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China Success Finance Group Holdings Limited
(中國金融發展(控股)有限公司)

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3623)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		
	2017	2016	Change In %
	(RMB '000)	(RMB'000)	
REVENUE	51,206	54,564	-6.2%
OTHER REVENUE	2,074	1,317	57.5%
PROFIT BEFORE TAXATION	26,034	18,701	39.2%
PROFIT FOR THE PERIOD	15,475	13,072	18.4%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,404	13,974	-11.2%
EARNING PER SHARE (RMB PER SHARE)	0.03	0.03	0.0%
	AS AT	AS AT	
	30 JUNE	31 DECEMBER	
	2017	2016	
TOTAL ASSETS	1,007,696	991,100	1.7%
TOTAL EQUITY	960,776	956,316	0.5%

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Success Finance Group Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016. The interim financial information for the six months ended 30 June 2017 has not been audited, but has been reviewed by the audit committee (the “**Audit Committee**”) of the Company and the external auditor.

Consolidated statement of profit or loss for the six months ended 30 June 2017
— unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income		26,744	39,069
Less: interest expenses		<u>(79)</u>	<u>—</u>
Net interest income		<u>26,665</u>	<u>39,069</u>
Service fee from consulting services		<u>18,469</u>	<u>9,077</u>
Guarantee income		5,993	6,418
Less: re-guarantee fee		<u>(658)</u>	<u>(260)</u>
Net guarantee fee income		<u>5,335</u>	<u>6,158</u>
Revenue	3	50,469	54,304
Other revenue	4	2,074	1,317
Impairment and provision charged	5(a)	(2,513)	(10,718)
Operating expenses		(24,528)	(24,255)
Share of profits/(losses) of associates		<u>532</u>	<u>(1,947)</u>
Profit before taxation	5	26,034	18,701
Income tax	6(a)	<u>(10,559)</u>	<u>(5,629)</u>
Profit for the period		<u>15,475</u>	<u>13,072</u>
Attributable to:			
Equity shareholders of the Company		14,143	12,787
Non-controlling interests		<u>1,332</u>	<u>285</u>
Profit for the period		<u>15,475</u>	<u>13,072</u>
Earnings per share (RMB per share)			
Basic	7	<u>0.03</u>	<u>0.03</u>
Diluted	7	<u>0.03</u>	<u>0.03</u>

**Consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2017 — unaudited**

(Expressed in Renminbi)

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	15,475	13,072
Other comprehensive income for the period that may be reclassified subsequently to profit or loss (after tax: Nil)		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	<u>(3,071)</u>	<u>902</u>
Total comprehensive income for the period	<u><u>12,404</u></u>	<u><u>13,974</u></u>
Attributable to:		
Equity shareholders of the Company	11,072	13,689
Non-controlling interests	<u>1,332</u>	<u>285</u>
Total comprehensive income for the period	<u><u>12,404</u></u>	<u><u>13,974</u></u>

Consolidated statement of financial position at 30 June 2017 — unaudited
(Expressed in Renminbi)

	<i>Note</i>	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
Assets			
Cash and bank deposits	8	67,076	157,840
Pledged bank deposits	9	108,952	119,043
Available-for-sale financial assets	10	7,907	—
Trade and other receivables	11	449,223	344,948
Factoring receivable	12	93,446	92,269
Finance lease receivable	13	169,442	165,428
Interest in associates	15	108,051	107,519
Equipment	16	2,393	2,890
Intangible assets		23	28
Deferred tax assets	17(c)	<u>1,183</u>	<u>1,135</u>
Total assets		<u>1,007,696</u>	<u>991,100</u>
Liabilities			
Liabilities from guarantees	18	10,530	9,179
Customer pledged deposits received	19	65	67
Interest-bearing borrowing	20	5,063	—
Accruals and other payables	21	16,868	9,871
Receipts in advance	22	617	36
Current tax liabilities	17(a)	10,633	10,063
Obligations under finance leases	23	597	687
Deferred tax liabilities	17(c)	<u>2,547</u>	<u>4,881</u>
Total liabilities		<u>46,920</u>	<u>34,784</u>
NET ASSETS		<u>960,776</u>	<u>956,316</u>
CAPITAL AND RESERVES			
Share capital	25(b)	4,241	4,241
Reserves	25	<u>951,333</u>	<u>948,216</u>
Total equity attributable to equity shareholders of the Company		955,574	952,457
Non-controlling interests		<u>5,202</u>	<u>3,859</u>
TOTAL EQUITY		<u>960,776</u>	<u>956,316</u>

Notes

(Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 30 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report comprises the Company and its subsidiaries (together referred to as the “**Group**”). This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

2 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Revenue

The principal activities of the Group are the provision of guarantees, financial leasing, factoring and financial consultancy services. The amount of each significant category of revenue recognised during the period is as follows:

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income			
Interest income from receivables from guarantee payments	(a)	16,981	25,472
Interest income from finance leasing		6,084	8,753
Interest income from factoring		3,679	1,931
Interest income from down payments for investments		—	2,913
Less: interest expenses		<u>(79)</u>	<u>—</u>
Net interest income		<u>26,665</u>	<u>39,069</u>
Service fee from consulting services		<u>18,469</u>	<u>9,077</u>
Guarantee fee income			
- Income from financial guarantees		3,581	5,929
- Income from litigation guarantees		25	127
- Income from performance guarantees		2,387	362
Less: re-guarantee fee		<u>(658)</u>	<u>(260)</u>
Net guarantee fee income		<u>5,335</u>	<u>6,158</u>
Total		<u>50,469</u>	<u>54,304</u>

During the six months ended 30 June 2017, the percentage of the Group's largest single customer's revenue was 37.20% of the Group's revenue (six months ended 30 June 2016: 43.6%); while the percentage of the Group's top 5 customers' revenue was 78.18% (six months ended 30 June 2016: 75.49%).

- (a) Pursuant to the agreements signed by the Group and guarantee customers, an aggregate interest income amounted to RMB16,981,000 was charged as interests of receivables from guarantee payments (six months ended 30 June 2016: RMB25,472,000).

4 Other revenue

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits		684	1,312
Government grants	(a)	634	—
Gain from disposal of non-current assets	11(e)	734	—
Others		<u>22</u>	<u>5</u>
Total		<u>2,074</u>	<u>1,317</u>

- (a) Guangdong Success Finance Guarantee Company Limited (“**Success Guarantee**”) received funding support mainly from the Office of People’s Government of Nanhai District of Foshan City. The entitlements of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to grant financial assistance to small and medium enterprises. For the six months ended 30 June 2017, RMB274,000 (six months ended 30 June 2016: nil) of the government grants were rewarded to Success Guarantee for guarantee expense.

Foshan Success Financial Services Outsourcing Limited (“**Success Financial Services**”) received funding support mainly from the Office of People’s Government of Chancheng District of Foshan City. The entitlements of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to grant financial assistance to financial enterprises located in Chancheng. For the six months ended 30 June 2017, RMB360,000 (six months ended 30 June 2016: nil) of the government grants were rewarded to Success Financial Services.

5 Profit before taxation

Profit before taxation is arrived at after charged/(credited):

- (a) *Impairment and provision charged*

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Provision charged/(written back) for guarantees issued	18(a)	132	(923)
Impairment provision charged for			
- receivables from guarantee payments	11(b)(i)	2,211	11,278
- factoring receivable	12(b)	35	355
- finance lease receivable	13(b)	<u>135</u>	<u>8</u>
Total		<u>2,513</u>	<u>10,718</u>

(b) *Staff costs*

	<i>Note</i>	Six months ended 30 June	
		2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits		12,645	9,636
Contributions to defined contribution retirement plan		329	476
Equity-settled share-based payment expenses	24	<u>204</u>	<u>939</u>
Total		<u><u>13,178</u></u>	<u><u>11,051</u></u>

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees’ salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligations for payments of retirement or other post-retirement benefits of employees other than the contributions described above.

(c) *Other items*

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation	447	328
Operating lease charges in respect of leasing of properties	4,305	3,790
Auditors’ remuneration	814	698
Net foreign exchange (gain)/loss	<u>(393)</u>	<u>469</u>

6 **Income tax in the consolidated statement of profit or loss**

(a) *Taxation in the consolidated statement of profit or loss represents:*

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax for the period	12,876	9,902
Under-provision/(over-provision) in respect of prior years	65	(956)
Deferred tax		
Origination and reversal of temporary differences	<u>(2,382)</u>	<u>(3,317)</u>
Total	<u><u>10,559</u></u>	<u><u>5,629</u></u>

(b) *Reconciliation between tax expense and accounting profit at applicable tax rates:*

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u><u>26,034</u></u>	<u><u>18,701</u></u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	10,318	6,327
Effect of using the deductible losses for which no deferred tax asset was recognised in prior years	—	(102)
Effect of non-deductible expenses	176	360
Under-provision/(over-provision) in respect of prior years	<u>65</u>	<u>(956)</u>
Actual tax expense	<u><u>10,559</u></u>	<u><u>5,629</u></u>

- (i) Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiary located in Hong Kong as the Company and the subsidiary has not derived any income subject to Hong Kong Profits Tax during the period.
- (iii) According to the PRC Corporate Income Tax (“CIT”) Law, the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

(iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of the PRC subsidiaries amounted to RMB200,326,000 as at 30 June 2017 (as at 31 December 2016: RMB166,062,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB14,143,000 (six months ended 30 June 2016: RMB12,787,000) and the weighted average of 530,805,000 ordinary shares (six months ended 30 June 2016: 474,915,000 shares).

Weighted average number of ordinary shares

	Six months ended 30 June	
	2017	2016
	<i>'000</i>	<i>'000</i>
Issued ordinary shares at 1 January	530,805	474,914
Effect of shares issued by share option exercised	<u>—</u>	<u>1</u>
Weighted average number of ordinary shares at 30 June	<u>530,805</u>	<u>474,915</u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share for the period ended 30 June 2017 does not assume the exercise of the Company's share options as the effect is anti-dilutive. The calculation of diluted earnings per share for the period ended 30 June 2016 is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,787,000 and the weighted average of 476,050,000 ordinary shares after adjusting for the Company's share options granted.

During the six months ended 30 June 2017, there were no dilutive potential ordinary shares issued.

8 **Cash and bank deposits**

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits and term deposits with banks with original maturity less than three months	57,714	156,086
Bank deposit with original maturity over three months	—	1,600
Restricted funds for dividends payables	9,214	—
Restricted customer pledged deposits	65	67
Cash in hand	<u>83</u>	<u>87</u>
Cash and bank deposits in the consolidated statement of financial position	67,076	157,840
Bank deposit with original maturity over three months	—	(1,600)
Restricted customer pledged deposits	(65)	(67)
Restricted funds for dividends payables	<u>(9,214)</u>	<u>—</u>
Cash and cash equivalents in the consolidated cash flow statement	<u><u>57,797</u></u>	<u><u>156,173</u></u>

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011. The arrangements include: (i) enter into tripartite custodian agreement among lending bank, customer and the Group for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the customer into a designated custodian bank account; and (iii) such deposit is not available for use by the Group.

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 30 June 2017 and 31 December 2016, customer pledged deposits of RMB60,000 and RMB62,000, respectively, were deposited into a designated bank account under two tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts. As at 30 June, the restricted customer pledged deposits received were maintained as follows:

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Designated custodian bank accounts	60	62
The Group's bank accounts	<u>5</u>	<u>5</u>
Total	<u><u>65</u></u>	<u><u>67</u></u>

9 Pledged bank deposits

Pledged bank deposits represent the deposits pledged to banks for the financial guarantees that the Group provides to the customers for their borrowings from banks.

10 Available-for-sale financial assets

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount:			
Unlisted equity investment	11(e)	<u>7,907</u>	<u>—</u>
		<u><u>7,907</u></u>	<u><u>—</u></u>

11 Trade and other receivables

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Receivables from guarantee payments	(i)	264,654	227,380
Less: allowances for doubtful debts	(a)/(b)(i)	<u>(13,722)</u>	<u>(11,511)</u>
		250,932	215,869
		-----	-----
Trade debtors from guarantees		42	195
Trade debtors from consultancy services		18,007	10,573
Interest receivable from receivables from guarantee payments		<u>18,000</u>	<u>—</u>
		36,049	10,768
		-----	-----
Trade receivables		286,981	226,637
Down payments for investments	(ii)	89,850	74,850
Deposit and other receivables (Net of impairment provision)	(d)/(b)(ii)	59,139	24,048
Amounts due from related parties		<u>2,734</u>	<u>2,734</u>
		438,704	328,269
Prepayments to a related party	(e)	—	6,107
Deferred expenses		5,636	5,964
Prepayment for re-guarantee fees		1,208	903
Repossessed assets		433	443
Others		<u>3,242</u>	<u>3,262</u>
Total		<u>449,223</u>	<u>344,948</u>

- (i) Receivables from guarantee payments represented payment made by the Group to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurred because the customers fail to make payment when due in accordance with the terms of the corresponding debt instruments. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers.

During the six months ended 30 June 2017, the Group did not dispose of receivables from guarantee payments. During the year ended 31 December 2016, the Group disposed of receivables from guarantee payments amounted to RMB 36,910,000 (with allowances for doubtful debts of RMB 1,980,000), without recourse at consideration amounted to RMB 34,930,000.

- (ii) Down payments for investments represented the down payments for the acquisition projects that the Group is conducting.

(a) *Ageing analysis*

As of the end of the reporting period, the aging analysis of trade receivables, based on receivables recognition date or advance payment date, is as follows:

	<i>Note</i>	At 30 June 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
Within 1 month		33,739	1,506
Over 1 month but less than 3 months		5,251	5,860
Over 3 months but less than 1 year		81,191	93,278
More than 1 year		<u>180,522</u>	<u>137,504</u>
Total		300,703	238,148
Less: allowance for doubtful debts	(b)	<u>(13,722)</u>	<u>(11,511)</u>
Total		<u><u>286,981</u></u>	<u><u>226,637</u></u>

(b) *Impairment of trade and other receivables*

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly.

(i) The movement in the allowance for receivables from guarantee payments during the period is as follows:

	<i>Note</i>	At 30 June 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
At 1 January		11,511	12,797
Charged	5(a)	2,211	3,972
Written off		—	(3,278)
Disposal during the period/year		<u>—</u>	<u>(1,980)</u>
At 30 June/31 December		<u><u>13,722</u></u>	<u><u>11,511</u></u>

At 30 June 2017, the Group's debtors of RMB39,987,000 (31 December 2016: RMB 31,765,000) were individually determined to be impaired. The individually impaired receivables were related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for the doubtful debts were recognised.

(ii) The movement in the allowances for other receivables during the period is as follows:

At 30 June 2017 and 31 December 2016, the Group's other receivables of RMB6,100,000 were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, specific allowances for the doubtful debts were recognised with consideration of fair value of those debtors' own assets. Based on the management's assessment as at 30 June 2017, there were no changes in the allowance for other receivables during the six months ended 30 June 2017.

(c) *Trade receivables that are not impaired*

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	21,368	3,484
Less than 3 months past due	20,948	8,016
More than 3 months but less than 12 months past due	71,441	84,987
More than 12 months	<u>146,959</u>	<u>109,896</u>
Total	<u><u>260,716</u></u>	<u><u>206,383</u></u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

(d) *Deposit and other receivables (Net of impairment provision)*

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Deposit and other receivables	65,239	30,148
Less: allowances for other receivables	<u>(6,100)</u>	<u>(6,100)</u>
	<u><u>59,139</u></u>	<u><u>24,048</u></u>

(e) *Prepayments to a related party*

On 6 April 2012, Success Guarantee entered into an agreement with Foshan Success Finance Group Co., Ltd. (“**Foshan Finance**”). On 12 October 2012, Guangdong Success Asset Management Company Limited (“**Success Asset**”) entered into a tripartite agreement with Foshan Finance and a third party, who is a property developer. These agreements are related to acquisition of properties from Foshan Finance by Success Guarantee and Success Asset at a total consideration of RMB54,300,000. The properties are floors of a commercial building located in Foshan, the PRC, and will be held for own use by the Group. According to the agreements, Foshan Finance acts as the representative to lead the whole tender and development process, while the construction of the commercial building is subcontracted to the property developer by Foshan Finance. The properties will be transferred to the Group upon the expected date of completion of the construction in 2016. On 21 October 2013, Success Guarantee entered into a supplementary agreement with Foshan Finance, and Success Asset entered into a supplementary tripartite agreement with Foshan Finance and the property developer. On 23 October 2013, the prepayments of RMB20,893,000 and RMB27,300,000 was refunded to Success Guarantee and Success Asset, respectively. Prepayments of RMB6,107,000 from Success Guarantee was 3.5% of the costs of the land use rights of RMB174,480,000, which were paid by Foshan Finance to the relevant governmental bureau for and on behalf of and attributable to Success Guarantee.

On 25 January 2017, to increase the efficiency of the construction and development of the properties, Success Guarantee entered into an agreement with seven entities, which are related parties to the Group. Pursuant to the agreement, the eight parties agreed to establish a company in the PRC and transfer their respective interests in the above properties to the newly set up company. On 9 February 2017, the eight parties established Foshan Shengshi Junen Enterprise Management Company Limited (“**Shengshi Junen Enterprise Management**”). Pursuant to the Article of Shengshi Junen Enterprise Management, Success Guarantee holds 3.5% shares of Shengshi Junen Enterprise Management, and contributed a 3.5% interest in the properties as the registered capital of Shengshi Junen Enterprise Management. The appraisal value as at 10 January 2017 of the properties is RMB225,916,800 (including value of land use rights of RMB195,464,400 and value of construction in process of RMB30,452,400). Success Guarantee recognised an available-for-sale financial asset with a carrying amount of RMB7,907,000, 3.5% of the value of the properties. The difference between the 3.5% shares of land use rights and the prepayment of RMB6,107,000, amounting to RMB734,000, is recognised as gain from disposal of non-current assets. The 3.5% of the value of construction in process is recognised as capital reserve and non-controlling interests amounting to RMB1,054,000 and RMB11,000, respectively, as waiver of debts from related parties.

12 Factoring receivable

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Factoring receivable		91,950	91,950
Interest receivable from factoring receivable		2,606	1,394
Less: allowances for factoring receivable	(a)/(b)	<u>(1,110)</u>	<u>(1,075)</u>
		<u>93,446</u>	<u>92,269</u>

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of factoring receivable, based on the agreed date in contracts, is as follows:

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	24,474	1,264
Over 1 month but less than 3 months	400	10,680
Over 3 months but less than 1 year	48,451	61,400
More than 1 year	<u>21,231</u>	<u>20,000</u>
Total	94,556	93,344
Less: allowances for factoring receivable	<u>(1,110)</u>	<u>(1,075)</u>
Total	<u>93,446</u>	<u>92,269</u>

(b) Impairment of factoring receivable

Impairment losses in respect of factoring receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against debtors directly.

The movement in the allowances for factoring receivable during the period is as follows:

	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
At 1 January		1,075	237
Charged	5(a)	<u>35</u>	<u>838</u>
At 30 June/31 December		<u>1,110</u>	<u>1,075</u>

At 30 June 2017, the Group's debtors of RMB91,950,000 (31 December 2016 : RMB91,950,000) of factoring receivable were collectively determined to be impaired.

13 **Finance lease receivable**

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from lessees	202,038	176,666
Less: Unearned finance income	(30,504)	(9,281)
Less: allowances for finance lease receivable	<u>(2,092)</u>	<u>(1,957)</u>
	<u><u>169,442</u></u>	<u><u>165,428</u></u>

- (a) The table below analyses the Group's finance lease receivable by relevant maturity grouping at the end of the reporting period:

	At 30 June 2017		At 31 December 2016	
	Present		Present	
	value of the	Total	value of the	Total
	minimum	minimum	minimum	minimum
	lease	lease	lease	lease
	payments	payments	payments	payments
Overdue	—	—	25,586	25,586
Within 1 year	44,214	59,324	123,844	132,464
After 1 year but within 5 years	<u>127,320</u>	<u>142,714</u>	<u>17,955</u>	<u>18,616</u>
Total	171,534	202,038	167,385	176,666
Impairment allowances: collectively assessed	<u>(2,092)</u>	<u>(2,092)</u>	<u>(1,957)</u>	<u>(1,957)</u>
Net investment in finance lease receivable	<u><u>169,442</u></u>	<u><u>199,946</u></u>	<u><u>165,428</u></u>	<u><u>174,709</u></u>

- (b) Impairment provision charged for finance lease receivable

	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
At 1 January		1,957	2,029
Charged /(written back)	5(a)	<u>135</u>	<u>(72)</u>
At 30 June/31 December		<u><u>2,092</u></u>	<u><u>1,957</u></u>

(c) An analysis of the overdue finance lease receivable is as follows:

	At 30 June 2017				At 31 December 2016			
	Overdue over 3 months			Total	Overdue over 3 months			Total
	Overdue within 3 months	but within 1 year	Overdue Over 1 year		Overdue within 3 months	but within 1 year	Overdue Over 1 year	
Finance lease receivables	—	—	—	—	18,080	7,506	—	25,586

14 Investment in subsidiaries

The following list contains the particulars of subsidiaries of the Group.

Name of company	Place and date of incorporation/ establishment	Fully paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Double Chance Developments Limited ("Double Chance")	BVI 8 February 2012	1 share of USD1 each	100%	100%	—	Investment holding
Yes Success Limited ("Yes Success")	BVI 3 June 2015	1 share of USD1 each	100%	100%	—	Investment holding
China Success Capital Limited ("Success Capital")	BVI 29 June 2016	1 share of USD1 each	100%	100%	—	Investment holding
China Success Finance Holdings Limited ("Success Finance")	Hong Kong 18 November 2011	10,000 shares of HKD1 each	100%	—	100%	Investment holding
China Success Capital (HK) Limited ("Success Capital (HK)")	Hong Kong 1 August 2016	—	100%	—	100%	Provision of asset management and merger services outside the PRC
Guangdong Success Asset Management Company Limited ("Success Asset")	The PRC 23 June 2004	RMB170,270,000	99.27%	—	99.27%	Provision of asset management and financial consultancy services in the PRC

Name of company	Place and date of incorporation/ establishment	Fully paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Guangdong Success Finance Guarantee Company Limited (“ Success Guarantee ”)	The PRC 26 December 1996	RMB330,000,000	99.27%	—	100%	Provision of financial guarantee services in the PRC
Shenzhen Success Financial Leasing Company Limited (“ Success Financial Leasing ”)	The PRC 6 June 2014	USD28,000,000	100%	—	100%	Provision of financial leasing services in the PRC
Shenzhen Success Equity Investment Fund Management Limited (“ Success Equity Fund ”)	The PRC 12 September 2014	RMB15,000,000	100%	—	100%	Equity investment in the PRC
Shenzhen Success Number One Equity Investment Fund (Partnership) (“ Success Fund ”)	The PRC 14 January 2015	RMB129,000,000	100%	—	100%	Equity investment in the PRC
Shenzhen Qianhai Success Housing Wealth Management Company Limited (“ Qianhai Success Housing ”)	The PRC 8 July 2015	RMB41,000,000	100%	—	100%	Provision of real estate financial services in the PRC
Foshan Success Financial Services Outsourcing Limited (“ Success Financial Services ”)	The PRC 15 October 2015	RMB30,000,000	60%	—	60%	Provision of real estate financial services in the PRC
Guangzhou No.6 Hengyue Investment Partnership (“ No.6 Hengyue ”) (Note 1)	The PRC 5 August 2016	RMB45,000,000	99.34%	—	99.99%	Equity fund investment in the PRC
Foshan Guangda Asset Management Company Limited (“ Guangda Asset ”)	The PRC 27 April 2017	—	99.27%	—	100%	Asset and fund management in the PRC
Foshan No.1 Zaisheng Management Consulting Partnership (“ No.1 Zaisheng ”)	The PRC 12 June 2017	—	99.27%	—	100%	Consulting management in the PRC

Note 1 On 5 August 2016, Guangzhou Hengsheng Fund Management Co., Ltd. (“**Hengsheng Fund**”) and Guangzhou Hengsheng Asset Management Co., Ltd. (“**Hengsheng Asset**”) established No.6 Hengyue. On 20 February 2017, Hengsheng Fund and Hengsheng Asset transferred the subscribed capital contribution to Success Asset and Success Fund. As at 30 June 2017, Success Asset and Success Fund hold 89.99% and 10% of subscribed capital contribution, respectively, as a limited partner, while Hengsheng Fund holds the remaining 0.01% as a general partner. On 26 June 2017, Success Asset has paid in RMB45,000,000.

15 Interest in associates

The following list contains the particulars of the associates which are unlisted corporate entities whose quoted market price are not available:

Name of associate	Form of incorporation business structure	Place of and operation	Fully paid up capital	Proportion of ownership interest		Principal activity
				Group’s effective interest	Held by a subsidiary	
Foshan Chancheng Success Micro Credit Co., Ltd. (“ Success Credit ”) 佛山市禪城集成小額貸款 有限公司* (「 集成貸款 」)	Incorporated	The PRC	RMB250,000,000	27.08%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd. (“ Hengsheng Fund ”) 廣州恒晟基金管理有限公 司* (「 恒晟基金 」)	Incorporated	The PRC	RMB22,000,000	40% (Note 1)	40%	Equity fund management
Guangzhou Chenghuijiin Investment Management Partnership (“ Guangzhou Chenghuijin ”) 廣州成匯金投資管理合夥 企業*(「 廣州成匯金 」)	Partnership	The PRC	RMB10,000,000	32%	32%	Investment management (Note 2)
Guangzhou Rongdacheng Information Technology Service Co., Ltd. (“ Guangzhou Rongdacheng ”) 廣州融達成信息技術服務 有限公司* (「 廣州融達 成 」)	Incorporated	The PRC	RMB8,000,000	30% (Note 3)	30%	Information technology
Foshan Foying Shunyang Construction Co.Ltd. (“ Foying Shunyang ”) 佛山市佛盈順洋建築工程有 限公司* (「 佛盈順洋 」)	Incorporated	The PRC	—	30% (Note 4)	30%	Construction

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

- Note 1 Together with two entities, Success Fund established Hengsheng Fund on 23 November 2015. Success Fund had fully paid up its subscribed capital of RMB20,000,000, which accounted for 40% of the total subscribed capital. In March 2017, Xizang Xuekunfushen Investment Co.Ltd. (西藏雪坤富神投資有限公司), one of its shareholders, has paid up RMB2,000,000 of its subscribed capital.
- Note 2 Together with three partners, Success Fund entered into a partnership agreement and established Guangzhou Chenghuijin as a general partner on 1 February 2016. Investment in Guangzhou Chenghuijin enables the Group to have exposure to electronic commerce platform on bulk commodity.
- Note 3 Together with two entities and two individuals, Success Fund established Guangzhou Rongdacheng on 20 July 2016. Success Fund had fully paid up its subscribed capital of RMB3,000,000, which accounted for 30% of the total subscribed capital.
- Note 4 Together with two entities, Success Fund established Foying Shunyang on 25 August 2016. Success Fund had subscribed capital of RMB2,400,000, which accounted for 30% of the total subscribed capital.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

- (a) Summarised financial information of Success Credit, as a material associate adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the condensed consolidated financial statements, is disclosed below:

	At 30 June	At 31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Gross amounts of the associate</i>		
Current assets	372,021	366,345
Non-current assets	40,855	41,645
Current liabilities	<u>(123,248)</u>	<u>(124,601)</u>
Equity	<u>289,628</u>	<u>283,389</u>

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	13,975	23,920
Expenses	<u>(7,736)</u>	<u>(28,695)</u>
Total comprehensive income	<u>6,239</u>	<u>(4,775)</u>
	At 30 June At 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Reconciled to the Group's interests in the associate</i>		
Gross amounts of net assets of the associate	289,628	283,389
Group's effective interest	27.08%	27.01%
Group's share of net assets of the associate	78,220	76,535
Non-controlling interests in the net assets of the associate	790	773
Goodwill	<u>4,232</u>	<u>4,232</u>
Carrying amount in the condensed consolidated financial statements	<u>83,242</u>	<u>81,540</u>

Interest in Success Credit was acquired by Success Guarantee at a total consideration of RMB37,827,000 on 18 December 2012, of which 9.09% was acquired from a related party.

On 13 December 2013, the board of shareholders of Success Credit approved to capitalise retained earnings and payables of RMB32,000,000 and RMB18,000,000, respectively, as paid-in capital. Success Guarantee acquired capitalised payables of RMB3,272,000 (represent dilutive effect of 1.5% interest in the associate held by Success Guarantee) at a consideration of RMB3,272,000 and acquired 0.91% interest in the associate at a consideration of RMB2,275,000 from a shareholder of the associate. The diluted interest in the associate of 0.75% was acquired from a related party.

On 23 December 2013, the registered and paid-in share capital of Success Credit increased from RMB200,000,000 to RMB250,000,000, and the proportion of ownership interest in the associate held by Success Guarantee increased to 19.09%.

On 8 July 2014, Foshan Municipal People's Government Finance Bureau approved the transfer of 3.64% and 4.55% of the equity interests in Success Credit from Ms. Feng and Guangdong Xinmingzhu to Success Guarantee for a consideration of RMB9,507,500 and RMB11,884,400, respectively.

As at 30 June 2017 and 31 December 2016, the proportion of ownership interest in Success Credit held by Success Guarantee was 27.28%. Success Guarantee has significant influence in Success Credit by appointing 3 of 9 representatives in the board of directors.

On 26 June 2017, Success Fund injected capital of RMB45,000,000 into Success Asset, which accounted for 26.43% of the total subscribed capital of Success Asset. After the injection, non-controlling share of Success Asset was changed from 1% to 0.73% and the Group's effective interest in Success Credit was changed from 27.01% to 27.08%.

(b) Aggregate information of associates that are not individually material

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the condensed consolidated financial statements	<u>24,809</u>	<u>25,979</u>
	At 30 June 2017	At 30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate amounts of the Group's share of those associates		
Loss from operations	(1,170)	(645)
Other comprehensive income	<u>—</u>	<u>—</u>
Total comprehensive income	<u>(1,170)</u>	<u>(645)</u>

16 Equipment

(a) *Acquisitions and disposals*

During the six months ended 30 June 2017, no item of equipment was acquired (six months ended 30 June 2016: RMB224,000). No item of equipment was disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB659).

(b) *Impairment losses*

During the six months ended 30 June 2017, no impairment loss of equipment was recognised (six months ended 30 June 2016: nil).

17 Deferred tax, assets and liabilities

(a) *Current taxation in the consolidated statement of financial position represents:*

	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
At 1 January		10,063	5,708
Provision for PRC income tax for the period/year	6(a)	12,941	13,683
PRC income tax paid		<u>(12,371)</u>	<u>(9,328)</u>
At 30 June/31 December		<u>10,633</u>	<u>10,063</u>

(b) *Deferred tax assets and liabilities recognised*

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the period are as follows:

Deferred tax arising from:	Impairment Provision of provision for			Accrued expenses	Share of profit of an associate	Government grants	Interest receivables	Re-guarantee fee	Total
	Deferred income	financial guarantee losses	trade and other receivables						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	1,783	(3,157)	5,506	964	(2,782)	(6,459)	(250)	(56)	(4,451)
Credited/(charged) to profit or loss	<u>209</u>	<u>(905)</u>	<u>(345)</u>	<u>(331)</u>	<u>43</u>	<u>1,924</u>	<u>110</u>	<u>—</u>	<u>705</u>
At 31 December 2016 and 1 January 2017	1,992	(4,062)	5,161	633	(2,739)	(4,535)	(140)	(56)	(3,746)
Credited/(charged) to profit or loss	<u>323</u>	<u>(525)</u>	<u>595</u>	<u>(180)</u>	<u>(426)</u>	<u>2,586</u>	<u>9</u>	<u>—</u>	<u>2,382</u>
At 30 June 2017	<u>2,315</u>	<u>(4,587)</u>	<u>5,756</u>	<u>453</u>	<u>(3,165)</u>	<u>(1,949)</u>	<u>(131)</u>	<u>(56)</u>	<u>(1,364)</u>

(c) *Reconciliation to the consolidated statement of financial position*

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	1,183	1,135
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(2,547)</u>	<u>(4,881)</u>
	<u>(1,364)</u>	<u>(3,746)</u>

(d) *Deferred tax assets not recognised*

The Group has not recognised deferred tax assets of RMB4,179,000 (31 December 2016: RMB2,391,000) in respect of cumulative tax losses of RMB21,005,000 (31 December 2016: RMB11,649,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The remaining unused tax losses were mainly from Success Capital (HK), Success Equity Fund and Success Financial Services and do not expire under current tax legislation.

(e) *Deferred tax liabilities not recognised*

At 30 June 2017, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB200,326,000 (31 December 2016: RMB166,062,000). Deferred tax liabilities of RMB20,033,000 (31 December 2016: RMB16,606,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future (Note 6(b)(iv)).

18 Liabilities from guarantees

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Deferred income		9,188	7,969
Provision of guarantee losses	(a)	<u>1,342</u>	<u>1,210</u>
		<u>10,530</u>	<u>9,179</u>

(a) *Provision of guarantee losses*

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the period/year		1,210	2,537
Charged/(written back) for the period/year	5(a)	<u>132</u>	<u>(1,327)</u>
At the end of the period/year		<u>1,342</u>	<u>1,210</u>

19 Customer pledged deposits received

Customer pledged deposits received represent deposits received from customers as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits will expire with one year.

20 Interest-bearing borrowing

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings from		
- Third parties	5,000	—
Interest payable to		
- Third parties	<u>63</u>	<u>—</u>
Total	<u>5,063</u>	<u>—</u>

21 **Accruals and other payables**

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends payable	9,214	—
Other accruals and payables	<u>7,654</u>	<u>9,871</u>
Total	<u><u>16,868</u></u>	<u><u>9,871</u></u>

Other accruals and payables are expected to be settled within one year and are repayable on demand.

22 **Receipts in advance**

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee customers	617	35
Consultancy customers	<u>—</u>	<u>1</u>
Total	<u><u>617</u></u>	<u><u>36</u></u>

23 **Obligations under finance leases**

At 30 June 2017, the Group had obligations under finance leases repayable as follows:

	At 30 June 2017		At 31 December 2016	
	Present		Present	
	value of the	Total	value of the	Total
	minimum	value of the	minimum	value of the
	lease	minimum	lease	minimum
	payments	payments	payments	payments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	164	170	169	174
After 1 year but within 2 years	154	170	159	175
After 2 years but within 5 years	<u>279</u>	<u>337</u>	<u>359</u>	<u>437</u>
Total	<u><u>597</u></u>	677	<u><u>687</u></u>	786
Less: total future interest expenses		<u>(80)</u>		<u>(99)</u>
Present value of lease obligations		<u><u>597</u></u>		<u><u>687</u></u>

24 Equity settled share-based transactions

The Company adopted a share option scheme on 18 October 2013 (the “**Share Option Scheme**”) whereby one director and 49 employees in the Group are invited, to take up options at HKD1 to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) *The terms and conditions of the grants are as follows:*

Date granted	Vesting date	Expiry date	Number of share options granted			Contractual life of options
			Director	Employees	Total	
6 November 2013	30 June 2014	5 November 2023	500,000	4,500,000	5,000,000	10 years
	30 June 2016	5 November 2023	300,000	2,700,000	3,000,000	10 years
	30 June 2018	5 November 2023	<u>200,000</u>	<u>1,800,000</u>	<u>2,000,000</u>	10 years
			<u>1,000,000</u>	<u>9,000,000</u>	<u>10,000,000</u>	

(b) *The number and weighted average exercise prices of share options are as follows:*

	At 30 June 2017		At 31 December 2016	
	Exercise price	Number of options ‘000	Exercise price	Number of options ‘000
Granted and outstanding at the beginning of the period/year	HKD1.90	7,488	HKD1.90	8,705
Forfeited during the period/year	HKD1.90	(370)	HKD1.90	(326)
Exercised during the period/year	HKD1.90	<u>—</u>	HKD1.90	<u>(891)</u>
Granted and outstanding at the end of the period/year	HKD1.90	<u>7,118</u>	HKD1.90	<u>7,488</u>
Exercisable at the end of the period/ year	HKD1.90	<u>5,640</u>	HKD1.90	<u>5,880</u>

Notes: The options outstanding at 30 June 2017 had an exercise price of HKD1.90 and a weighted average remaining contractual life of 6.35 years (2016: 6.85 years).

(c) *Fair value of share options and assumptions:*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Date granted	6 November 2013
Expiry date	5 November 2023
Fair value (weighted average) per share option at measurement date	HKD1.60
Share price	HKD2.68
Exercise price	HKD1.90
Expected volatility rate	64.861%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.874%

The expected volatility is based on the historic volatilities of the share prices of the comparable companies in recent years. Changes in the subjective input assumptions could materially affect the fair value estimate.

The risk-free rate of interest with expected term shown above was taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no other market conditions associated with the share options.

25 Capital, reserves and dividends

(a) Dividends

The Company declared a final dividend of HKD0.02 (2016: HKD0.02) per ordinary share for the year 2016 on 19 May 2017. There were a total of 530,805,000 ordinary shares (2016: 474,914,000 ordinary shares) outstanding at the date of announcement, giving a total final dividend amount of HKD10,616,100 (2016: HKD9,498,280). During 2017, no dividend (2016: HKD12,003,280) was paid, leaving dividend payable to be HKD10,616,100 on 30 June 2017 (31 December 2016: nil).

(b) *Share capital*

(i) *Authorised and issued share capital*

	<i>Note</i>	At 30 June 2017			At 31 December 2016		
		No. of shares	Share capital	Share capital	No. of shares	Share capital	Share capital
		<i>'000</i>	<i>HKD'000</i>	<i>RMB'000</i>	<i>'000</i>	<i>HKD'000</i>	<i>RMB'000</i>
Authorised:							
Ordinary shares of HKD0.01 each		<u>800,000</u>	<u>8,000</u>	<u>6,512</u>	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>
Ordinary shares, issued and fully paid:							
At 1 January		530,805	5,308	4,241	474,914	4,749	3,755
Issuance of placement shares	(ii)	—	—	—	55,000	550	478
Share issued under share option scheme	(iii)	—	—	—	891	9	8
At 30 June/31 December		<u>530,805</u>	<u>5,308</u>	<u>4,241</u>	<u>530,805</u>	<u>5,308</u>	<u>4,241</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) *Issuance of placement shares*

On 12 October 2016, the Company issued 55,000,000 additional ordinary shares of HKD0.01 each at the placing price of HKD2.00 per share. After offsetting the placing cost of HKD1,100,000, net proceeds from the share placing amounted to HKD108,900,000 (equivalent to RMB94,466,000), out of which HKD550,000 (equivalent to RMB478,000) and HKD108,350,000 (equivalent to RMB93,988,000) were recorded in share capital and share premium, respectively.

(iii) *Shares issued under share option scheme*

No share option were exercised during the six months ended 30 June 2017. Further details of these options are set out in Note 24 to the financial statements.

(c) *Share premium*

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The increase of share premium is due to the issuance of additional shares and the exercise of share options.

(d) *Capital reserve*

The capital reserve comprises the following:

- the difference between the nominal value of share capital of the Company and the paid-up capital of Success Guarantee, plus the net assets acquired from the inserting companies (holding companies of Success Guarantee, including the Company, Double Chance, Success Finance and Success Asset) pursuant to a group reorganisation completed on 17 September 2012;
- the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised. The fluctuation of the capital reserve is due to the expense recognised and the release for the share option excising; and
- the waiver of debts from related parties(Note 11(e)).

(e) *Surplus reserve*

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before capitalisation.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserves may be used to make good previous years' losses, if any, and may be converted into capital.

(f) *Regulatory reserve*

According to the Interim Measures for the Administration of Financial Guarantee Companies ("Interim Measures") issued on 8 March 2010 by the relevant government authorities in the

PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the detail implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province.

(g) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(h) *Distribution of reserves*

As at 30 June 2017, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB419,217,000 (31 December 2016: RMB436,247,000). Details of dividends payable to equity shareholders of the Company refer to Note 25(a).

(i) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure, monitors the returns on capital, and makes adjustments to the capital structure in light of changes in economic conditions.

During the period ended 30 June 2017, there were no changes in the Group's approach to capital management from 2016.

Pursuant to the Interim Measures and the Implementing Rules, the outstanding financial guarantee amount provided by a financial guarantee company for a single customer shall not exceed 10% of its net assets and the aggregate outstanding financial guarantee amount provided by such company shall not exceed 10 times of its net assets.

Particularly, the Group monitors regularly the residual balance of outstanding guarantees for single customers and multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee, which is the principal operation entity of the Group, so as to keep the capital risk within an acceptable limit. The decision to manage the net assets and registered capital of Success Guarantee to meet the needs of developing guarantee business rests with the directors.

As at 30 June 2017 and 31 December 2016, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee are as follows:

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Outstanding guarantees		1,640,445	1,077,282
Net assets of Success Guarantee	(i)	440,530	436,923
Registered/paid-in capital of Success Guarantee	(i)	<u>330,000</u>	<u>330,000</u>
Multiples of			
- net assets		<u>3.72</u>	<u>2.47</u>
- paid-in capital		<u>4.97</u>	<u>3.26</u>

- (i) The amounts of net assets and registered/paid-in capital as at 30 June 2017 and 31 December 2016 are extracted from the unaudited PRC management accounts of Success Guarantee.

The Group has no other material exposure to capital requirements externally imposed with regard to the Group entities other than Success Guarantee described above.

26 Fair value measurement of financial instruments

(a) *Financial assets measured at fair value*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Level 3		
Available-for-sale financial assets	<u>7,907</u>	<u>—</u>

Information about Level 3 fair value measurements

The fair value of unlisted equity investment is determined using the price ratios of comparable listed companies adjusted for lack of marketability discount and discounted cash flow analysis. The fair value measurement is negatively correlated to the discount for lack of marketability.

The movement during the period / year in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Available-for-sale financial assets		
At the beginning of the period / year	—	—
Payment for purchases	<u>7,907</u>	<u>—</u>
Total	<u><u>7,907</u></u>	<u><u>—</u></u>

(b) *Fair values of financial assets and liabilities carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and at 31 December 2016.

The following summarises the major methods and assumptions used in estimating the fair value of financial instruments.

(i) *Trade and other receivables*

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) *Guarantees issued*

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) *Interest rates used for determining fair value*

The market interest rates adopted for determining the fair value of trade and other receivables ranged from 3.38% to 3.54% as at 30 June 2017 (31 December 2016: 2.82% to 3.06%).

27 **Commitments**

Operating leases commitments

As at 30 June 2017 and 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017	At 31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	7,183	8,490
After 1 year but less than 5 years	18,762	25,464
After 5 years	<u>6,882</u>	<u>6,422</u>
Total	<u><u>32,827</u></u>	<u><u>40,376</u></u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 5 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

28 **Guarantees issued**

As at 30 June 2017 and 31 December 2016, the total maximum guarantees issued are as follows:

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Financial guarantees	(i)	245,711	282,898
Litigation guarantees		128,945	127,191
Performance guarantees		<u>1,265,789</u>	<u>670,193</u>
Gross guarantee amount		1,640,445	1,080,282
Proportional re-guarantee amount		<u>—</u>	<u>(3,000)</u>
Total maximum guarantees issued	(ii)	<u><u>1,640,445</u></u>	<u><u>1,077,282</u></u>

- (i) Since 18 November 2013, the Group has provided guarantees to customers who obtained funding from lenders through peer-to-peer lending services platform - Guangdong Jiayou Network Technology Co., Ltd. (“**Jiayou Network**”). Pursuant to the relevant agreement between the Group and the borrowers, and the one between Jiayou Network and the borrowers, the Group is charging guarantee fee to the borrowers based on the borrowing amount while Jiayou Network is charging a service fee to the borrowers. The Group is required to make payments on behalf of the customers to reimburse the lenders for a loss the lenders incur when the borrowers fail to make payment when due in accordance with the terms of the relevant agreements.

The guarantees provided by the Group through Jiayou Network as at 30 June 2017 were RMB48,150,000 (31 December 2016: RMB62,220,000). Guarantee fee income received from the customers for guarantee services provided through Jiayou Network during the period ended 30 June 2017 and 2016 were RMB627,000 and RMB1,047,000, respectively.

- (ii) The total maximum guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

29 Material related party transactions

(a) Name and relationship with related parties

During the relevant periods, transactions with the following parties are considered as related parties:

Name of related party	Relationship
Mr. Zhang Tiewei	A substantial shareholder, chairman and executive director
Ms. Fu Jie	Executive director and Chief Executive Officer
Mr. Li Bin	Executive director
Mr. Xu Kaiying	A substantial shareholder and executive director
Mr. Pang Haoquan	A substantial shareholder and executive director
Mr. Chen Hui	Executive director
Mr. He Darong	A substantial shareholder and non-executive director
Mr. Tsang Hung Kei	Independent non-executive director
Mr. Au Tien Chee Arthur	Independent non-executive director
Mr. Xu Yan	Independent non-executive director
Mr. Zhou Xiaojiang	Independent non-executive director
Foshan Finance	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Success Credit	Associate of the Group since 18 December 2012
Guangzhou Chenghuijin	Associate of the Group since 1 February 2016
Foshan Nanhaiyanbu Global Fish Trading Market Co., Ltd. (“Nanhaiyanbu”)* (佛山市南海鹽步環球水產交易市場有限公司)	A company of which 46.67% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Shengshi Junen Enterprise Management*	A company of which 35.94% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
(佛山市盛世雋恩企業管理有限公司)	

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

(b) *Key management personnel remuneration*

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors and certain of the highest paid employees, is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Salaries, allowances and other benefits	7,507	3,631
Contributions to defined contribution retirement plan	91	110
Equity compensation benefits	<u>68</u>	<u>400</u>
Total	<u>7,666</u>	<u>4,141</u>

Total remuneration is included in "staff costs" (Note 5(b)).

(c) *Related parties transactions*

	Note	Six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
Guarantee fee income from Nanhaiyanbu	(d)	8	—
Services fee from Shengshi Junen Enterprise Management	(i)	<u>7,547</u>	<u>—</u>

(i) Success Asset provided consultancy services to Shengshi Junen Enterprise Management in relation to interest integration and financing of a parcel of land and charged a consultancy fee of RMB8,000,000 (after tax: RMB7,547,000).

(d) *Guarantees provided to related parties*

	At 30 June	At 31 December
	2017	2016
	RMB'000	RMB'000
Guarantees provided for Nanhaiyanbu	<u>1,000</u>	<u>—</u>

(e) *Balances with other related parties*

At the end of the reporting period, the Group had the following balances with related parties:

Amounts due from related parties

	<i>Note</i>	At 30 June 2017	At 31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Foshan Finance	11(e)	—	6,107
Success Credit	(i)	2,730	2,730
Guangzhou Chenghuijin		<u>4</u>	<u>4</u>
Total		<u>2,734</u>	<u>8,841</u>

(i) On 20 March 2014, the board of shareholders of Success Credit approved to make a dividend with an amount of RMB15,000,000 to its shareholders. Success Guarantee was entitled to receive dividend amounting to RMB2,730,000.

(ii) Balances with these related parties are unsecured. The balances with these related parties are interest-free and have no fixed repayment terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the first half of 2017, the developed economies showed steady development on the whole while economies of the United States, the Euro area and Japan have recovered in general; for emerging economies, China and India continue to lead the growth and the global economy revealed optimism in future forecast.

In the first half of 2017, China's GDP growth was 6.9% year-on-year, up 0.2 percentage points as compared with the same period last year. The GDP of tertiary industry increased 7.7% from the corresponding period in the previous year, showing a stronger momentum of growth. Deleveraging in the financial industry has achieved an initial success and the monetary policies are held steady and neutral. The overall economy develops steadily, continuing the economic new normal. Nevertheless, real economies still have plenty of rooms for improvement, financial risks are still outstanding and urgent needs of industry transformation and upgrade continue to present. These problems brought challenges as well as opportunities to the Group.

To actively adapt to the economic new normal, the Group grasps the development trend of China with innovative ideas, focusing strategies and positioning to kick-start a new stage. Through facilitating stable development of conventional businesses, promoting asset management businesses, initiating mergers, acquisitions and restructure, strengthening cooperation mechanism, the Group aims to achieve a new leap. Adhering to its strategic focus, the Group has changed its Chinese name to “中國金融發展(控股)有限公司” and its website to “www.chinasuccessfinance.com”. During the period, the Group recorded a total revenue of approximately RMB52.5 million, dropped by approximately 5.6% year-on-year, recorded profit for the period of approximately RMB15.5 million, increased by approximately 18.4% year-on-year.

Optimising conventional businesses

1. *Financial consultancy business*

During the first half of 2017, revenue from the Group's financial consultancy business segment was approximately RMB18.5 million, up 103.3% year-on-year.

Capitalising on its comprehensive market resources, in-depth expertise, profound business development capabilities, the Group integrated and optimised a wide arrays of specialty services such as management consulting, legal support for finance and taxation, product design, liquidity management and capital

operation to fulfil the needs of customers by providing one-stop services. The increase of revenue from low risk, asset-light and prepositive business will help strengthen customer base, facilitate the development of extended services and raise the total revenue of the Group.

2. *Financial leasing business and factoring business*

During the first half of 2017, revenue from the Group's financial leasing business was approximately RMB6.1 million, decreased by approximately 30.7% year-on-year. Revenue from factoring receivable business was approximately RMB3.7 million, up 94.7% year-on-year.

Success Financial Leasing rooted in the construction financing industry by providing a wide range of business models such as direct leasing, sale-leaseback, trusted leasing and joint leasing. Success Financial Leasing actively expanded its factoring business after the successful filing of its factoring qualification in 2016. In 2017, Success Financial Leasing strengthened risk control and upholds the principle of “strengthening pledge management and choose clients with caution”. Success Financial Leasing has gained reputation with its professional and distinguished leasing business. Most of its clients renewed their contract to continue to enjoy the services provided.

3. *Guarantee business*

During the first half of 2017, revenue of financial guarantee business was approximately RMB3.6 million, decreased by 39.0% year-on-year while revenue of its non-financial leasing business was approximately RMB2.4 million, up 380.0% year-on-year.

Success Guarantee continued to optimise business structure to minimise risks by reducing the income from financial guarantee business and focusing on non-financial guarantee business. Non-financial guarantee business mainly includes engineering warranty business and litigation guarantee business, which have simple business model and lower risks. Success Guarantee has committed to exploring cooperation with different institutions, expanding income sources and upscaling the non-financial guarantee business. Non-financial guarantee has become comparatively the principal income source of Success Guarantee.

Promoting asset management businesses

In the first half of 2017, the Group mainly focused on the expansion of business channels and asset management license in the PRC and Hong Kong, laying solid foundation for the synergic development of the PRC and Hong Kong businesses.

In the PRC, Success Asset increased its capital to RMB170 million and has been preparing for the establishment of new asset management company and application of a new fund management license to integrate platform resources and diversify the asset management business.

In Hong Kong market, our professional capital operating team plans to obtain an asset management license from the Hong Kong Securities and Futures Commission through acquisition to build a professional asset management platform.

Strengthening cooperation mechanism

In the first half of 2017, the Group continued to expand and deepen the cooperation mechanism with various sectors.

On 30 March 2017, the Company established a comprehensive strategic partnership with China Great Wall Asset Management Co., Ltd. (“**China Great Wall Asset Management**”), a state-owned financial enterprise. Both parties intend to forge all-round bilateral cooperation on mutual strategic investment, cooperation with the management and disposal of non-performing assets, development of asset management business, share customer base and project resources, cooperation on urban development funds and multi interaction funds, and the setting up of urban development funds and other projects.

Meanwhile, covering corporate chain services, the Group initiates the cooperation with the government, banks, local financial conglomerates, investment institutions, equity transferring institutions and other parties in order to provide multi-dimension integrated services.

Promoting investment and merger and acquisition business

In the first half of 2017, the Group started the investment and merger and acquisition business through various channels.

To begin with, the Group established the professional service framework of investment and merger and acquisition by providing solutions proposal, legal support, coordination for finance and taxation, cooperation negotiation, capital arrangement and other services for corporate investment and merger and acquisition through financial consultancy. In addition, the Group acquired the creditors’ rights

and revitalised corporate assets to enhance the capital liquidity through utilising resources of asset management companies, local financial holdings institutions, government funds, etc., creating an innovative investment and merger and acquisition business model. Also, the Group has reached a consensus with the government on the joint establishment of Build-Transfer (BT) established funds and accounts receivable fund, laying a solid foundation for the development of the Group's investment and merger and acquisition business.

SOCIAL ENTERPRISE

Through serving the local economic development and social development, serving the weak medium, small and micro enterprises in the capital market, cultivating and rejuvenating regional economic vitality in order to construct business platform and industry chain, we have successfully stricken a good balance between business development and social responsibility. While serving the local economic development, the Group has also extensively engaged in charitable activities to fulfil social responsibility. We are widely recognised and appreciated for being a role model. Every year, Success Charity Foundation (集成愛心基金), voluntarily initiated by shareholders and employees of the Group, offers help and support to employees in need within the Group, provides timely support and assistance to families of employees who have suffered serious illnesses or accidental injury, and goes through difficult times with the employees and their families.

FINANCIAL REVIEW

Revenue

For the six-month period ended 30 June 2017, the Group's revenue was approximately RMB52.5 million (six-month period ended 30 June 2016: approximately RMB55.6 million), representing a decrease of approximately 5.6%. Detailed analysis of the Group's revenue is as follows:

1. *Financial guarantee services*

Revenue from the Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the six-month period ended 30 June 2017, the Group's revenue generated from financial guarantee services was approximately RMB3.6 million (six-month period ended 30 June 2016: approximately RMB5.9 million), representing a decrease of approximately 39.0% and accounting for approximately 6.9% of the Group's total revenue (six-month period ended 30 June 2016: approximately 10.6%).

In the first half of 2017, the Group received interest income of approximately RMB17.0 million from receivables from guarantee payments for their due debts, representing approximately 32.4% of the Group's total revenue for the six-month period ended 30 June 2017 (six months ended 30 June 2016: approximately 45.9%).

Financial guarantee income in the first half of 2017 dropped, mainly due to the Group's strategies under decelerated economic growth of actively shrinking its financing guarantee business, strengthening post-guarantee supervision, maintaining quality customers and prudently approaching new customers.

2. *Non-financial guarantee services*

Revenue from the Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the six-month period ended 30 June 2017, the Group's revenue generated from non-financial guarantee services increased by approximately 380.0% to approximately RMB2.4 million (six-month period ended 30 June 2016: approximately RMB0.5 million), accounting for approximately 4.6% of the Group's total revenue in the first half of 2017 (six-month period ended 30 June 2016: approximately 0.9%).

In addition to actively shrinking the financing guarantee business, Success Guarantee focused on developing non-financial guarantee business which is of comparatively lower risk in order to seek the business growth opportunities. The increase in revenue from non-financial guarantee business was mainly attributable to the satisfactory results gained from the continued expansion of non-financial guarantee business in the first half of 2017.

The outstanding guarantee balance from performance guarantee business increased by approximately 88.9% from approximately RMB670.2 million in 31 December 2016 to approximately RMB1,265.8 million and the income from performance guarantee business increased by approximately RMB2.0 million as compared to the same period in the previous year. The continuing increase of the amount of and income from performance guarantee business was mainly because Success Guarantee built cooperation relationship with quality engineering contractors and other institutions through the operation of performance guarantee business when developing non-financial guarantee business.

3. *Financial consultancy services*

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the six-month period ended 30 June 2017, the Group's revenue generated from financial consultancy services was approximately RMB18.5 million (six-month period ended 30 June 2016: approximately RMB9.1 million), representing approximately 35.2% of the Group's total revenue for the first half of 2017 (six-month period ended 30 June 2016: approximately 16.4%).

Financial consultancy service is one of our prioritised business models which is effective in deepening our influence in financial industry. The Group captured the developing opportunities to reach out to more customers to offer financing assistance. As a result, the Group's revenue from financial consultancy services in the first half of 2017 significantly increased and it includes the one-off consultancy fee of RMB8.0 million from Shengshi Junen Enterprise Management.

4. *Financial leasing and factoring services*

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the six-month period ended 30 June 2017, revenue from the Group's financial leasing was approximately RMB6.1 million, representing approximately 11.6% of the Group's total revenue in the first half of 2017 and decreased by approximately 30.7% from approximately RMB8.8 million in the corresponding period in 2016.

For the six months ended 30 June 2017, revenue from factoring business was approximately RMB3.7 million, accounting for approximately 7.0% of the Group's total revenue in the first half of 2017 and increased by approximately 94.7% from approximately RMB1.9 million in the corresponding period in 2016.

To adapt to the decelerated economic growth, the Group implemented strict risk control and actively adjusted its product structure by shrinking the financial leasing business which has high default risk and strengthening the factoring business which has greater potential. As a result, revenue of financial leasing business decreased while revenue of factoring business increased in the first half of 2017.

Other revenue

The Group's other revenue comprised interest income, government grants, income from disposal of non-current assets and others. For the six-month period ended 30 June 2016 and 2017, the Group's other revenue was approximately RMB1.3 million and RMB2.1 million, respectively, representing an increase of approximately 61.5%. It was mainly attributable to government grants and income from disposal of non-current assets.

Impairment and provision (charged)/written back

Impairment and provision mainly represents impairment and provision for outstanding guarantees issued and impairment and provision for trade and other receivables where it is likely that the customers or other parties are in financial difficulties and the recoverability is considered to be remote. In the event of any impairment and provision made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered.

Operating expenses

For the six-month period ended 30 June 2017, the Group's operating expenses was approximately RMB24.5 million (six-month period ended 30 June 2016: approximately RMB24.3 million), increased by approximately RMB0.2 million or approximately 0.8% when compared with the corresponding period of the last year, accounting for approximately 46.7% of the Group's total revenue (six-month period ended 30 June 2016: approximately 43.7%).

The Group upholds the cost efficient principle. The Group's operating expenses remained flat from the corresponding period in the previous year. Salaries increased by approximately 28.0% year-on-year; administration expense, expense for business travel and foreign exchange loss decreased by 72.0%, 68.0% and 184.0%, respectively.

Share of profits of associates

The share of profits of associates amounted to approximately RMB0.5 million for the six-month period ended 30 June 2017, representing an increase of approximately RMB2.4 million from approximately -RMB1.9 million for the six-month period ended 30 June 2016. The increase of the share of profits was from the Group's associate, Success Credit.

Profit before taxation

As the Group's asset impairment loss in the first half of 2017 significantly reduced from the same period in the previous year, the profit before taxation increased by approximately RMB7.3 million, or approximately 39.0%, from approximately RMB18.7 million for the six-month period ended 30 June 2016 to approximately RMB26.0 million for the six-month period ended 30 June 2017.

Income tax

For the six-month period ended 30 June 2017, the Group's income tax amounted to approximately RMB10.6 million, representing an increase of approximately 89.3% from approximately RMB5.6 million in the corresponding period of 2016. Such increase was mainly attributable to the increase of taxable profit and unused tax losses from some subsidiaries.

Trade and other receivables - Receivables from guarantee payments

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of our customers. The Group will then subsequently request repayment from our customers or take possession of the counter-guarantee assets provided by such customers to recover the outstanding balance. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments increased from approximately RMB215.9 million as at 31 December 2016 to approximately RMB250.9 million as at 30 June 2017.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to more effectively utilise the Group's financial resources for obtaining a better return for the shareholders, it has been the Group's general approach that our management will seek for some alternative investment opportunities which could provide a better return but at minimum risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 30 June 2017, the current pledged bank deposits amounted to approximately RMB109.0 million (31 December 2016: approximately RMB119.0 million), representing a decrease of approximately RMB10.0 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB67.1 million (31 December 2016: approximately RMB157.8 million), representing a decrease of approximately RMB90.7 million, as compared to the end of last year. Such decrease was mainly attributable to the increase in amount of the investment made by the Group in a wider selection of investment and mergers and acquisitions.

Interest Rate Risk and Foreign Exchange Risk

As at 30 June 2017, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the six months ended 30 June 2017 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group and currently, the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Gearing ratio

The Group's gearing ratio (total liabilities divided by total equity) increased from approximately 3.6% as at 31 December 2016 to approximately 4.9% as at 30 June 2017, which was mainly attributable to the dividend payable for the year ended 31 December 2016 which was distributed from 10 July 2017.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits personnel from the open market and enters into employment contracts with them. The Group offers competitive remuneration packages to employees, including salaries, bonuses and share options to qualified employees. The Group also provides training to the staff on a regular basis to enhance their knowledge of the financial products in the market and the applicable laws and regulations in relation to the industry in which the Group operates.

As at 30 June 2017, the Group had 86 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonus, contributions to social insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB 13.2 million for the six-month period ended 30 June 2017.

The Company has adopted the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme as an incentive to the Directors and eligible employees.

PROSPECTS AND OUTLOOK

In the first half of 2017, global economic confidence increased. However, due to the uncertainty of the U.S. policies, risk of Euro breaking up, risk of trading protectionism, fluctuating financial environment and other factors, the improving global economy in the next half of 2017 will be adversely affected.

Meanwhile, China's economy showed positive progress while the economical structural conflicts still exist. It is expected that China's economy will continue to improve but there are still variables.

In 2017, "Report on the Work of the Government" issued by the National Development and Reform Commission first mentioned the Development Plan for the City Cluster of Guangdong-Hong Kong-Macao Greater Bay Area (the "**Bay Area**"). On 1 July 2017, the National Development and Reform Commission and the governments of Guangdong, Hong Kong and Macao signed the "Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Bay Area" (《深化粵港澳合作推進大灣區建設框架協議》), symbolising the official launch of the construction of the Guangdong-Hong Kong-Macao Greater Bay Area (the "**Bay Area Development**"). The Bay Area Development will further strengthen the connection between Guangzhou, Foshan, Shenzhen, Hong Kong and other cities in the Bay Area, rejuvenating the regional development and bringing opportunities to infrastructure construction and financial services. This matches our strategic layout and business development in previous

years. Capturing the valuable opportunities brought by the Bay Area Development, the Group will explore areas for potential business growth under the Bay Area Development through a combination of strategies of developing financial service in the cities, nurturing regional economic power and revitalising enterprises.

Developing Financial Service in the Cities

The Bay Area is suitable for living, business and travelling. Through establishing multi-layered cooperation with the regional governments, regional core municipal construction contractors and their suppliers and customers, the Group will grasp the opportunities offered by the Bay Area Development, implement the planning of its urban development business and help upgrade the Bay Area.

Through joint establishment of urban development funds with local government, or being the fund manager, the Group is committed to seeking quality and safe assets for the funds.

The Group will endeavor to facilitate the cooperation with local municipal engineering contractors to utilize their resources, qualifications and experience in engineering while the Group helps with its capital and management expertise so as to share the returns from the construction.

The Group will actively seek cooperation with enterprises in municipal engineering supply chain to broaden the customer base and participate in municipal engineering services from multiple aspects, enhancing the capabilities of municipal engineering services and customer loyalty.

Nurturing Regional Economic Power

The Group will harness the collective force of governments, financial institutions, media and other resources. Guided by the government policies and capital supports and supported by the professional assessment system, the Group aims to build a database of quality SMEs. In addition, it will provide suitable investment and financing services to SMEs and establish the mechanisms for exploring new construction projects, pursuing corporate incubation and debt-equity combination with its conventional businesses, in order to strive for a full-supply chain eco-system of regional industrial upgrade service, with a view to nurturing growing corporate and share the development dividends. As laying the sound foundation by providing outstanding services to SMEs, the Group will expand the influence and scope of services, striving to be a project service provider with quality services.

Revitalising Enterprises

The Group will continue to pay special attention to the opportunities for the rebirth of troubled enterprises with potentials.

Through integrating with government funds and channel support organisations, the Group will innovate the countercyclical business model and ensure the distressed assets are well-managed. With due diligence and professional judgement, the Group will help dispose of non-performing assets for selected corporates with rebirth potential through professional platforms and customise for those troubled enterprises a professional rebirth plan with diverse relief measures, in order to help them solve the crisis, enhance the management and rejuvenate the enterprises. As a result, the Group will share with them the profits from rebirth by the means of asset management, investment and mergers and acquisitions.

OTHER INFORMATION

Dividends

The Board has resolved not to declare an interim dividend by the Company for the six-month period ended 30 June 2017.

Corporate Governance

Save as disclosed below, the Company has adopted and complied with the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the six-month period ended 30 June 2017. In respect of code provision A.6.7 of the CG Code, an independent non-executive Director was not able to attend the annual general meeting of the Company held on 19 May 2017 due to other commitment. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code of Securities Transactions by Directors

The Company has adopted the standard set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) (the “**Model Code**”) to the Listing Rules, in relation to the dealings in securities of the Company by the Directors.

The Group has made specific enquiry to all Directors and each Director has confirmed that he/she has complied with the standard set out in the Model Code for the six-month period ended 30 June 2017.

Audit Committee

The Audit Committee has been established since 18 October 2013 and has formulated its written terms of reference in accordance with the prevailing provisions of the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures and risk management of the Company. The existing members of the Audit Committee comprise Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan, all of whom are independent non-executive Directors. Mr. Tsang Hung Kei is the chairman of the Audit Committee.

The unaudited interim financial information for the six-month period ended 30 June 2017 has been reviewed by the Audit Committee and the external auditor, KPMG.

Purchase, sale or redemption of listed securities

During the six-month ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

Publication of the interim report

The interim report of the Company for the six-month period ended 30 June 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Company (<http://www.chinasuccessfinance.com>) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

Appreciation

The Board would like to thank the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group throughout the period.

By order of the Board
China Success Finance Group Holdings Limited
Zhang Tiewei
Chairman and Executive Director

Hong Kong, 30 August 2017

As at the date of this announcement, the Board comprises (i) six executive directors, namely, Mr. Zhang Tiewei, Ms. Fu Jie, Mr. Li Bin, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Hui, (ii) one non-executive director, namely, Mr. He Darong, and (iii) four independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur, Mr. Xu Yan and Mr. Zhou Xiaojiang.