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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHT			
	FOR THE YEAR ENDED 31 DECEMBER 2017 (RMB '000)	FOR THE YEAR ENDED 31 DECEMBER 2016 (RMB'000)	CHANGE IN
Revenue	89,822	90,331	-0.6%
Other revenue	2,983	3,183	-6.3%
Profit before taxation	32,343	32,023	1.0%
Profit for the year	15,651	19,045	-17.8%
Total comprehensive income for the year	11,522	24,423	-52.8%
Basic earnings per share <i>(RMB per share)</i>	0.03	0.04	-25.0%
	AS AT 31 DECEMBER 2017 (RMB '000)	AS AT 31 DECEMBER 2016 (RMB'000)	CHANGE IN
Total assets	1,037,051	991,100	4.6%
Total equity	959,915	956,316	0.4%

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Success Finance Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2017 together with the comparative figures for preceding financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017 (EXPRESSED IN RENMINBI)

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest income		50,990	49,861
Less: interest expenses		<u>(263)</u>	<u>—</u>
Net interest income		<u>50,727</u>	<u>49,861</u>
Service fee from consulting services		<u>29,249</u>	<u>26,729</u>
Guarantee income		11,202	14,195
Less:re-guarantee fee		<u>(1,356)</u>	<u>(454)</u>
Net guarantee fee income		<u>9,846</u>	<u>13,741</u>
Revenue	3	89,822	90,331
Other revenue	4	2,983	3,183
Impairment and allowance charged	5(a)	(7,016)	(3,411)
Operating expenses		(53,247)	(57,687)
Share of losses of associates		<u>(199)</u>	<u>(393)</u>
Profit before taxation	5	32,343	32,023
Income tax	6(a)	<u>(16,692)</u>	<u>(12,978)</u>
Profit for the year		<u>15,651</u>	<u>19,045</u>

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Attributable to:			
Equity shareholders of the Company		16,301	19,353
Non-controlling interests		<u>(650)</u>	<u>(308)</u>
Profit for the year		<u>15,651</u>	<u>19,045</u>
Earnings per share (RMB per share)			
Basic	8	<u>0.03</u>	<u>0.04</u>
Diluted	8	<u>0.03</u>	<u>0.04</u>

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2017**
(EXPRESSED IN RENMINBI)

	<i>Note</i>	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		15,651	19,045
Other comprehensive income for the year (after tax and reclassification adjustments)			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of financial statements of operations outside the mainland China		<u>(4,129)</u>	<u>5,378</u>
Total comprehensive income for the year		<u>11,522</u>	<u>24,423</u>
Attributable to:			
Equity shareholders of the Company		12,172	24,731
Non-controlling interests		<u>(650)</u>	<u>(308)</u>
Total comprehensive income for the year		<u>11,522</u>	<u>24,423</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(EXPRESSED IN RENMINBI)

	<i>Note</i>	31 December 2017 RMB'000	31 December 2016 RMB'000
Assets			
Cash and bank deposits	9	39,382	157,840
Pledged bank deposits	10	95,499	119,043
Available-for-sale financial assets	11	8,066	—
Trade and other receivables	12	518,570	344,948
Factoring receivable	13	94,849	92,269
Finance lease receivable	14	176,183	165,428
Interest in associates		101,466	107,519
Equipment		1,912	2,890
Intangible assets		19	28
Deferred tax assets		<u>1,105</u>	<u>1,135</u>
Total assets		<u>1,037,051</u>	<u>991,100</u>
Liabilities			
Liabilities from guarantees	15	8,805	9,179
Customer pledged deposits received		62	67
Interest-bearing borrowings	16	5,231	—
Accruals and other payables	17	48,210	9,871
Receipts in advance		7	36
Current tax liabilities		12,902	10,063
Obligations under finance leases	18	506	687
Deferred tax liabilities		<u>1,413</u>	<u>4,881</u>
Total liabilities		<u>77,136</u>	<u>34,784</u>
NET ASSETS		<u>959,915</u>	<u>956,316</u>

	31 December	31 December
<i>Note</i>	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVES		
Share capital	4,241	4,241
Reserves	<u>953,359</u>	<u>948,216</u>
Total equity attributable to equity shareholders of the Company	957,600	952,457
Non-controlling interests	<u>2,315</u>	<u>3,859</u>
TOTAL EQUITY	<u><u>959,915</u></u>	<u><u>956,316</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(EXPRESSED IN RENMINBI UNLESS OTHERWISE INDICATED)

1 Significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) *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 impact on the accounting policies of the Group. However, additional disclosure has been included in Note 9(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

2 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the reporting period, the directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing financing solutions to customers, which is the basis to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group's revenue and non-current assets are principally attributable to the PRC, being the single geographical region.

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 year is as follows:

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest income from receivables from guarantee payments	(a)	16,981	25,472
Interest income from finance leasing		14,797	16,732
Interest income from factoring		7,562	4,744
Interest income from down payments for investment		11,650	2,913
Less: interest expenses		<u>(263)</u>	<u>—</u>
Net interest income		<u>50,727</u>	<u>49,861</u>
Service fee from consulting services		<u>29,249</u>	<u>26,729</u>
Guarantee fee income			
- Income from financial guarantees		5,934	11,588
- Income from performance guarantees		5,211	2,400
- Income from litigation guarantees		57	207
Less: re-guarantee fee		<u>(1,356)</u>	<u>(454)</u>
Net guarantee fee income		<u>9,846</u>	<u>13,741</u>
Total		<u>89,822</u>	<u>90,331</u>

During the year 2017, the Group's largest single customer contributed 29.48% of the Group's revenue (2016: 29.01%); while the percentage of the Group's top 5 customers' revenue was 75.58% (2016: 68.20%).

(a) Pursuant to the agreements signed by the Group and guarantee customers, an aggregate interest income amounted to RMB16,981,000 (2016: RMB25,472,000) was charged as interests of receivables from guarantee payments. For the year ended 31 December 2017, the Group has received the interests of RMB8,962,000 (2016: RMB25,472,000).

4 Other revenue

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Interest income from bank deposits		1,557	2,477
Government grants	(a)	663	549
Gain from disposal of non-current assets		734	—
Others		<u>29</u>	<u>157</u>
Total		<u><u>2,983</u></u>	<u><u>3,183</u></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 government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the year ended 31 December 2017, a government grant amounted to RMB274,000 was rewarded to Success Guarantee for guarantee expense (2016: RMB525,000).

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 year ended 31 December 2017, a government grant amounted to RMB360,000 was rewarded to Success Financial Services (2016:nil).

5 Profit before taxation

Profit before taxation is arrived at after (crediting)/charging:

(a) *Impairment allowances and provision - (written back)/charged*

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Provision written back for guarantees issued	(441)	(1,327)
Impairment allowances charged/ (written back) for:		
- receivables from guarantee payments	1,307	3,972
- factoring receivable	61	838
- finance lease receivable	234	(72)
- interest in associates	<u>5,855</u>	<u>—</u>
Total	<u>7,016</u>	<u>3,411</u>

(b) *Staff costs*

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	26,540	23,041
Contributions to defined contribution retirement plan	598	1,132
Equity settled share-based payment expenses	<u>393</u>	<u>1,160</u>
Total	<u>27,531</u>	<u>25,333</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 and other post-retirement benefits of employees other than the contributions described above.

(c) *Other items*

	<i>2017</i> <i>RMB'000</i>	<i>2016</i> <i>RMB'000</i>
Depreciation and amortisation	857	705
Operating lease charges in respect of leasing of properties	6,789	8,857
Auditors' remuneration		
- audit services	1,554	1,480
- other services	1,303	854
Net foreign exchange (gain)/loss	<u>(1,126)</u>	<u>1,408</u>

6 Income tax in the consolidated statement of profit or loss

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

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Current tax		
Provision for PRC income tax for the year	20,065	13,606
Under-provision in respect of prior years	<u>65</u>	<u>77</u>
	<u>20,130</u>	<u>13,683</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(3,438)</u>	<u>(705)</u>
Total	<u>16,692</u>	<u>12,978</u>

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

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>32,343</u>	<u>32,023</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	16,265	12,294
Effect of non-deductible expenses	362	607
Under-provision in respect of prior years	<u>65</u>	<u>77</u>
Actual tax expense	<u>16,692</u>	<u>12,978</u>

- (i) Pursuant to the rules and regulations of the 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, respectively.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.
- (iii) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, 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 RMB218,895,000 as at 31 December 2017 (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 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 HKD10,616,000 (2016: HKD9,498,000). During the year 2017, an approximate amount of HKD10,616,000 (2016: HKD12,003,000) was paid, leaving no dividend payable as at 31 December 2017 (31 December 2016: Nil).

8 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 RMB16,301,000 (2016: RMB19,353,000) and the weighted average of 530,805,000 ordinary shares (2016: 487,336,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
	'000	'000
Issued ordinary shares at 1 January	530,805	474,914
Effect of shares issued by placing of new shares	—	12,172
Effect of shares issued by share option exercised	<u>—</u>	<u>250</u>
Weighted average number of ordinary shares at 31 December	<u>530,805</u>	<u>487,336</u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB16,301,000 (2016: RMB19,353,000) and the weighted average number of ordinary shares of 530,805,000 shares (2016: 488,006,000 shares), calculated as follows:

	2017	2016
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares at 31 December	530,805	487,336
Effect of deemed issue of shares under the Group's share option scheme	<u>—</u>	<u>670</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u>530,805</u>	<u>488,006</u>

9 **Cash and bank deposits**

(a) *Cash and bank deposits comprise:*

	31 December	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits and term deposits with banks with original maturity less than three months	39,234	156,086
Bank deposit with original maturity over three months	—	1,600
Restricted customer pledged deposits	62	67
Cash in hand	<u>86</u>	<u>87</u>
Cash and bank deposits in the consolidated statement of financial position	39,382	157,840
Bank deposit with original maturity over three months	—	(1,600)
Restricted customer pledged deposits	<u>(62)</u>	<u>(67)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>39,320</u>	<u>156,173</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 31 December 2017 and 2016, customer pledged deposits of RMB57,000 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 31 December, the restricted customer pledged deposits received were maintained as follows:

	31 December 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Designated custodian bank accounts	57	62
The Group's bank accounts	<u>5</u>	<u>5</u>
Total	<u><u>62</u></u>	<u><u>67</u></u>

(b) *Reconciliation of liabilities arising from financing activities*

	Interest- bearing borrowings	Obligations under finance leases	Total
	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 January 2017	—	687	687
Changes from financing cash flows:			
Proceeds from new borrowings	5,000	—	5,000
Interest element of finance lease rentals paid	<u>—</u>	<u>(165)</u>	<u>(165)</u>
Total changes from financing cash flows	<u>5,000</u>	<u>(165)</u>	<u>4,835</u>
Exchange adjustments	—	(48)	(48)
Other changes:			
Interest expenses	231	—	231
Finance charges on obligations under finance leases	<u>—</u>	<u>32</u>	<u>32</u>
Total other changes	<u>231</u>	<u>32</u>	<u>263</u>
At 31 December 2017	<u>5,231</u>	<u>506</u>	<u>5,737</u>

10 **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.

11 Available-for-sale financial assets

	31 December 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investment	<u>8,066</u>	<u>—</u>

12 Trade and other receivables

	<i>Note</i>	31 December 2017	31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Receivables from guarantee payments	(i)	259,685	227,380
Less: allowances for doubtful debts		<u>(12,818)</u>	<u>(11,511)</u>
		<u>246,867</u>	<u>215,869</u>
Trade debtors from guarantees		858	195
Trade debtors from consultancy services		19,233	10,573
Interest arising from receivables from guarantee payments		<u>8,500</u>	<u>—</u>
		<u>28,591</u>	<u>10,768</u>
Trade receivables	(a)	275,458	226,637
Down payments for investments	(b)	74,850	74,850
Deposit and other receivables, net of impairment allowances	(c)	155,599	24,048
Amounts due from related parties		<u>2,734</u>	<u>2,734</u>
		508,641	328,269
Prepayments to a related party		—	6,107
Deferred expenses		1,357	5,964
Prepayment for re-guarantee fees		—	903
Mortgage assets		3,561	443
Others		<u>5,011</u>	<u>3,262</u>
Total		<u>518,570</u>	<u>344,948</u>

(a) *Ageing analysis of trade receivables*

As of the end of the reporting period, the ageing analysis of trade receivables (net of allowances for doubtful debts), based on the guarantee income recognition date or advance payment date, is as follows:

	31 December	31 December
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	1,458	1,506
Over 1 month but less than 3 months	1,455	5,860
Over 3 months but less than 1 year	78,125	93,278
More than 1 year	<u>207,238</u>	<u>137,504</u>
Total	288,276	238,148
Less: allowances for doubtful debts	<u>(12,818)</u>	<u>(11,511)</u>
Total	<u><u>275,458</u></u>	<u><u>226,637</u></u>

(i) *Receivables from guarantee payments*

Receivables from guarantee payments represented payments 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 payments 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 year ended 31 December 2017, the Group did not dispose of receivables from guarantee payments.

(b) *Down payments for investments*

Down payments for investments represented the down payments for the acquisition projects that the Group is conducting.

(c) *Deposit and other receivables, net of impairment allowances*

	31 December 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Deposit and other receivables	161,699	30,148
Less: allowances for other receivables	<u>(6,100)</u>	<u>(6,100)</u>
	<u>155,599</u>	<u>24,048</u>

13 **Factoring receivable**

	<i>Note</i>	31 December 2017	31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Factoring receivable		91,950	91,950
Interest receivable from factoring receivable		<u>4,035</u>	<u>1,394</u>
		95,985	93,344
Less: allowances for factoring receivable	(a)	<u>(1,136)</u>	<u>(1,075)</u>
		<u>94,849</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 maturity date in contracts, is as follows:

	31 December 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	320	1,264
Over 1 month but less than 3 months	22,332	10,680
Over 3 months but less than 1 year	72,188	61,400
More than 1 year	<u>1,145</u>	<u>20,000</u>
Total	95,985	93,344
Less:allowances for factoring receivable	<u>(1,136)</u>	<u>(1,075)</u>
Total	<u><u>94,849</u></u>	<u><u>92,269</u></u>

14 **Finance lease receivable**

	31 December 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from lessees	203,039	176,666
Less:unearned finance income	<u>(24,665)</u>	<u>(9,281)</u>
	178,374	167,385
Less:allowances for finance lease receivable	<u>(2,191)</u>	<u>(1,957)</u>
	<u><u>176,183</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:

	2017		2016	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Overdue	466	466	25,586	25,586
Within 1 year	57,212	60,233	123,844	132,464
After 1 year but within 5 years	<u>120,696</u>	<u>142,340</u>	<u>17,955</u>	<u>18,616</u>
Total	178,374	203,039	167,385	176,666
Impairment allowances: collectively assessed	<u>(2,191)</u>	<u>(2,191)</u>	<u>(1,957)</u>	<u>(1,957)</u>
Carrying amount of finance lease receivable	<u>176,183</u>	<u>200,848</u>	<u>165,428</u>	<u>174,709</u>

15 Liabilities from guarantees

	31 December 2017 RMB'000	31 December 2016 RMB'000
Deferred income	8,037	7,969
Provision of guarantee losses	<u>768</u>	<u>1,210</u>
	<u>8,805</u>	<u>9,179</u>

16 Interest-bearing borrowings

	31 December 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings from		
-Third parties	5,000	—
Interest payable to		
-Third parties	<u>231</u>	<u>—</u>
Total	<u><u>5,231</u></u>	<u><u>—</u></u>

17 Accruals and other payables

	<i>Note</i>	31 December 2017	31 December 2016
		<i>RMB'000</i>	<i>RMB'000</i>
Other accruals and payables	(i)	<u>48,210</u>	<u>9,871</u>
Total		<u><u>48,210</u></u>	<u><u>9,871</u></u>

(i) Accruals and other payables are expected to be settled within one year and are repayable on demand.

18 Obligations under finance leases

At 31 December 2017, the Group had obligations under finance leases repayable as follows:

	31 December 2017		31 December 2016	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Within 1 year	<u>164</u>	<u>170</u>	<u>169</u>	<u>174</u>
After 1 year but within 2 years	154	170	159	175
After 2 years but within 5 years	<u>188</u>	<u>254</u>	<u>359</u>	<u>437</u>
	<u>506</u>	594	<u>687</u>	786
Less:total future interest expenses		<u>(88)</u>		<u>(99)</u>
Present value of lease obligations		<u>506</u>		<u>687</u>

19 Share capital and reserves

(a) Authorised and issued share capital

	2017			2016		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
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 shares by placing of new shares	—	—	—	55,000	550	478
Shares issued under share option scheme	<u>—</u>	<u>—</u>	<u>—</u>	<u>891</u>	<u>9</u>	<u>8</u>
At 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.

20 Guarantees issued

At 31 December, the total maximum guarantees issued are as follows:

	<i>Note</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Financial guarantees	(i)	188,943	282,898
Litigation guarantees		114,419	127,191
Performance guarantees		<u>1,274,983</u>	<u>670,193</u>
Gross guarantee amount		1,578,345	1,080,282
Proportional re-guarantee amount		<u>—</u>	<u>(3,000)</u>
Total maximum guarantees issued		<u>1,578,345</u>	<u>1,077,282</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.
- (ii) The total maximum guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group’s results for the year ended 31 December 2017 have been compared by the Company’s auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group’s consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In 2017, the world's economic momentum was gathering pace, while growth in developed economies continued to thrive and emerging markets stabilised and rebounded. The accelerated growth in international trade led to a recovery in global manufacturing industry; however, the global economy was posed increased risks. US Federal Reserve's policies of interest hikes and shrinking its balance sheet impacted emerging economies while continued loose monetary policy fostered asset bubbles, resulting in a high global debt level. Issues such as lack of growth driver, incomplete governance system and imbalance in developments of the global economies are to be tackled. Moreover, the rise of protectionism and anti-globalisation, intensified geopolitical conflicts, and higher traditional and non-traditional security threats have fueled uncertainties over the world's economy.

China's economy was better than expected in 2017. The country's GDP expanded by 6.9%, witnessing an increase of 0.2 percentage point in growth rate over 2016 and it was the first growth pick up since 2011. In 2017, China experienced stable employment situation, neutral monetary policy and mild inflation. With the deepening adjustment of economic structure, consumption and service sectors made greater contributions to the economic growth; whilst various sectors sped up the transition of traditional and new business drivers, increased utilisation, improved efficiency and thus boosted China's economic development through innovation and technological upgrades.

Since the beginning of the Thirteenth Five Year Plan, China has implemented various measures to promote emerging business sectors such as finance and technology, and give greater supports to the development of economy and society. In 2017, finance sector continued to make significant contributions to serving real economy, avoiding financial risks and deepening restructuring efforts. It is anticipated that the sector will play a more essential role in supporting small and medium-sized enterprises (SMEs), three rural areas (rural areas, agriculture, and farmers), construction of infrastructures, industrial upgrades and cultivation of new boosters.

To adjust to the new norm of economic development, the Group capitalized on the country's development trend, upheld the idea of innovation and focused on its strategic positioning; whilst achieving continuous development through facilitating stable development of traditional operations, promoting asset management business, initiating integrated services in the Bay Area and reinforcing partnership mechanism. During the period, the Group recorded a total revenue of approximately RMB92.8 million, and recorded profit for the period of approximately RMB 15.7 million.

Industry and Business

Financial consultancy business

Capitalising on its comprehensive market resources, in-depth expertise and profound business development capabilities, the Group integrated and optimised a wide arrays of specialty services such as solution design, management consulting, legal supports for finance and taxation, product design, liquidity management and capital operation to fulfil the needs of customers by providing one-stop services. In 2017, the Group further enriched the portfolio of its financial consultancy business by developing services such as enterprise revival, construction management enhancement, debt restructuring, project investment consultation, land right consolidation and credit repair. With the value-added services, the Group inspired client loyalty, paving the way for its development of extended services and generating stable income.

Financial leasing business and factoring business

In 2017, increasingly stringent regulatory requirements in financial leasing business created both crisis and opportunities. According to the Fifth National Financial Work Conference, financial leasing industry will be under the supervision of China Banking Regulatory Commission. Nevertheless, macro-economic growth decelerated and asset quality of leasing companies deteriorated, resulting in margin squeeze by the narrowing of interest spread. The rising similarity of business intensified market competition, which in turn presented challenges to the risk management and professional level of leasing companies.

During the year of 2017, factoring business sector enjoyed an improved operating environment. Seven types of institutions such as factoring and leasing companies and guarantee companies were included in the scope of supervision by local financial regulatory bodies. Factoring business and other financing service institutions were required to expand their scale of receivable financing operation, while content about receivable financing's role to promote financing for SMEs were incorporated in the Law of the People's Republic of China on Promotion of Small and Medium-sized Enterprises (《中小企業促進法》).

Shenzhen Success Financial Leasing Company Limited (“**Success Financial Leasing**”) rooted in the construction financing industry by providing a wide range of business such as direct leasing, sale-leaseback, trusted leasing and joint leasing. In 2017, Success Financial Leasing strengthened risk control and upheld the principle of “strengthening pledge management and choosing 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.

Success Financial Leasing actively expanded its factoring business after the successful filing of its factoring qualification in 2016, and the factoring business gradually became a recurring business model, driving operational income. In 2017, revenue from factoring business was approximately RMB7.6 million, up approximately 61.7% year-on-year.

Guarantee business

In 2017, guarantee business enjoyed favourable policy environment. Mainland China proactively promoted steady and healthy development of the guarantee industry. The newly promulgated regulation clarified the pivotal role of financial guarantee in overcoming the financing difficulties of small and micro enterprises and the three rurals. It, at the national level, pushed for the establishment of a governmental system of financial guarantee through cooperation among governments, banking institutions, and financial guarantee companies; whilst enlarging the scale of business operations for small and micro enterprises and the three rurals, and maintaining low level of fee charge. It also encouraged local governments to invest capital and form risk sharing mechanism, so as to provide financial supports to financial guarantee companies serving small and micro enterprises and the three rurals.

Mainland China lent further financial supports to guarantee institutions through the substantial changes in value-added tax-free policy for guarantee companies. While such initiative demonstrated a policy guidance, simplified tax-free formalities and lowered the threshold, it was of utmost importance to influence guarantee institutions for focusing on serving small and micro enterprises.

Faced with uncertainties in the economy, Guangdong Success Finance Guarantee Company Limited (“**Success Guarantee**”) continued to target its services to small and micro enterprises and individuals. It adopted a prudent operating principle with the stress of risk control, sustaining volume and boosting development, while refining its structure of guarantee operation. During the period, Success Guarantee continued to focus on non-financial guarantee service and create new businesses in order to ready itself for the downward economic cycle.

Housing Financing Business

Local governments actively stepped up efforts in property control in 2017 to curb speculation. The short-term policy guidance and the acceleration of building long-term mechanism is to construct a ladder-shaped consumption structure for residential housing.

The Group’s real estate financing business relies on Foshan Success Financial Services Outsourcing Limited (“**Success Financial Services**”). In 2017, Success Financial Services continued to improve its existing business, and proactively refined its business structure, steered its focus on secondary property market and strengthened external cooperation to cope with the shrinking of primary market.

Promoting Asset Management Business

In 2017, the Group mainly focused on the expansion of financing channels, business channels and asset management license in Mainland China and Hong Kong.

Mapping out asset management strategy: In Mainland China, Guangdong Success Asset Management Company Limited (“**Success Asset**”) increased its capital to approximately RMB170 million to build further capital strength. In addition, we aim to integrate platform resources and diversify the asset management business through the establishment of new asset management company and application of a new fund management license. In Hong Kong, the Group set up a professional capital operating team to obtain an asset management license from the Hong Kong Securities and Futures Commission through acquisition, laying solid foundation for the synergic development of Mainland China and Hong Kong businesses.

Giving full play to the strengths of listing status: In early 2018, the Group raised HK\$153 million from the issuance of the convertible bonds in an aggregate principal amount of HK\$154 million. That expanded the Group’s capital channels and favoured its business development, thereby strengthening its position in the capital market.

Developing Integrated Services For Bay Area

On 1 July 2017, the National Development and Reform Commission (NDRC) and governments of Guangdong Province, Hong Kong and Macau entered into 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》), indicating the official launch of the development of the Bay Area. The Group has been proactively exploring growth points and fostering the development of the Bay Area.

The Group is committed to develop its municipal financial services. It aims at solving the liquidity problems incurred during construction of municipal projects through setting up municipal development fund with government, acquiring or investing in receivables of infrastructure projects payable by government. Currently, the municipal infrastructure account receivables transfer programmes have been approved by the government and were being implemented, providing a replicable model for developing future services for municipal projects.

The Group cooperates with local financial holdings, asset management companies, banks, governments and other parties, and, through debt restructuring for enterprises with development potentials in the Bay Area, revitalises their assets, improves their liquidity, reinvigorates their businesses, so as to revive these business corporations.

The Group, as a “financial advisor”, offers professional investment and merger and acquisition services including solution design, legal supports, coordination of finance and taxation, and capital operation. We forge a better partnership with enterprises by providing them with value-added services.

Strengthening Cooperation Mechanism

In 2017, the Group continued to expand and deepen the cooperation mechanism with various sectors. Through reinforcing collaboration with local governments, asset companies, financial institutions and other parties, we explored and created demand from clients, enhanced service capability and strengthened the Group’s core competitiveness.

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 intended to forge all-round bilateral cooperation on mutual strategic investment, cooperation with the management and disposal of non-performing assets, setting up of urban development funds and other projects. In addition, the Group has established varied business connection with a number of renowned asset management companies in Mainland China.

Covering corporate chain services, the Group initiated the cooperation with the governments, banks, local financial conglomerates, investment institutions, equity transferring institutions and other parties, achieved consensus and cooperation in the fund, debt restructuring investment, funding arrangements and other aspects in order to provide multi-dimension integrated services for the enterprises.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the Group's revenue was approximately RMB 92.8 million (year ended 31 December 2016: approximately RMB90.3 million), representing a decrease of approximately 0.6%. Detailed analysis of the Group's revenue is as follows:

Financial consultancy business

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 year ended 31 December 2017, the Group's revenue generated from financial consultancy services was approximately RMB29.2 million (year ended 31 December 2016: approximately RMB26.7 million), representing approximately 32.5% of the Group's revenue for the year ended 31 December 2017 (year ended 31 December 2016: approximately 29.6%).

Financial consultancy services remained the Group's focus in its business model in 2017 and was an effective tool in reinforcing its market position in the financial sector. The Group seized the opportunity to expand its client base and offered support to clients in terms of financing, thereby realising a continued growth in income from its financial consultancy business in 2017.

Financial leasing and factoring business

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 year ended 31 December 2017, revenue from the Group's financial leasing and factoring business increased by approximately RMB0.9 million to approximately RMB22.4 million (year ended 31 December 2016: approximately RMB21.5 million), representing approximately 24.9% of the Group's revenue in 2017 (year ended 31 December 2016: approximately 23.8%).

Meanwhile, revenue from the Group's factoring business was approximately RMB7.6 million in 2017.

The Group coped with the slowdown of economic growth by stringent implementation of risk control policies and proactive re-adjustment of product portfolio. The Group also shrank its financial leasing business, which has a higher default risk, whilst bolstering the development of its factoring business, which has a larger space for financial innovation and development potential. Therefore, financial leasing business recorded a drop in income as factoring business witnessed higher income growth in 2017.

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 year ended 31 December 2017, the Group's revenue generated from financial guarantee services was approximately RMB5.9 million (year ended 31 December 2016: approximately RMB11.6 million), representing a decrease of approximately 49.1% and accounting for approximately 6.6% of the Group's revenue in the year ended 31 December 2017 (year ended 31 December 2016: approximately 12.8%). Revenue from financial guarantee services dropped in 2017 compared to 2016, this was mainly attributable to our positive measures in response to the downward pressure of the economy, given that Success Guarantee insisted in the operation strategy of sustaining volume and seeking development as it sought new income growth driver and our financial guarantee services focusing on gradual exit and maintaining quantity, while exploring new business operations and discovering new growth points.

In 2017, the Group received interest income of approximately RMB17.0 million from receivables from guarantee payments for their due debts, representing approximately 18.9% of the Group's revenue for the year ended 31 December 2017.

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 year ended 31 December 2017, the Group's revenue generated from non-financial guarantee services increased by approximately 103.8% to approximately RMB5.3 million (year ended 31 December 2016: approximately RMB2.6 million), representing approximately 5.9% of the Group's revenue for the year ended 31 December 2017 (year ended 31 December 2016: approximately 2.9%).

In 2017, Success Guarantee continued to refine its business structure, with an increasing focus on low-risk non-financial guarantee business, of which operation of performance guarantee achieved ground-breaking development and accounted for a record-high income contribution.

Interest from down payments

The Group's interest from down payments was mainly generated from interest of prepayments for potential acquisition of projects under negotiation. For the year ended 31 December 2017, the revenue of the Group's interest from down payments was approximately RMB11.7 million, representing approximately 13.0% of the Group's revenue in 2017.

Other Revenue

The Group's other revenue comprised interest income from bank deposits, government grants, income from disposal of non-current assets and others. For the years ended 31 December 2016 and 2017, the Group's other revenue was approximately RMB3.2 million and RMB3.0 million, respectively, representing a decrease of approximately 6.3%. The income change was mainly attributable to a decrease in interest income from bank deposits of approximately 36.0% from approximately RMB2.5 million in 2016 to approximately RMB1.6 million in 2017 as a result of a decrease in the principal of time deposit at the bank.

Impairment and Provision (Charged)/Written Back

Impairment and provision mainly represents the provision of guarantee losses and the impairment provision for receivables from guarantee payments, factoring receivable and finance lease receivable where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was 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 year ended 31 December 2017, the Group's operating expenses was approximately RMB53.2 million (year ended 31 December 2016: approximately RMB57.7 million), accounting for approximately 59.2% (year ended 31 December 2016: approximately 63.9%) of the Group's revenue. The decrease in operating expenses was mainly due to the decrease in office expenses, travelling expenses, advertising expenses and foreign exchange loss over the previous year.

Share of Losses of Associates

The share of losses of associates amounted to a loss of approximately RMB0.2 million for the year ended 31 December 2017, representing a decrease of approximately RMB0.2 million from a loss of approximately RMB0.4 million for the year ended 31 December 2016. Loss from the share of losses of associates decreased in the previous year due to an improvement in the operation of Success Credit, generating operating profit.

Profit Before Taxation

The Group's profit before tax increased by approximately RMB0.3 million, or approximately 0.9%, from approximately RMB32.0 million for the year ended 31 December 2016 to approximately RMB32.3 million for the year ended 31 December 2017. Such increase was mainly attributable to a decrease in the Group's operating expenses.

Income Tax

For the year ended 31 December 2017, the Group's income tax amounted to approximately RMB16.7 million, representing an increase of approximately 28.5% from approximately RMB13.0 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 the 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 first paid 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 RMB246.9 million as at 31 December 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 Shareholders, it has been the Group's general approach for its management to seek 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 31 December 2017, the pledged bank deposits amounted to approximately RMB95.5 million (31 December 2016: approximately RMB119.0 million), representing a decrease of approximately RMB23.5 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB39.4 million (31 December 2016: approximately RMB157.8 million), representing a decrease of approximately RMB118.4 million as compared to the end of last year. The decrease in cash and bank deposits was mainly due to the increase in the amount of investment made by the Group in 2017 for enhancing the business development, as well as conducting investment and merger and acquisitions in different forms.

Interest Rate Risks and Foreign Exchange Risks

As at 31 December 2017, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the year ended 31 December 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 an 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 8.0% as at 31 December 2017, which was mainly attributable to the increase in total debt during the year arising from our participation in the debt acquisition, which we led and cooperated with a third party.

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, food and accommodation allowance to qualified employees. The Group places high importance on staff development and provides training to our 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. The Group offers a lot of support to employees with its diverse resources to help boost their self-esteem and leading to their personal development.

The Group maintained stable relationship with its employees. As at 31 December 2017, the Group had 76 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to social insurance, employer's liability insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB27.5 million for the year ended 31 December 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.

SOCIAL ENTERPRISE

While serving the local economic development, the Group is 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, gives help and support to employees in need within the Company, 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. Furthermore, to forge cooperation of schools and enterprises in nurturing talents, Mr. Zhang Tiewei and Ms. Fu Jie, the Chairman and Chief Executive Officer of the Group, respectively, have been teaching as off-campus tutors of the master's degree of finance of Guangdong University of Finance and Economics to assist students in developing their skills of applying theories and professional knowledge, leadership skills and entrepreneurship and high moral standards, with a view of achieving integration of vocational and academic education. The Group provides a platform for students by hiring talented ones who can meet its requirements as permanent staff, playing a pivotal role in unfolding the career path of the next generation of financial talents.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking ahead to 2018, international trade protectionism, anti-globalisation, geopolitical conflicts and other complications give rise to uncertainties to the economy. Nonetheless, the recovery of global economy is expected to prevail as emerging markets and developing countries remain the major force for a strong upturn. The domestic economy is facing a drop in property sales and slightly tightened monetary policy, with financial regulatory policy, market environment and industry layout undergoing transformation and reshaping. China's economy is moving from the phase of rapid growth to an important phase of pursuing high-quality development, optimising the economic structure and reshuffling its growth drivers.

Year 2018 marks the beginning of the 19th Party Congress which stresses the focus of financial sector on “deepening financial structural reform, enhancing financial sector’s capacity of serving real economies, increasing ratio of direct financing, and facilitating healthy development of multi-level capital market”. The sector plays a pivotal role in boosting real economy, thus highlighting the Group’s right direction in its adherence to providing financial and finance-related services to thousands of small and micro enterprises.

In addition, the Report on the Work of the Government 2018 (《2018政府工作報告》) which underlines on various fronts the intention of increasing private investment, lays a solid foundation for the Group’s business development.

In 2018, the Group will embrace and depict reform, ride on the prevailing trend, so as to steadily develop traditional businesses and forge “twin-driver” development of asset management operations in Mainland China and Hong Kong. It will also foster rapid development of the Group through providing innovative financial services for the development of enterprises in the Bay Area, and strengthening the Group’s development through investment and mergers and acquisitions.

Steadily Developing Traditional Businesses

The Group will steadily develop traditional businesses, continue to use guarantee, financial leasing and other operations as the channels to work closely with small and micro enterprises and enhance its investment and financing services:

Financial consultancy business: The Group will continue to give full play to the strengths of its human capital with extensive and professional experience in domestic and overseas capital market, investment and mergers and acquisitions, legal practice, accounting and auditing, and taxation, while utilising resources from other partnering institutions. With such measures, the Group intends to provide clients with financial consultancy services including financial management, investment and financing, mergers and acquisitions, asset and debt restructuring, and formulation of development strategies.

Guarantee business: The Group will explore the demand of small and micro enterprises and the three rurals, and offer clients with integrated guarantee services. Meanwhile, the Group will capitalise on its existing business foundation and leverage the idea of internet technology, to develop new business models, innovate new guarantee business operations and enrich its product offering, thus further enhance its competitiveness.

Financial leasing and factoring businesses: The Group will uphold the purpose of its leasing business to serve real economies, while continuing to reinforce partnership with other financial institutions with the bedrock of stable development in its existing leasing and factoring businesses. The Group will also seek new business models and gradually form a unique competitive advantage.

Twin-drivers of Asset Management

The Group will seize the opportunities of development of asset management business in Mainland China. Capitalising on its listing status, supports from resources and team management level in Mainland China, and the international platform in Hong Kong, the Group will provide a diverse range of asset management services to its clients through its twin-driver development model of asset management business in Mainland China and Hong Kong.

Innovative Financial Service for Development of Enterprises in The Bay Area

The Group will grasp the opportunities arisen from “bringing an ideal place for living, working and travelling” initiatives of the Bay Area. Leveraging its various types of licenses, financial talent and solid relationships with institutions, the Group will innovate and utilise new financial tools such as investment loan linkage, equity investment, asset restructuring, debt revitalising, and domestic and overseas linkage. It will also apply big data, cloud computing and other internet technologies to build customer model, whilst according to their needs and risk levels, creating the industrial financing service ecosystem with full value chain including project exploring, capital supports and enterprise incubation. The Group will build up a deepened, consistent and scalable support to enterprises from its financial business. It will achieve, by financial innovation, a win-win situation of the development of enterprises in the Bay Area and the Group’s profit growth.

Fortifying with Investment and Mergers and Acquisitions

In 2018, the Group will increase the capital of its subsidiaries, in order to make use of leverage. It will also expand its financial service scope with more financial licenses, assets and customer sources through investing in or acquisition of innovative financial enterprises, internet finance companies, with a view to coping with strengthened financial regulation and the needs of innovative development in future.

Through internal or external investment, the Group will further increase its capabilities in terms of capital, license, asset and resources, and improve its business model, thus bolstering its assets and business operations.

The Group will constantly review the company development strategies, and also enhance corporate governance, improve risk control, recruit professionals as well as actively expand markets to achieve sustainable and sound business development. Based on its existing foundation and competitive advantages, and effective execution

of business strategies, the Group will further build an innovative, diversified and integrated financial service platform for Guangzhou, Foshan, Shenzhen and Hong Kong, and also extend its leading industry position in Guangzhou-Foshan region.

OTHER INFORMATION

Purchase, Sale or Redemption of our Company's Listed Securities

Exercise of share options

Prior to the listing of shares in the share capital of our Company (“**Shares**”) on the Stock Exchange, our Company granted options to subscribe for an aggregate of 10,000,000 Shares (the “**Pre-IPO Share Options**”) pursuant to a share option scheme adopted on 18 October 2013. None of the Pre-IPO Share Options granted have been exercised during the year ended 31 December 2017. As at 31 December 2017, the Pre-IPO Share Options to subscribe for 6,501,000 Shares remained unexercised and the Pre-IPO Share Options to subscribe for 813,000 Shares were forfeited. Save for the Pre-IPO Share Options, our Company has not granted any options to subscribe for Shares.

Save as disclosed above, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

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 year ended 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 business 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 year ended 31 December 2017.

DIVIDENDS

The Board resolved not to declare any dividend for the year ended 31 December 2017.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) on 18 October 2013 with terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor(s), review the financial statements and material advice in respect of financial reporting and oversee the internal control and risk management systems of the Company. As at 31 December 2017, the Audit Committee comprises Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei has been appointed as the chairman of the Audit Committee.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2017. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

Annual General Meeting

The annual general meeting of the Company (the “**AGM**”) for the year ended 31 December 2017 is scheduled to be held on 18 May 2018. A notice of AGM will be issued and disseminated to the shareholders of the Company in due course.

Closure of Register of Members

The Company’s register of members will be closed from 11 May 2018 to 18 May 2018 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 10 May 2018.

Publication of the annual results announcement and annual report

This announcement has been published on the website of the Company (<http://www.chinasuccessfinance.com>) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 29 March 2018

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. Hung Hoi Ming Raymond, (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.