	137	132
Collateralised loans	—	—
included: Guaranteed and collateralised loans	—	—
Unsecured loans	—	9
Total	137	141

Management Discussion and Analysis

Asset quality

With the aim of addressing credit risks that the Group is exposed to, we have put in place a standardised and centralised risk management system, and implemented the "separation of due diligence and approval (審貸分離)" policy.

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

Loan portfolio by "Five-Tier Principle" categories

	As at 30 June 2023		As at 31 December 2022	
	RMB'000	*%*	*RMB'000*	*%*
Normal	871,657	94.1	862,333	93.4
Special-Mention	7,964	0.9	32,722	3.5
Substandard	2,827	0.3	10,200	1.1
Doubtful	35,085	3.8	13,855	1.5
Loss	7,958	0.9	5,058	0.5
Total	925,491	100.0	924,168	100.0

The continued downturn in the real estate and construction industries in Yangzhou City led to an increase in default of loan repayment by some of the Company's customers in such industries. For details, please refer to the paragraph headed "Overview of loans impairment losses recognised" in this section.

Loan quality analysis

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

	As at 30 June 2023	As at 31 December 2022
Impaired loan ratio[1]	5.0%	3.2%
Balance of impaired loans *(RMB'000)*	45,870	29,113
Total amount of loans receivable *(RMB'000)*	925,491	924,168

	As at 30 June 2023	As at 31 December 2022
Allowance coverage ratio[2]	135.0%	162.7%
Allowance for impairment losses *(RMB'000)*[3]	61,942	47,354
Balance of impaired loans *(RMB'000)*	45,870	29,113
Provisions for impairment losses ratio[4]	6.7%	5.1%

BUSINESS REVIEW (continued)

Loan quality analysis (continued)

	As at 30 June 2023	As at 31 December 2022
Balance of overdue loans *(RMB'000)*	53,834	61,835
Total amount of loans receivable *(RMB'000)*	925,491	924,168
Overdue loan ratio[5]	5.8%	6.7%

Notes:

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

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

(3) 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 0.8% from approximately RMB26.3 million for the six months ended 30 June 2022 to approximately RMB26.1 million for the six months ended 30 June 2023. 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 to its customers. The Group's average daily balance of loans receivable increased from approximately RMB832.3 million for the six months ended 30 June 2022 to approximately RMB916.0 million for the six months ended 30 June 2023, mainly attributable to the fact that the Company recovered investment balance of approximately RMB79.7 million through capital decrease in an associate as at the end of 2022 and put it into loan business, thus leading to a slight increase in the daily balance of loans receivable. However, due to the adverse impact of the COVID-19 pandemic on China's local economy and the corresponding policy requirements, national banks increased their supporting efforts to small and micro enterprises and the effective interest rate of loans granted by the industry decreased at the same time. In order to protect the interest of shareholders and maintain market share, we lowered the effective interest rate of loans charged to our customers. Meanwhile, the effective interest rate per annum decreased from 6.3% for the six months ended 30 June 2022 to 5.7% for the six months ended 30 June 2023.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Interest expense

Our interest expense was RMB68,346 and RMB37,948 for the six months ended 30 June 2022 and 2023, respectively. Interest expense for the six months ended 30 June 2023 was from recognised lease liabilities related to the lease contracts in respect of our office.

Impairment losses on loans and account receivables and other assets

We had accrual of provision for impairment losses of approximately RMB22.0 million and RMB33.9 million for the six months ended 30 June 2022 and 2023, respectively. Such increase in accrual of provision for impairment losses was mainly due to the the continued downturn in the real estate and construction industries in Yangzhou city, which led to an increase in default of loan repayment by some of the Company's customers in such industries.

Overview of loans impairment losses recognized

The Company recorded impairments losses on loans receivable of RMB33.66 million for the six months ended 30 June 2023, the breakdown of the loan portfolio as at 30 June 2023 and impairments losses for the six months ended 30 June 2023 are as follows:

Item	Gross loan amount *(RMB million)*	Allowance for impairment losses at the end of 2022 *(RMB million)*	Net charge of the impairment for the six months ended 30 June 2023 *(RMB million)*	Net carrying amount of loans *(RMB million)*
Newly impaired loans incurred for the six months ended 30 June 2023	35.43	3.85	18.10	13.48
Loans impaired before 2023 [Note 1]	29.08	17.12	9.33	2.63
Loans which were not impaired [Note 2]	879.62	25.95	6.23	847.44
Total	944.13	46.92	33.66	863.55

Notes:

1. For loans impaired before 2023, the Company recognised impairment losses of RMB9.33 million in 2023 based on the latest status.

2. The Company collectively assessed the loans which were not impaired, and recorded impairment losses amounted to RMB6.23 million for such loans for the six months ended 30 June 2023.

FINANCIAL REVIEW (continued)

Overview of loans impairment losses recognized (continued)

As illustrated above, the impairment loss on loans receivable recognised for the six months ended 30 June 2023 is primarily attributable to the newly impaired loans incurred in 2023:

Overdue days	Number of borrowers	Number of loans	Gross loan amount *(RMB million)*	Net charge of the impairment for the six months ended 30 June 2023 *(RMB million)*	Interest rate range	Type of security
Overdue less than 3 months	1	1	2.83	1.10	7.2%	Guarantee
Overdue more than 3 months and less than 6 months	2	2	5.5	1.74	6.6%	Guarantee
Overdue more than 6 months and less than 12 months	11	11	27.10	15.26	6.0%-7.8%	Guarantee
Total	14	14	35.43	18.10		

When entering into the relevant loan and repayment agreements, the Company strictly implemented a standardised process, which is set out on the page 34 to 35 of 2022 annual report. The Company tracks loan status by monitoring loan repayments and routine post-loan inspection, and first became aware of the factors, events and circumstances leading to the impairments when the event of loan defaults occurred or post-loan inspection indicates any abnormality.

In summary, the main reason leading to the increase in loan impairment losses on the Company's loan business is due to the continued downturn in the real estate and construction industries in Yangzhou City, which led to an increase in default of loan repayment by some of the Company's customers in such industries.

Based on the analysis of the financial position of the borrowers, the method and priority of the recourse, credit enhancements (e.g., collaterals and financial guarantees), etc., the management assessed the credit risk of the borrowers and the expected credit losses, and considered that the above assessment of the provision ratio is reasonable. The Company has taken into account the expected net realisable value of these collateral in measurement of expected credit losses.

The Board also concluded that the impairment charges on impaired loans were fair and reasonable after considering supportable information that is available without undue cost or effort as at 30 June 2023 mainly by reviewing:

- the method of determining the amount of the impairments;
- the results of the loan five categories;
- the ratios of loan quality including provisions for impairment losses ratio and allowance coverage ratio; and
- the analysis of changes in the local market environment and the main reasons for borrowers' defaults, as well as their ability to repay.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Overview of loans impairment losses recognized (continued)

The detailed actions taken by the Company to ensure the recoverability of overdue loans are as follows:

In general, our customers are required to pay monthly interest on our loans and repay the principal amount of the loans upon maturity of the loan, and occasionally we may accept monthly instalments of part principal plus interest. To ensure timely payment, our account managers generally remind our customers of their payment obligations before the relevant due dates. We consider any loan with whole or part of principal and/or interest that was overdue for one day or more to be overdue.

When a loan principal is overdue; or any loan interest is still not repaid by the relevant month-end, our account manager will pay an on-site visit to remind the customer of the overdue situation, and assess the conditions and reasons for such overdue, make a preliminary assessment on the risk level, mitigation measures and the possibility of recovery of the loan, and report to the head of customer service department, the head of risk management department and our general manager.

If the overdue situation is not rectified after the visit and overdue continues for more than 20 days, our account manager together with a representative of our legal department will conduct another on-site visit to remind the default customer of his/her payment obligation.

If the overdue situation remains unresolved and continues for more than 45 days, we may arrange an on-site meeting with the default customer to negotiate a repayment plan for the overdue amount. If the customer persists in failing to follow through with the repayment plan, our risk management department and legal department will initiate the following steps to seek collection:

- having recourse to the guarantor: if repayment of a loan is guaranteed by a guarantor, we will demand the guarantor to repay the principal of the loan and any interests accrued thereon; or
- foreclosure of the collateral: for a loan secured by collateral, we will initiate foreclosure proceeding by applying to court to attach and preserve the collateral. Upon obtaining a favorable judgment, we will file an enforcement application with the court to realize the value of the collateral through auction or sale, and subsequently apply all or part of such value toward repayment of the loan.

Administrative expenses

Our administrative expenses decreased by approximately 37.0% from approximately RMB8.3 million for the six months ended 30 June 2022 to approximately RMB5.2 million for the six months ended 30 June 2023. Such decrease was primarily due to the corresponding decrease in the staff costs and marketing expense arising from the scaling-down business of the Group's subsidiaries.

Other income, net

We had net other income of RMB584,089 and RMB731,318 for the six months ended 30 June 2022 and 2023 respectively. Such increase was primarily due to the decrease in other expenses arising from the scaling-down business of the Group's subsidiaries.

Income tax benefit/(expense)

Income tax benefit was RMB3.4 million for the six months ended 30 June 2023, compared with the income tax expenses of RMB0.4 million for the six months ended 30 June 2022. The tax benefit was mainly due to the increase in the amount recognised for deferred tax assets.

FINANCIAL REVIEW (continued)

Loss after tax and total comprehensive income

As a result of the foregoing and in particular the increase in loan impairment losses, we recorded a loss after tax and total comprehensive income of approximately RMB12.8 million for the six months ended 30 June 2023 as compared to approximately RMB2.9 million for the six months ended 30 June 2022.

Significant investments

The Group has no significant investments during the six months ended 30 June 2023 and up to the date of this report.

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

The Group has no material acquisitions or disposals of subsidiaries, affiliated companies and joint ventures during the six months ended 30 June 2023 and up to the date of this report.

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

The Group has no specific future plans for material investments or capital assets during the six months ended 30 June 2023 and up to the date of this report.

Foreign exchange risk

The Group operates principally in the People's Republic of China (the "**PRC**") with only limited exposure to foreign exchange rate risk arising primarily from 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 2023, the Group did not have any outstanding hedge instruments.

Liquidity, financial resources and capital structure

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB2.0 million (31 December 2022: approximately RMB1.6 million). The Group's gearing ratio, representing the ratio of total net debt divided by capital and net debt, was nil as at 30 June 2023 (31 December 2022: nil).

During the six months ended 30 June 2023, 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 reporting period. The Group assesses its customers' credit and financial positions on an ongoing basis so as to minimize the credit risks. In order to control the liquidity risks, the Company would closely monitor the liquidity position of the Group to ensure its assets, liabilities and its liquidity structure would satisfy the funding needs from time to time.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Indebtedness and charges on assets

The balance of lease liability was RMB0.7 million as at 30 June 2023 (31 December 2022: approximately RMB0.7 million). The Group did not have any other indebtedness and charges on assets except for lease liability during the six months ended 30 June 2023.

Contingent liabilities

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

	As at 30 June 2023	As at 31 December 2022
Financial guarantee contracts *(RMB)*	53,500,000	3,500,000

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 2023 and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

MATERIAL LITIGATION AND ARBITRATION

As at 30 June 2023, the Group was not involved in any material litigation or arbitration.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 23 full-time employees (31 December 2022: 23 full-time employees). The quality of our employees is the most important factor in maintaining a sustained development and growth of the Group and to improve the profitability of the Group. We offer a base salary with bonuses based on our employees' performance, as well as benefits and allowances to all of our employees as an incentive. The total employees remuneration of the Group for the six months ended 30 June 2023 was approximately RMB1.8 million (for the six months ended 30 June 2022: approximately RMB3.2 million). The Company devotes adequate resources to staff training on professional skills, operation process, knowledge, corporate culture and morality in order to enhance our staff's abilities and the social influence of the Company, including staff induction trainings and several professional skill trainings after induction every year.

SHARE SCHEME

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

CORPORATE DEVELOPMENT STRAGEGIES AND OUTLOOK

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

The end of the COVID-19 pandemic helped to drive China's economic recovery as consumer and business activities are returning to normal. Meanwhile, the PRC government has launched a series of measures to boost enterprises' confidence in business development and improve their market expectations. Hence, it is expected that our customers will continue to have a lower risk of default in repayments. In the first half of 2023, the Group has been implementing more stringent cost control measures in order to reduce the expenditure and to achieve cost effectiveness, and continues to maintain stability of its businesses, including but not limited to making provision for impairment losses on loans and writing off non-performing loans at appropriate and acceptable reasonable levels so as to line with the ever changing economic development.

Looking ahead, the Group will continue to keep pace with the times, and seek opportunities to expand its business portfolio and diversify its revenue sources to create greater value for our customers, shareholders and investors.

Others

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

As at 30 June 2023, interests or short positions of 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 Transactions 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/Supervisor	Nature of interest	Number of Shares held[1]	Approximate shareholding percentage in the relevant class of Shares[2]	Approximate shareholding percentage in the total issued Shares[3]
Mr. Bo Wanlin	Interest in controlled corporation[4][5]	322,100,000 Domestic Shares (L)	71.58%	53.68%
Ms. Bai Li	Beneficial owner	10,000,000 Domestic Shares (L)	2.22%	1.67%
Mr. Zuo Yuchao	Beneficial owner	2,600,000 Domestic Shares (L)	0.58%	0.43%
Ms. Zhou Yinqing	Beneficial owner	700,000 Domestic Shares (L)	0.16%	0.12%

Others

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 number of 450,000,000 Domestic Shares (namely, ordinary shares in the Company's 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) in issue as at 30 June 2023.

(3) The calculation is based on the total number of 600,000,000 Shares in issue as at 30 June 2023.

(4) As at 30 June 2023, Jiangsu Botai Group Co., Ltd.* (江蘇柏泰集團有限公司) ("**Botai Group**") is directly interested in 180,200,000 Domestic Shares, representing approximately 40.04% shareholding interest in the relevant class of Shares 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). Mr. Bo Wanlin and 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 the Company by virtue of the SFO.

(5) As at 30 June 2023, 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 141,900,000 Domestic Shares, representing approximately 31.53% shareholding interest in the relevant class of Shares 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 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, and Mr. Bo Wanlin and Ms. Wang Zhengru (spouse of Mr. Bo Wanlin), 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 24 February 2021, Botai Group and Liantai Guangchang, the controlling shareholders (as defined in the Listing Rules) 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 RMB20,000,000 and RMB20,000,000 respectively.

Others

Associated Corporation

Director/Supervisor	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), respectively, as at 30 June 2023.

(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 2023, 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 to 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 2023, 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:

Shareholder	Nature of interest	Number of Shares held[1]	Approximate shareholding percentage in the relevant class of Shares	Approximate shareholding percentage in the total issued share of the Company[3]
Botai Group [8]	Beneficial owner	180,200,000 Domestic Shares(L)	40.04% [2]	30.03%
	Interest in controlled corporation[4]	141,900,000 Domestic Shares(L)	31.53% [2]	23.65%
Mr. Bo Wanlin	Interest in controlled corporation[4], [5]	322,100,000 Domestic Shares(L)	71.58% [2]	53.68%
Ms. Wang Zhengru	Family interest of spouse[6]	322,100,000 Domestic Shares(L)	71.58% [2]	53.68%
Liantai Guangchang[8]	Beneficial owner	141,900,000 Domestic Shares(L)	31.53% [2]	23.65%
Shenzhen Gangfutong Financial Information Services Co., Ltd. ("**Shenzhen Gangfutong**")	Beneficial owner	48,000,000 Domestic Shares(L)	10.67% [2]	8.00%
Ms. Zheng Jingyue	Interest in controlled Corporation[9]	48,000,000 Domestic Shares(L)	10.67% [2]	8.00%
	Beneficial owner	364,000 H Shares(L)	0.24% [7]	0.06%
Mr. Zhang Zhuo	Beneficial owner	30,000,000 Domestic Shares(L)	6.67% [2]	5.00%
	Beneficial owner	2,298,000 H Shares(L)	1.53% [7]	0.38%
Mr. Lu Qi	Beneficial owner	30,000,000 Domestic Shares(L)	6.67% [2]	5.00%

Others

Notes:

(1) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the relevant class of Shares.

(2) The calculation is based on the number of 450,000,000 Domestic Shares in issue as at 30 June 2023.

(3) The calculation is based on the total number of 600,000,000 Shares in issue as at 30 June 2023.

(4) As at 30 June 2023, 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 30 June 2023, 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 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.

(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 number of 150,000,000 H Shares in issue as at 30 June 2023.

(8) On 24 February 2021, Botai Group and Liantai Guangchang, the controlling shareholders (as defined in the Listing Rules) 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 RMB20,000,000 and RMB20,000,000 respectively.

(9) Ms. Zheng Jingyue had a corporate interest in 48,000,000 Domestic Shares by virtue of the interest of the Domestic Shares held by Shenzhen Gangfutong, which is indirect and beneficially owned by Ms. Zheng Jingyue.

Save as disclosed above, as at 30 June 2023, 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 24 February 2021, 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 RMB20,000,000 and RMB20,000,000 respectively. The pledged Domestic Shares represent approximately 24.8% of the aggregate Domestic Shares held by Botai Group and Liantai Guangchang, approximately 17.8% of the total number of Domestic Shares in issue, and approximately 13.3% of the total Shares in issue on 1 June 2023.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the six months ended 30 June 2023 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 2023.

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 the 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**").

Zhongcheng 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 Guangling District of Yangzhou.

For further details on the general information of Zhongcheng Bank and the reasons that the Directors are of the view that the competition between the principal businesses of 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 2023, 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 D.3.3 and D.3.7 of Part 2 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 to provide advice and comments to the Board. The Audit Committee consists of three independent non-executive Directors, being Mr. Chan So Kuen, Mr. Bao Zhenqiang and Mr. Wu Xiankun. Mr. Chan So Kuen currently serves as the chairman of the Audit Committee. The Audit Committee has reviewed this interim report and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 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 2023 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 to 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 2023 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 2023.

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

Yangzhou, the PRC, 24 August 2023

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 24 to 44, which comprises the condensed consolidated statement of financial position of Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month 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**") issued by the International Accounting Standards Board ("**IASB**"). 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* issued by the IASB. 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

24 August 2023

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

Six months ended 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June 2023 *(unaudited)*	2022 *(unaudited)*
Interest income	4	26,136,280	26,345,303
Interest expense	4	(37,948)	(68,346)
Interest income, net	4	26,098,332	26,276,957
Impairment losses on loans and account receivables and other assets		(33,896,751)	(21,964,558)
Impairment losses on goodwill		(2,059,114)	—
Reversal/(accrual) of provision for guarantee losses		(1,812,055)	901,877
Administrative expenses		(5,241,041)	(8,317,373)
Other revenues and gains		855,844	888,760
Other expenses		(124,526)	(304,671)
LOSS BEFORE TAX	5	(16,179,311)	(2,519,008)
Income tax benefit/(expense)	6	3,412,940	(371,619)
LOSS AFTER TAX AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(12,766,371)	(2,890,627)
ATTRIBUTABLE TO:			
Owners of the parent		(12,441,421)	(2,890,627)
Non-controlling interests		(324,950)	—
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic (RMB)		(0.02)	(0.00)
Diluted (RMB)		(0.02)	(0.00)

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Notes	As at 30 June 2023 *(unaudited)*	As at 31 December 2022 *(audited)*
ASSETS			
Cash and cash equivalents		1,992,503	1,639,818
Loans and accounts receivables	9	863,549,119	876,875,969
Equity investments designated at fair value through other comprehensive income		500,000	500,000
Goodwill	10	—	2,059,114
Intangible assets		10,128	14,295
Property and equipment	11	1,373,150	2,154,224
Deferred tax		13,746,367	9,471,916
Other assets	12	3,449,247	5,093,328
TOTAL ASSETS		884,620,514	897,808,664
LIABILITIES			
Deferred income		64,876	—
Contract liabilities		1,412	53,573
Income tax payable		1,997,173	1,818,345
Liabilities from guarantees	13	1,918,990	106,934
Lease liabilities		698,951	714,524
Other liabilities	14	12,514,639	14,924,444
TOTAL LIABILITIES		17,196,041	17,617,820
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	600,000,000	600,000,000
Reserves		113,204,683	113,204,683
Retained earnings		152,457,806	164,899,227
Equity attributable to owners of the parent		865,662,489	878,103,910
Non-controlling interests		1,761,984	2,086,934
TOTAL EQUITY		867,424,473	880,190,844
TOTAL EQUITY AND LIABILITIES		884,620,514	897,808,664

Bai Li
Director

Zhou Yinqing
Director

Condensed Consolidated Statement of Changes in Equity

Six months ended 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Attributable to owners of the parent							
		Reserves						
	Paid in capital	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total	Non-controlling interests	Total equity
At 1 January 2022	600,000,000	54,417,191	49,484,934	9,302,558	174,521,164	887,725,847	–	887,725,847
Loss for the period and total comprehensive income	–	–	–	–	(2,890,627)	(2,890,627)	–	(2,890,627)
At 30 June 2022 (unaudited)	600,000,000	54,417,191	49,484,934	9,302,558	171,630,537	884,835,220	–	884,835,220
At 1 January 2023	600,000,000	54,417,191	49,484,934	9,302,558	164,899,227	878,103,910	2,086,934	880,190,844
Loss for the period and total comprehensive income	–	–	–	–	(12,441,421)	(12,441,421)	(324,950)	(12,766,371)
At 30 June 2023 (unaudited)	600,000,000	54,417,191	49,484,934	9,302,558	152,457,806	865,662,489	1,761,984	867,424,473

Condensed Consolidated Statement of Cash Flows

Six months ended 30 June 2023

(Amounts expressed in RMB unless otherwise stated)

	Notes	Six months ended 30 June 2023 *(unaudited)*	Six months ended 30 June 2022 *(unaudited)*
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Loss before tax		(16,179,311)	(2,519,008)
Adjustments for:			
Depreciation and amortisation	11	769,101	947,707
Impairment losses on loans and accounts receivables and other assets	9/12	33,896,751	21,964,558
Impairment loss on goodwill	10	2,059,114	–
Accrual/(reversal) of provision for guarantee losses	13	1,812,055	(901,877)
Accreted interest on impaired loans	4	(435,527)	(510,843)
Net loss/(gain) on disposal of property and equipment and other assets		114,800	(6,773)
Interest expense	4	37,948	68,346
Foreign exchange gain net		(8)	(11)
Increase in loans receivable		(19,963,179)	(23,764,774)
Decrease/(increase) in other assets		1,358,088	(2,775,734)
Increase/(decrease) in other liabilities		(2,397,090)	3,681,947
Net cash flows from/(used in) operating activities before tax		1,072,742	(3,816,462)
Income tax paid		(682,683)	(1,225,802)
Net cash flows from/(used in) operating activities		390,059	(5,042,264)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchases of property and equipment and other long-term assets		(37,382)	(39,048)
Net cash flows used in investing activities		(37,382)	(39,048)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Net cash flows used in financing activities		–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		352,677	(5,081,312)
Cash and cash equivalents at beginning of the period		1,639,818	5,608,151
Effect of foreign exchange rate changes, net		8	11
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		1,992,503	526,850

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023

(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 subsidiaries (the "**Group**") include granting of loans to "Agriculture, Rural Areas and Farmers", and providing service of financial guarantees.

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.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023

(Amounts expressed in RMB unless otherwise stated)

1. CORPORATE AND GROUP INFORMATION (continued)

Information about the Company's principal subsidiaries

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

Name	Place of incorporation	Legal status	Issued registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hainan Luhang Lianche Technology Co., Ltd (海南路航鏈車科技有限公司) (Note (i))	the PRC/ Mainland China	limited liability company	RMB 100,000,000	100%	–	Internet and related services
Hainan Jialan Information Technology Co., Ltd. (海南迦藍信息技術有限責任公司) (Note (ii))	the PRC/ Mainland China	limited liability company	RMB 5,000,000	–	55%	Internet and related services
Shenzhen Qianhai Road Chain Car Technology Co., Ltd. (深圳前海路航鏈車科技有限公司) (Note (iii))	the PRC/ Mainland China	limited liability company	RMB 1,000,000	–	55%	Internet and related services
Shenzhen Taiyuan Biotechnology Co., Ltd. (深圳市泰源生物科技有限公司) (Note (iv))	the PRC/ Mainland China	limited liability company	RMB 90,000,000	100%	–	Internet, agricultural products, and related services
Shenzhen Herun Biotechnology Co., Ltd. (深圳和潤生物科技有限公司) (Note (v))	the PRC/ Mainland China	limited liability company	RMB 10,000,000	–	51%	Internet, agricultural products, and related services

(i) The subsidiary was established on 21 June 2021.

(ii) The subsidiary was acquired by Hainan Luhang Lianche Technology Co., Ltd on 12 October 2021.

(iii) The subsidiary was acquired by Hainan Jialan Information Technology Co., Ltd. on 7 June 2021.

(iv) The subsidiary was established on 6 February 2023.

(v) The subsidiary was acquired by Shenzhen Taiyuan Biotechnology Co., Ltd. on 16 February 2023.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023
(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 information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Sing Transaction*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023

(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 (continued)

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to IAS 12 did not have any impact on Group's interim condensed consolidated financial information since the Group has applied the amendments consistently.

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 2022.

4. INTEREST INCOME, NET

	Six months ended 30 June	
	2023	2022
Interest income on:		
Loans receivable	26,134,211	26,342,629
Cash at banks	2,069	2,674
Subtotal	26,136,280	26,345,303
Interest expense on:		
Lease liabilities	(37,948)	(68,346)
Subtotal	(37,948)	(68,346)
Interest income, net	26,098,332	26,276,957
Included: Interest income on impaired loans	435,527	510,843

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023

(Amounts expressed in RMB unless otherwise stated)

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
Impairment losses on loans and accounts receivables and other assets	33,896,751	21,964,558
Impairment loss on goodwill	2,059,114	–
Staff costs:		
Salaries, bonuses and allowances	1,529,910	2,724,047
Other social welfare	314,963	462,768
Depreciation of property, plant and equipment	509,158	647,189
Depreciation of right-of-use assets	255,776	296,351

6. INCOME TAX EXPENSE/(BENEFIT)

	Six months ended 30 June	
	2023	2022
Current income tax	861,511	1,341,334
Deferred income tax	(4,274,451)	(969,715)
	(3,412,940)	371,619

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

	Six months ended 30 June	
	2023	2022
Loss before tax	(16,179,311)	(2,519,008)
Tax at the applicable tax rate	(4,044,827)	(629,752)
Expenses not deductible for tax	198,146	194,358
Deductible losses	433,741	807,013
Total tax expense/(benefit) for the period at the Group's effective tax rate	(3,412,940)	371,619

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023

(Amounts expressed in RMB unless otherwise stated)

7. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2023 and 2022.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Six months ended 30 June	
	2023	2022
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	(12,441,421)	(2,890,627)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation (i)	600,000,000	600,000,000
Basic and diluted loss per share	(0.02)	(0.00)

(i) Weighted average number of ordinary shares

	Six months ended 30 June	
	2023	2022
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 during the reporting period, and therefore, the diluted loss per share amount is the same as the basic loss per share amount.

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(Amounts expressed in RMB unless otherwise stated)

9. LOANS AND ACCOUNTS RECEIVABLES

	As at 30 June 2023	As at 31 December 2022
Guaranteed loans	925,248,003	923,245,613
Collateral-backed loans	67,323	712,508
Unsecured loans	175,791	209,817
Loans receivable	925,491,117	924,167,938
Less: Allowance for impairment losses	61,941,998	47,354,190
Net loans receivable	863,549,119	876,813,748
Accounts receivable	—	64,181
Less: Allowance for impairment losses	—	1,960
Net accounts receivable	—	62,221
Total of loans and accounts receivables	863,549,119	876,875,969

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 2023			
Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	871,656,594	—	—	871,656,594
Special mention	—	7,963,969	—	7,963,969
Sub-standard	—	—	2,827,440	2,827,440
Doubtful	—	—	35,084,886	35,084,886
Loss	—	—	7,958,228	7,958,228
Total	871,656,594	7,963,969	45,870,554	925,491,117

	31 December 2022			
Internal rating grades	Stage 1	Stage 2	Stage 3	Total
Normal	862,333,174	—	—	862,333,174
Special mention	—	32,721,892	—	32,721,892
Sub-standard	—	—	10,200,000	10,200,000
Doubtful	—	—	13,854,646	13,854,646
Loss	—	—	5,058,226	5,058,226
Total	862,333,174	32,721,892	29,112,872	924,167,938

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9. LOANS AND ACCOUNTS RECEIVABLES (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 2022	862,333,174	32,721,892	29,112,872	924,167,938
New exposures	451,431,334	—	—	451,431,334
Exposure derecognised	(431,316,505)	(121,892)	(29,758)	(431,468,155)
Transfers to Stage 2	(7,963,969)	7,963,969	—	—
Transfers to Stage 3	(2,827,440)	(32,600,000)	35,427,440	—
Amounts written off	—	—	(18,640,000)	(18,640,000)
At 30 June 2023	871,656,594	7,963,969	45,870,554	925,491,117

	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs)	Stage 3 (Lifetime ECLs – impaired)	Total
Outstanding exposure as at 31 December 2021	792,501,256	12,477,113	32,914,312	837,892,681
New exposures	862,340,006	—	—	862,340,006
Exposure derecognised	(726,111,587)	(2,477,113)	(9,247,397)	(737,836,097)
Transfers to Stage 2	(32,728,724)	32,728,724	—	—
Transfers to Stage 3	(33,667,777)	(10,006,832)	43,674,609	—
Amounts written off	—	—	(38,228,652)	(38,228,652)
At 31 December 2022	862,333,174	32,721,892	29,112,872	924,167,938

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9. LOANS AND ACCOUNTS RECEIVABLES (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 2022	26,346,594	3,759,619	17,247,977	47,354,190
Net charge of the impairment	5,248,534	676,691	27,738,110	33,663,335
Transfers to Stage 2	(243,321)	243,321	—	—
Transfers to Stage 3	(86,386)	(3,759,528)	3,845,914	—
Accreted interest on impaired loans (Note 4)	—	—	(435,527)	(435,527)
Amounts written off	—	—	(18,640,000)	(18,640,000)
At 30 June 2023	31,265,421	920,103	29,756,474	61,941,998

	Stage 1 (12-month ECLs)	Stage 2 (Lifetime ECLs)	Stage 3 (Lifetime ECLs – impaired)	Total ECL Allowance
ECLs as at 31 December 2021	19,137,422	1,312,561	14,397,838	34,847,821
Net charge of the impairment	8,682,167	1,973,829	40,802,664	51,458,660
Transfers to Stage 2	(790,381)	790,381	—	—
Transfers to Stage 3	(682,614)	(317,152)	999,766	—
Accreted interest on impaired loans	—	—	(723,639)	(723,639)
Amounts written off	—	—	(38,228,652)	(38,228,652)
At 31 December 2022	26,346,594	3,759,619	17,247,977	47,354,190

(Amounts expressed in RMB unless otherwise stated)

10. GOODWILL

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	RMB
Gross carrying amount	
At 1 January 2023	2,059,114
Acquisition of a subsidiary	—
At 30 June 2023	2,059,114
Accumulated impairment losses	
At 1 January 2023	—
Impairment losses recognised during the period	(2,059,114)
At 30 June 2023	(2,059,114)
Net book value	
At 1 January 2023	2,059,114
At 30 June 2023	—

Goodwill arose from the acquisition of Hainan Luhang Lianche Technology Co., Ltd. in 2021. Hainan Luhang Lianche Technology Co., Ltd. and its subsidiaries primarily provided online platform which connects consumers and merchants through technology, as well as offer automotive services, including fueling, maintenance, cleaning and repair service to address car owners' diverse service needs. Online platform business was reviewed as one cash-generating units("**CGU**"). The recoverable amount of the CGU is determined based on value-in-use calculation, which requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Another key assumption for the value in use calculated is budgeted gross margin, which is determined based on the CGU's past performance and management expectations for the market development.

In the opinion of the management, due to poor performance of the business over the last period, impairment loss of approximately RMB2.06 million (2022: RMB Nil) was recognised on goodwill.

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11. PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures and furniture	Leasehold improvements	Right-of-use asset	Total
Cost:					
At 1 January 2022	2,204,886	1,904,135	10,710,434	3,955,690	18,775,145
Additions	–	5,840	42,648	–	48,488
Decrease	(293,009)	–	–	(1,367,408)	(1,660,417)
At 31 December 2022	1,911,877	1,909,975	10,753,082	2,588,282	17,163,216
Additions	–	1,584	35,797	–	37,381
Decrease	–	–	–	(53,521)	(53,521)
At 30 June 2023	1,911,877	1,911,559	10,788,879	2,534,761	17,147,076
Accumulated depreciation:					
At 1 January 2022	1,808,763	1,153,320	8,854,357	1,700,289	13,516,729
Depreciation charge for the year	243,514	261,816	758,887	558,260	1,822,477
Decrease	(140,400)	–	–	(189,814)	(330,214)
At 31 December 2022	1,911,877	1,415,136	9,613,244	2,068,735	15,008,992
Depreciation charge for the period	–	130,447	378,711	255,776	764,934
At 30 June 2023	1,911,877	1,545,583	9,991,955	2,324,511	15,773,926
Net carrying amount:					
At 31 December 2022	–	494,839	1,139,838	519,547	2,154,224
At 30 June 2023	–	365,976	796,924	210,250	1,373,150

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12. OTHER ASSETS

		As at 30 June 2023	As at 31 December 2022
Prepayments		114,909	3,191,740
Other receivables	(i)	3,418,437	619,692
Inventories		146,201	146,201
Repossessed asset	(ii)	—	1,194,800
Less: Allowance for doubtful debt		84,099	59,105
Write down of inventories to net realizable value	(iii)	146,201	—
		3,449,247	5,093,328

Notes:

(i) Other receivables are mainly receivables from cooperation parties.

(ii) The repossessed assets are properties located at Yangzhou City, Jiangsu Province in the PRC. The Company has auctioned the repossessed asset during the period.

Movements of allowance for doubtful debts are as follows:

	Six months ended 30 June 2023	2022
At beginning of the period/year	59,105	5,877
Charge for the period/year	24,994	107,289
Amount written off as uncollectible	—	(54,061)
At end of the period/year	84,099	59,105

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

(Amounts expressed in RMB unless otherwise stated)

12. 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.

Ageing analysis	30 June 2023			
	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	2,818,507	82.45%	—	—
91 to 365 days	508,681	14.88%	1,840	0.36%
Over 365 days	91,249	2.67%	82,259	90.15%
Total	3,418,437	100.00%	84,099	2.46%

Ageing analysis	31 December 2022			
	Gross carrying amount		Expected credit loss	
	Amount	Percentage	Amount	Expected credit loss rate
Up to 90 days	511,307	82.51%	—	0.00%
91 to 365 days	66,150	10.67%	21,870	33.06%
Over 365 days	42,235	6.82%	37,235	88.16%
Total	619,692	100.00%	59,105	9.54%

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13. 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 2021	1,004,562	1,004,562
New exposure	—	—
Exposure derecognised	(897,628)	(897,628)
At 31 December 2022	106,934	106,934
New exposure	1,812,056	1,812,056
Exposure derecognised	—	—
At 30 June 2023	1,918,990	1,918,990

14. OTHER LIABILITIES

	As at 30 June 2023	As at 31 December 2022
Employee payables	6,704,113	6,344,113
Accrued expenses	600,000	2,005,190
Payrolls payable	354,847	656,780
Other tax payables	655,018	654,181
Other payables	4,200,661	5,264,180
	12,514,639	14,924,444

15. SHARE CAPITAL

	As at 30 June 2023	As at 31 December 2022
Issued and fully paid	600,000,000	600,000,000

No movement occurred during the period of six-months ended 30 June 2023. (2022: There were no movements).

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16. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Lease liabilities	Total
At 1 January 2022	2,555,624	2,555,624
Adjustment of fixed payment amount	(1,249,123)	(1,249,123)
Repayment of lease liabilities	(554,688)	(554,688)
Interest expense	108,023	108,023
Repayment of interest expense	(145,312)	(145,312)
At 31 December 2022	714,524	714,524
Adjustment of fixed payment amount	(53,521)	(53,521)
Interest expense	37,948	37,948
At 30 June 2023	698,951	698,951

(b) Leasing

		Six months ended 30 June	
	Notes	2023	2022
Depreciation of right-of-use asset	(i)	255,776	257,639
Interest expense on lease liabilities	(i)	37,948	56,381

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 2023 were RMB 37,948 and RMB 255,776, respectively (six months ended 30 June 2022: RMB 56,381 and RMB 257,639).

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17. RELATED PARTY TRANSACTIONS

(a) Key management personnel's remuneration

	Six months ended 30 June	
	2023	2022
Key management personnel's remuneration	660,112	596,134

(b) Outstanding balances with related parties

Amounts due to related parties	Notes	As at 30 June 2023	As at 31 December 2022
Entity with significant influence over the Group:			
Liantai Guangchang	(i)	698,951	714,524
Total		698,951	714,524

Notes:

(i) As at 30 June 2023, the outstanding balance of the Group's lease liability due to Jiangsu Liantai Fashion Shopping Mall Real Estate Co., Ltd. ("**Liantai Guangchang**") was RMB 698,951 (as at 31 December 2022: RMB 714,524).

18. 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.

19. CONTINGENT LIABILITIES

The amounts included below for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee:

	As at 30 June 2023	As at 31 December 2022
Financial guarantee contracts	53,500,000	3,500,000

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(Amounts expressed in RMB unless otherwise stated)

20. 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 which carried at cost or amortised cost mainly include cash at banks and from a third party, and loans receivable. The Group's financial liabilities mainly include lease liabilities and other payables. Due to the short remaining period or periodical repricing to reflect the market price, the carrying amounts of these financial assets and liabilities approximate to their fair values.

The fair value of unlisted equity investment designated at FVOCI was measured at the end of the reporting period on a recurring basis and classified as level 3 as defined in IFRS 13 Fair Value Measurement. The valuations of unlisted equity investment designated at FVOCI as at 30 June 2023 was conducted with reference to the carrying value of the net asset value of the investment based on the cost approach by management.

During the period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: nil). The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

21. EVENTS AFTER THE REPORTING PERIOD

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

22. 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 24 August 2023.