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 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	
	(RMB'000)	(RMB'000)	Change In %
REVENUE	**14,848**	50,469	-70.6%
OTHER REVENUE	**1,270**	2,074	-38.8%
(LOSS)/PROFIT BEFORE TAXATION	**(5,741)**	26,034	-122.1%
(LOSS)/PROFIT FOR THE PERIOD	**(9,671)**	15,475	-162.5%
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	**(12,077)**	12,404	-197.4%
(LOSS)/EARNING PER SHARE *(RMB PER SHARE)*	**(0.0178)**	0.03	-159.3%

	AS AT 30 JUNE 2018	AS AT 31 DECEMBER 2017	
TOTAL ASSETS	**1,399,424**	1,037,051	34.9%
TOTAL EQUITY	**963,509**	959,915	0.4%

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 2018 together with comparative figures for the corresponding period in 2017. The interim financial information for the six months ended 30 June 2018 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 2018 - unaudited
(Expressed in Renminbi)

	Note	**Six months ended 30 June** **2018** *RMB'000*	**2017** *(Note)* *RMB'000*
Interest income		12,581	26,744
Less: interest expenses		(7,052)	(79)
Net interest income		5,529	26,665
Service fee from consulting services		1,070	18,469
Guarantee fee income		20,682	5,993
Less: re-guarantee fee		(510)	(658)
guarantee insurance fee		(11,923)	—
Net guarantee fee income		8,249	5,335
Revenue	3	14,848	50,469
Other revenue	4	1,270	2,074
Impairment and provision written back/(charged)	5(a)	1,134	(2,513)
Operating expenses		(22,516)	(24,528)
Share of (losses)/profits of associates		(477)	532
(Loss)/profit before taxation	5	(5,741)	26,034
Income tax	6(a)	(3,930)	(10,559)
(Loss)/profit for the period		(9,671)	15,475
Attributable to:			
Equity shareholders of the company		(9,463)	14,143
Non-controlling interests		(208)	1,332
(Loss)/profit for the period		(9,671)	15,475
(Loss)/earnings per share (RMB per share)			
Basic	7	(0.0178)	0.03
Diluted	7	(0.0043)	0.03

Note: The group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
(Loss)/profit for the period	(9,671)	15,475
Other comprehensive income for the period (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	(2,406)	(3,071)
Total comprehensive (expense)/income for the period	(12,077)	12,404
Attributable to:		
Equity shareholders of the company	(11,869)	11,072
Non-controlling interests	(208)	1,332
Total comprehensive (expense)/income for the period	(12,077)	12,404

Note: The group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

Consolidated statement of financial position
at 30 June 2018 - unaudited
(Expressed in Renminbi)

	Note	**30 June 2018**	**31 December 2017**
			(Note)
		RMB'000	*RMB'000*
Assets			
Cash and bank deposits	8	153,949	39,382
Pledged bank deposits	9	237,493	95,499
Available-for-sale financial assets		—	8,066
Financial assets at fair value through profit or loss	10	13,066	—
Trade and other receivables	11	622,355	518,570
Factoring receivable	12	91,354	94,849
Finance lease receivable	13	181,038	176,183
Interest in associates	15	89,503	101,466
Equipment	16	1,614	1,912
Intangible assets		15	19
Deferred tax assets	17(c)	3,557	1,105
Goodwill	18	5,480	—
Total assets		1,399,424	1,037,051
Liabilities			
Liabilities from guarantees	19	54,274	8,805
Customer pledged deposits received	20	63	62
Interest-bearing borrowings	21	—	5,231
Liability component of convertible bonds	22	101,665	—
Accruals and other payables	23	197,207	48,210
Receipts in advance	24	75,600	7
Current tax liabilities	17(a)	6,644	12,902
Obligations under finance leases	25	462	506
Deferred tax liabilities	17(c)	—	1,413
Total liabilities		435,915	77,136
NET ASSETS		963,509	959,915

	Note	30 June 2018	31 December 2017 (Note)
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	27(b)	4,241	4,241
Reserves	27	957,224	953,359
Total equity attributable to equity shareholders of the company		961,465	957,600
Non-controlling interests		2,044	2,315
TOTAL EQUITY		963,509	959,915

Note: The group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES

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 29 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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. KPMG's independent review report to the Board of Directors is included on pages 1 to 2.

2 CHANGES IN ACCOUNTING POLICIES

(a) **Overview**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the group. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 9, Financial instruments

- HKFRS 15, Revenue from contracts with customers

- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

The group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and not materially impacted by HKFRS 15. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 9 (Note 2(b))	At 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Factoring receivable	94,849	(1,120)	93,729
Finance lease receivable	176,183	(1,562)	174,621
Interest in associates	101,466	(8,284)	93,182
Deferred tax assets	1,105	3,320	4,425
Financial assets at fair value through profit or loss	—	8,066	8,066
Available-for-sale financial assets	8,066	(8,066)	—
Total assets	**381,669**	**(7,646)**	**374,023**
Liabilities			
Liabilities from guarantees	8,805	7,965	16,770
Deferred tax liabilities	1,413	(1,413)	—
Total liabilities	**10,218**	**6,552**	**16,770**
NET ASSETS	**371,451**	**(14,198)**	**357,253**
CAPITAL AND RESERVES			
Reserves	953,359	(14,135)	939,224
Total equity attributable to equity shareholders of the company	**957,600**	**(14,135)**	**943,465**
Non-controlling interests	**2,315**	**(63)**	**2,252**
TOTAL EQUITY	**959,915**	**(14,198)**	**945,717**

Further details of these changes are set out in sub-sections (b) of this note.

(b) **HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation**

HKFRS 9 replaces HKAS 39, Financial instruments recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on:	
— factoring receivable	1,120
— finance lease receivable	1,562
— liabilities from guarantees	7,965
Interest in associates	8,284
Related tax	(4,733)
Net decrease in retained earnings at 1 January 2018	14,198

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) ***Classification of financial assets and financial liabilities***

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets carried at FVPL				
Non-listed equity	—	8,066	—	8,066
	—	8,066	—	8,066
Financial assets classified as available-for-sale under HKAS 39	8,066	(8,066)	—	—

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "liabilities from guarantees" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b) (ii)) on the financial guarantees are determined to be higher than the amount carried in "liabilities from guarantees" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (other than financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) ***Credit losses***

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);
- debt securities measured at FVOCI (recycling);
- lease receivables;

- financial guarantee contracts issued (see note 2(b) (i)).

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate;

- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

In measuring ECLs, the group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for receivables for factoring business, finance lease receivables and liabilities from guarantee are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the group has recognised additional ECLs amounting to RMB18,931, which decreased retained earnings by RMB14,135 and non-controlling interests by RMB63 and increased gross deferred tax assets by RMB4,733 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	16,913
Additional credit loss recognised at 1 January 2018 on:	
— Factoring receivable	1,120
— Finance lease receivable	1,562
— Liabilities from guarantees	7,965
	27,560

The following table reconciles the closing loss allowance determined in an associate, Success Credit, in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	55,124
Additional credit loss of loan recognised at 1 January 2018	40,492
Loss allowance at 1 January 2018 under HKFRS 9	95,616
Additional credit loss of loan recognised at 1 January 2018	40,492
Less: deferred tax assets	(10,124)
Total effect on retained earnings at 1 January 2018	30,368
Interest in associate (Success Credit, 27.28%)	8,284

(iii) ***Transition***

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the group):

- the determination of the business model within which a financial asset is held; and
- the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) **HKFRS 15, Revenue from contracts with customers**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

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.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) ***Timing of revenue recognition***

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

(ii) ***Significant financing component***

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the group did not apply such a policy when payments were received in advance.

(iii) ***Presentation of contract assets and liabilities***

Under HKFRS 15, a receivable is recognised only if the group has an unconditional right to consideration. If the group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

There was no material impact for the group to adopt the policy.

(d) **HK(IFRIC) 22, Foreign currency transactions and advance consideration**

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the group.

3 REVENUE

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

		Six months ended 30 June	
	Note	**2018**	**2017**
		RMB'000	*RMB'000*
Interest income			
Interest income from receivables from guarantee payments	(a)	—	16,981
Interest income from loans receivable		272	—
Interest income from finance leasing		8,755	6,084
Interest income from factoring		3,554	3,679
Less: interest expenses		(7,052)	(79)
Net interest income		5,529	26,665
Service fee from consulting services		1,070	18,469

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Guarantee fee income		
— Income from financial guarantees	18,244	3,581
— Income from performance guarantees	2,279	2,387
— Income from litigation guarantees	159	25
Less: re-guarantee fee	(510)	(658)
guarantee insurance fee	(11,923)	—
Net guarantee fee income	8,249	5,335
Total	14,848	50,469

During the six months ended 30 June 2018, the percentage of the group's largest single customer's revenue was 11.30% of the group's revenue (six months ended 30 June 2017: 37.20%); while the percentage of the group's top 5 customers' revenue was 38.58% (six months ended 30 June 2017: 78.18%).

(a) During the six months ended 30 June 2017, 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. There was no such agreements during the six months ended 30 June 2018.

4 OTHER REVENUE

	Note	Six months ended 30 June 2018	2017
		RMB'000	*RMB'000*
Interest income from bank deposits		1,184	684
Government grants	(a)	—	634
Gain from disposal of non-current assets	11(d)	—	734
Others		86	22
Total		1,270	2,074

(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 2018, no government grants (six months ended 30 June 2017: RMB274,000) were rewarded to Success Guarantee for guarantee expense.

Foshan Success Financial Services Outsouring 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 2018, no government grants (six months ended 30 June 2017: RMB360,000) were rewarded to Success Financial Services.

5 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Impairment and provision (written back)/charged

		Six months ended 30 June	
	Note	**2018**	**2017**
		RMB'000	*RMB'000*
Provision (written back)/charged for guarantees issued	19(a)	(3,427)	132
Impairment provision charged for		2,665	2,381
— receivables from guarantee payments	11(a) (ii)	1,547	2,211
— factoring receivable	12(b)	455	35
— finance lease receivable	13(b)	663	135
Intangible assets written off		59	—
Recoveries of amounts previously written off		(431)	—
Total		(1,134)	2,513

(b) Staff costs

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	11,681	12,645
Contributions to defined contribution retirement plan	325	329
Equity-settled share-based payment expenses	174	204
Total	12,180	13,178

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organized 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	
	2018	**2017**
	RMB'000	*RMB'000*
Depreciation and amortisation	314	447
Operating lease charges in respect of leasing of properties	2,242	4,305
Auditors' remuneration	894	814
— audit services	500	473
— other services	394	341
Net foreign exchange gain	(994)	(393)

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	
		2018	**2017**
		RMB'000	*RMB'000*
Current tax			
Provision for PRC income tax for the period	17(a)	3,037	12,876
Under-provision in respect of prior years	17(a)	25	65
Deferred tax			
Origination and reversal of temporary differences		868	(2,382)
Total		3,930	10,559

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

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(5,741)	26,034
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	3,843	10,318
Effect of non-deductible expenses	62	176
Under-provision in respect of prior years	25	65
Actual tax expense	3,930	10,559

(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, respectively.

(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 have 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 RMB231,383,000 as at 30 June 2018 (as at 31 December 2017: RMB218,895,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the company of RMB9,463,000 (profit for six months ended 30 June 2017: RMB14,143,000) and the weighted average of 530,805,000 ordinary shares (six months ended 30 June 2017: 530,805,000 shares).

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	**2017**
	000	*000*
Issued ordinary shares at 1 January	530,805	530,805
Effect of shares issued by share option exercised	—	—
Weighted average number of ordinary shares at 30 June	530,805	530,805

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the period ended 30 June 2018 does not assume the exercise of the company's share options and the convertible bonds as the effect is anti-dilutive. The calculation of diluted earnings per share for the period ended 30 June 2018 is based on the loss attributable to ordinary equity shareholders of the company of RMB9,463,000 and the weighted average of 530,805,000 ordinary shares after adjusting for the company's share options granted.

During the six months ended 30 June 2018, there were no dilutive potential ordinary shares issued.

8 CASH AND CASH EQUIVALENTS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Demand deposits and term deposits with banks with original maturity less than three months	153,787	39,234
Restricted customer pledged deposits	63	62
Cash in hand	99	86
Cash and bank deposits in the consolidated statement of financial position	153,949	39,382
Restricted customer pledged deposits	(63)	(62)
Cash and cash equivalents in the consolidated cash flow statement	153,886	39,320

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 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 2018 and 31 December 2017, customer pledged deposits of RMB58,000 and RMB57,000, 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 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Designated custodian bank accounts	58	57
The group's bank accounts	5	5
Total	63	62

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 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**At 30 June 2018** *RMB'000*	**At 31 December 2017** *RMB'000*
Unlisted equity investment	11(d)	8,066	—
Structured deposit		5,000	—
Total		13,066	—

11 TRADE AND OTHER RECEIVABLES

	Note	**At 30 June 2018** *RMB'000*	**At 31 December 2017** *RMB'000*
Receivables from guarantee payments	(a)(i)	251,083	259,685
Less: allowances for doubtful debts	(a)(ii)	(14,365)	(12,818)
		236,718	246,867
Guarantee fee receivable		17,166	858
Trade debtors from consultancy services		12,533	19,233
Loan receivable		5,063	—
Interest receivable from receivables from guarantee payments		—	8,500
Others		3	—
		34,765	28,591

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade receivables	(a)	271,483	275,458
Down payments for investments	(b)	74,850	74,850
Deposit and other receivables, net of impairment allowances	(c)	183,626	155,599
Amounts due from related parties		23,059	2,734
		553,018	508,641
Prepayments to a related party	(d)	—	—
Deferred expenses		34,150	1,357
Mortgage assets		3,470	3,561
Others		31,717	5,011
Total		622,355	518,570

(a) **Ageing analysis**

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

	Note	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 month		15,858	1,458
Over 1 month but less than 3 months		179	1,455
Over 3 months but less than 1 year		28,267	78,125
More than 1 year		241,544	207,238
Total		285,848	288,276
Less: allowance for doubtful debts	(ii)	(14,365)	(12,818)
Total		271,483	275,458

(i) ***Receivables from guarantee payments***

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 2018, the group did not dispose of receivables from guarantee payments.

(ii) ***Trade receivables that are impaired***

Impairment losses in respect of trade 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.

As at 30 June 2018, management adopted a lifetime ECL credit impaired assessment on the group's debtor's amounting to RMB45,906,000.

At 31 December 2017, the group's debtors of RMB35,560,000 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 fully recovered. Consequently, specific allowances for the doubtful debts were recognized as follow:

	Note	**2018**	**2017**
		RMB'000	*RMB'000*
At 1 January		12,818	11,511
Charged	5(a)	1,547	1,307
At 30 June/31 December		14,365	12,818

(iii) ***Trade receivables that are not impaired***

	At 30 June 2018	**At 31 December 2017**
	RMB'000	*RMB'000*
Neither past due nor impaired	25,600	4,226
Less than 3 months past due	30	2,013
More than 3 months but less than 1 year past due	20,338	73,056
More than 1 year	193,974	173,421
Total	239,942	252,716

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.

(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**

	At 30 June 2018	**At 31 December 2017**
	RMB'000	*RMB'000*
Deposit and other receivables	189,726	161,699
Less: allowances for other receivables	(6,100)	(6,100)
	183,626	155,599

As at 30 June 2018, management adopted a lifetime ECL credit impaired assessment on the group's debtor's amounting to RMB6,100,000.

At the end of 2017, the group's other receivables of RMB 6,100,000 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 recovered. Consequently, full specific allowances for the doubtful debts were recognised.

Based on management's assessment as at 30 June 2018, there were no changes in the allowances for other receivables as at 30 June 2018.

(d) **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 constructor. 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 constructor 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 constructor. 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 value of the properties assessed in January 2017 was RMB225,917,000 (including value of land use rights of RMB195,465,000 and value of construction in process of RMB30,452,000). Success Guarantee initially recognised an available-for-sale financial asset at an 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 was recognised as gain from disposal of non-current assets for RMB734,000. The 3.5% of the value of construction in process was recognised as capital reserve and non-controlling interests amounting to RMB1,054,000 and RMB11,000, respectively, as waiver of debts from related parties.

On 14 November 2017, all shareholders of Shengshi Junen Enterprise Management paid up capital of RMB4,536,000 by cash. Success Guarantee contributed a 3.5% interest and paid up RMB159,000. At 31 December 2017, the carrying amount of the available-for-sale financial asset was RMB8,066,000, 3.5% of the value of Shengshi Junen Enterprise Management. At 30 June 2018, the carrying amount of the investment stays the same.

12 FACTORING RECEIVABLE

	As at 30 June 2018			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	RMB	*RMB*	*RMB*	*RMB*
Factoring receivable	62,000	—	26,950	88,950
Interest receivable from factoring receivable	220	—	4,895	5,115
Less: Allowances for impairment losses	(1,324)	—	(1,387)	(2,711)
Carrying amount of finance lease receivables	60,896	—	30,458	91,354

		As at 31 December 2017	
	Note	**Factoring receivable for which allowances are collectively assessed**	**Total**
		RMB'000	*RMB'000*
Factoring receivable		91,950	91,950
Interest receivable from factoring receivable		4,035	4,035
Less: allowances for factoring receivable	(a)/(b)	(1,136)	(1,136)
		94,849	94,849

(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 2018	At 31 December 2017
	RMB'000	*RMB'000*
Within 1 month	146	320
Over 1 month but less than 3 months	392	22,332
Over 3 months but less than 1 year	63,817	72,188
More than 1 year	29,710	1,145
Total	94,065	95,985
Less: allowances for factoring receivable	(2,711)	(1,136)
Total	91,354	94,849

(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:

	2018			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB	*RMB*	*RMB*	*RMB*
Balance at 31 December 2017	865	—	271	1,136
Impact on initial application of HKFRS 9	852	—	268	1,120
Balance at 1 January 2018	1,717	—	539	2,256
Transfer to 12-month ECL	(123)	—	123	—
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	—	—	—
Net remeasurement of loss allowance	(271)	—	726	455
New financial assets originated	—	—	—	—
Recoveries of amounts previously written off	—	—	—	—
Balance at 30 June	1,323	—	1,388	2,711

	2017	
	Collective	**Total**
	RMB'000	*RMB'000*
Balance at 1 January	1,075	1,075
Charged	61	61
Balance at 31 December	1,136	1,136

As at 30 June 2018, management adopted a 12-month ECL and Lifetime ECL credit impaired assessment on the group's debtor's amounting to RMB62,000,000 and RMB26,950,000, respectively.

At 31 December 2017, the group's debtors of RMB91,950,000 of factoring receivable were collectively determined to be impaired.

13 FINANCE LEASE RECEIVABLE

	As at 30 June 2018			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	RMB	*RMB*	*RMB*	*RMB*
Net amount of finance lease receivables	47,912	—	137,542	185,454
Less: Allowances for impairment losses	(1,141)	—	(3,275)	(4,416)
Carrying amount of finance lease receivables	46,771	—	134,267	181,038

	As at 31 December 2017	
	Finance lease receivables for which allowances are collectively assessed	**Total**
	RMB'000	*RMB'000*
Amount due from lessees	203,039	203,039
Less: unearned finance income	(24,665)	(24,665)
Less: allowances for finance lease receivable	(2,191)	(2,191)
	176,183	176,183

(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 2018		At 31 December 2017	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
Overdue	28,179	28,179	466	466
Within 1 year	90,933	97,945	57,212	60,233
After 1 year but within 5 years	66,342	75,239	120,696	142,340
Total	185,454	201,363	178,374	203,039
Impairment allowances:				
collectively assessed	(4,416)	(4,416)	(2,191)	(2,191)
Net investment in finance lease receivable	181,038	196,947	176,183	200,848

(b) **Impairment provision charged for finance lease receivable**

	2018			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
	RMB	*RMB*	*RMB*	*RMB*
Balance at 31 December 2017	589	—	1,602	2,191
Impact on initial application of HKFRS 9	419	—	1,143	1,562
Balance at 1 January 2018	1,008	—	2,745	3,753
Transfer to 12-month ECL	—	—	—	—
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	—	—	—
Net remeasurement of loss allowance	133	—	530	663
New financial assets originated	—	—	—	—
Recoveries of amounts previously written off	—	—	—	—
Balance at 30 June	1,141	—	3,275	4,416

	2017	
	Collective	**Total**
	RMB'000	*RMB'000*
Balance at 1 January	1,957	1,957
Charged	234	234
Balance at 31 December	2,191	2,191

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

	At 30 June 2018				**At 31 December 2017**			
	Overdue within 3 months	**Overdue over 3 months but within 1 year**	**Overdue Over 1 year**	**Total**	**Overdue within 3 months**	**Overdue over 3 months but within 1 year**	**Overdue Over 1 year**	**Total**
Finance lease receivables	27,484	229	466	28,179	—	—	466	466

14 INVESTMENT IN SUBSIDIARIES

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

			Proportion of ownership interest			
Name of company	**Place and date of incorporation/ establishment**	**Fully paid up capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**	**Principal activities**
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

Name of company	Place and date of incorporation/ establishment	Fully paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
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
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 6 September 2014	RMB15,000,000	100%	—	100%	Equity investment in the PRC
Shenzhen Success Number One Equity Investment Fund Limited Partnership ("Success Fund")	The PRC 14 January 2015	RMB194,000,000	100%	—	100%	Equity investment in the PRC
Shenzhen Qianhai Success Housing Wealth Management Company Limited ("Qianhai Success Housing")	The PRC 8 July 2015	RMB61,000,000	100%	—	100%	Provision of real estate financial services in the PRC
Foshan Success Financial Services Outsouring Limited ("Success Financial Services")	The PRC 15 October 2015	RMB30,000,000	60%	—	60%	Provision of real estate financial services in the PRC
Guangzhou Hengyue Number Six Investment Limited Partnership ("Hengyue Number Six")	The PRC 23 February 2017	RMB45,070,027	99.34%	—	100%	Equity investment in the PRC
Foshan Guangda Asset Management Company Limited ("Guangda Asset")	The PRC 27 April 2017	RMB25,000,000	99.27%	—	100%	Provision of asset management services in the PRC

Name of company	Place and date of incorporation/ establishment	Fully paid up capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Foshan Zaisheng Number One Enterprise Management Counsultancy Limited Partnership ("Zaisheng Number One")	The PRC 12 June 2017	RMB23,000,000	99.27%	—	100%	Provision of enterprise management consultancy services in the PRC
T. M. Management Limited ("T. M. Management")	Hong Kong 4 March 1986	HKD 10,000	100%	—	100%	Provision of portfolio management services such as stocks, funds, bonds and so on outside the PRC
Guangzhou Hengyue Number Ten Investment Limited Partnership ("Hengyue Number Ten")	The PRC 9 August 2016	—	99.22%	—	99.95%	Equity investment in the PRC
Success Fund Management Limited ("Success Fund Management")	Cayman Islands 15 June 2018	—	100%	100%	—	Fund management outside the PRC
China Success Investment Funds Segregated Portfolio Company ("Success Investment Funds")	Cayman Islands 15 June 2018	—	100%	100%	—	Fund investment outside the PRC

Note 1 On 14 February 2018, China Success Capital (HK) Limited ("Success Capital (HK)") purchased T. M. Management Limited("T. M. Management"), holding 95% of shares. The remaining 5% shares were held by China Success Capital Limited ("Success Capital").

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 business structure	Place of incorporation and operation	Fully paid up capital	Proportion of ownership interest — Group's effective interest	Proportion of ownership interest — Held by a subsidiary	Principal activity
Foshan Chancheng Success Micro Credit Co., Ltd. ("Success Credit")	Incorporated	The PRC	RMB250,000,000	27.08%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd. ("Hengsheng Fund")	Incorporated	The PRC	RMB23,900,000	40% (Note 1)	40%	Equity fund management
Guangzhou Rongdacheng Information Technology Service Co., Ltd. ("Guangzhou Rongdacheng")	Incorporated	The PRC	RMB8,000,000	30% (Note 2)	30%	Information technology
Foshan Fozhiying Industrial Investment Co.Ltd. ("Fozhiying")	Incorporated	The PRC	—	30% (Note 3)	30%	Investment consultancy

* 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 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 RMB3,900,000 of its subscribed capital.

Note 2 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 3 Together with two entities, Success Fund established Fozhiying on 25 August 2016. Success Fund had subscribed capital of RMB2,400,000, which accounted for 30% of the total subscribed capital.

Note 4 On 15 January 2018, the group withdrew its injected capital of RMB3,200,000 from Guangzhou Chenghuijin Investment Management Partnership ("Guangzhou Chenghuijin"), one of its associates as at 31 December 2017 and no longer have any equity interest in Guangzhou Chenghuijin as at 30 June 2018.

All of the above associates are accounted for using the equity method in the condensed 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 2018	**At 31 December 2017**
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	269,697	313,984
Non-current assets	52,526	42,353
Current liabilities	(69,235)	(72,227)
Equity	252,988	284,110

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Revenue	3,881	13,975
Expenses	(4,631)	(7,736)
Total comprehensive income	(750)	6,239

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Reconciled to the group's interests in the associate		
Gross amounts of net assets of the associate	252,988	284,110
Group's effective interest	27.08%	27.08%
Group's share of net assets of the associate	68,511	76,939
Non-controlling interests in the net assets of the associate	504	566
Goodwill	4,232	4,232
Impairment on cost	(5,855)	(5,855)
Carrying amount in the condensed consolidated financial statements	67,392	75,882

18.18% interest in Success Credit was acquired by Success Guarantee at totaling 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.

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%.

As at 31 December 2017, 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.

The recoverable amount of the group's interest in Success Credit estimated using the value in use method was lower than the total carrying amount of the group's interest in Success Credit.

As a result, an impairment of RMB5,855,000 was recognised for interest in Success Credit as at 30 June 2018 (31 December 2017: RMB5,855,000). The value in use was determined using dividend discount model under income approach based on cash flow projections of Success Credit. A terminal growth rate of 3% was applied. A cost of equity of 15.80% was used as the discount rate in the value in use calculations.

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

	At 30 June 2018 *RMB'000*	**At 31 December 2017** *RMB'000*
Aggregate carrying amount of individually immaterial associates in the condensed consolidated financial statements	22,111	25,584

	At 30 June 2018 *RMB'000*	**At 31 December 2017** *RMB'000*
Aggregate amounts of the group's share of those associates		
Loss from operations	(273)	(1,170)
Other comprehensive income	—	—
Total comprehensive income	(273)	(1,170)

16 EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2018, no item of equipment was acquired (six months ended 30 June 2017: nil). Equipment, amounting to RMB4,000, was disposed of during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

(b) Impairment losses

During the six months ended 30 June 2018, no impairment loss of equipment was recognised (six months ended 30 June 2017: nil).

17 DEFERRED TAX, ASSETS AND LIABILITIES

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

	Note	**2018** *RMB'000*	**2017** *RMB'000*
At 1 January		12,902	10,063
Provision for PRC income tax for the period/year	6(a)	3,062	20,130
PRC income tax paid		(9,320)	(17,291)
At 30 June/31 December		6,644	12,902

(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/year are as follows:

Deferred tax arising from:	Deferred income *RMB'000*	Provision of financial guarantee losses *RMB'000*	Impairment provision for trade and other receivables *RMB'000*	Accrued expenses *RMB'000*	Share of profit of an associate *RMB'000*	Government grants *RMB'000*	Interest receivables *RMB'000*	Re-guarantee fee *RMB'000*	Total *RMB'000*
At 1 January 2017	1,992	(4,062)	5,161	633	(2,739)	(4,535)	(140)	(56)	(3,746)
Credited/(charged) to profit or loss	323	(525)	595	(180)	(426)	2,586	9	—	2,382
At 31 December 2017	2,016	(5,041)	7,025	536	(2,788)	(1,956)	(44)	(56)	(308)
Impact on initial application of HKFRS 9	—	1,992	670	—	2,071	—	—	—	4,733
At 1 January 2018	2,016	(3,049)	7,695	536	(717)	(1,956)	(44)	(56)	4,425
Credited/(charged) to profit or loss	10,226	(4,811)	438	(272)	51	1,860	(108)	(8,252)	(868)
At 30 June 2018	12,242	(7,860)	8,133	264	(666)	(96)	(152)	(8,308)	3,557

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

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	3,557	1,105
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	(1,413)
	3,557	(308)

(d) **Deferred tax assets not recognised**

The group has not recognised deferred tax assets of RMB6,830,000 (31 December 2017: RMB5,540,000) in respect of cumulative tax losses of RMB36,132,000 (31 December 2017: RMB28,901,000) 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) which would not expire under current tax legislation.

(e) **Deferred tax liabilities not recognised**

At 30 June 2018, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB231,383,000 (31 December 2017: RMB218,895,000). Deferred tax liabilities of RMB23,138,000 (31 December 2017: RMB21,890,000) 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 GOODWILL

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Acquisition of T. M. Management	5,480	—

On 14 February 2018, the group acquired 100% ordinary shares of T. M. Management Limited, which is licensed to carry out business of Type 9 Regulated activities as defined in the Securities and Futures Ordinance. The total consideration of the transaction was HKD6,897,000 which was paid in cash, of which HKD1,290,000 has been prepaid as at 31 December 2017. This has resulted in goodwill arising on a business combination amounted to HKD6,500,000.

19 LIABILITIES FROM GUARANTEES

	Note	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Deferred income		48,968	8,037
Provision of guarantee losses	(a)	5,306	768
		54,274	8,805

(a) **Provision of guarantee losses**

	Note	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
At 31 December of previous year		768	2,537
Impact on initial application of HKFRS 9		7,965	—
At 1 January		8,733	2,537
Written back for the period/year	5(a)	(3,427)	(1,769)
At 30 June/31 December		5,306	768

20 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 are expected to be settled within one year.

21 INTEREST-BEARING BORROWINGS

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Borrowings from		
- Third parties	—	5,000
Interest payable to		
- Third parties	—	231
Total	—	5,231

22 LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 1 February 2018, the company issued the convertible bonds ("CBs") with a principal amount of HKD154,000,000 at face value. For details, please refer to the company's announcement on 25 January 2018. Major terms of the CBs are as below:

(i) The CBs carry 6% coupon interest per annum payable semi-annually in arrears on 1 February and 1 August in each year. The company shall pay each bondholder administrative fee equal to one (1) per cent of the aggregate principal amount of the outstanding bonds held by each bondholder on each of the issue date and each anniversary thereof.

(ii) The issuer may redeem the CBs in full, but not in part, at any time the first anniversary of the issue date at an amount equal to the aggregate of; (i) the aggregate principal amount of all the outstanding CBs; (ii) any accrued but unpaid interest (including any default Interest) and outstanding administrative fees on such outstanding CBs; and (iii) an amount that would yield an internal rate of return of ten (10) per cent on the aggregate principal amount of such outstanding CBs from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the issuer.

(iii) Subject to and upon compliance with those conditions in contract, the conversion right in respect of the CBs may be exercised, at the option of the bondholder thereof, at any time full or in part after twelve (12) months from the issue date up to the close of business on one (1) business day prior to the maturity date (both days inclusive) by giving a notice to the issuer of not less than ten (10) business days. The conversion price will initially be HK$2.20 per share.

The CBs contain two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value less allocated transaction costs of the liability component was estimated to be approximately RMB 93,660,000 as at the issuance date by using the Binomial Tree Model, taking into account the terms and conditions of the CBs. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of CBs is 17.8% per annum. The residual amount less allocated transaction costs representing the value of the equity component of approximately RMB 29,695,000, was presented in equity under the heading 'convertible bonds equity reserve'.

Fair value of the liability component was determined using the Binomial Tree Model and the major inputs into the model are as follows:

	At issue date
Stock price	HK$1.60
Exercise price	HK$2.20
Expected volatility	64%
Dividend yield	0%
Option life	12 months
Risk free rate	1.43%

The movements of components of the CBs during the period are set out below:

	Liability component at amortised cost	**Equity component Residual amount**
	RMB'000	*RMB'000*
At the date of issue	93,660	29,695
Interest charge	6,942	—
Interest paid	—	—
Exchange adjustment	1,063	—
At 30 June 2018	101,665	29,695

23 ACCRUALS AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Accruals and other payables	197,207	48,210
Total	197,207	48,210

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

24 RECEIPTS IN ADVANCE

Receipts in advance are related to contracts that have not been effective, and the balance at the reporting date are analysed as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Guarantee customers	74,251	7
Consultancy customers	1,349	—
Total	75,600	7

25 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2018, the group had obligations under finance leases repayable as follows:

	At 30 June 2018		At 31 December 2017	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	159	165	164	170
After 1 year but within 2 years	150	165	154	170
After 2 years but within 5 years	153	165	188	254
Total	462	495	506	594
Less: total future interest expenses		(33)		(88)
Present value of lease obligations		462		506

26 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 Director	Employees	Total	Contractual life of options
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	200,000	1,800,000	2,000,000	10 years
			1,000,000	9,000,000	10,000,000	

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

	At 30 June 2018		At 31 December 2017	
	Exercise price	**Number of options** *'000*	**Exercise price**	**Number of options** *'000*
Granted and outstanding at the beginning of the period/year	HKD1.90	6,501	HKD1.90	7,488
Forfeited during the period/year	HKD1.90	(5)	HKD1.90	(987)
Exercised during the period/year	HKD1.90	—	HKD1.90	—
Granted and outstanding at the end of the period/year	HKD1.90	6,496	HKD1.90	6,501
Exercisable at the end of the period/year	HKD1.90	5,638	HKD1.90	5,640

Notes: The options outstanding at 30 June 2018 had an exercise price of HKD1.90 and a weighted average remaining contractual life of 4.65 years (2017: 5.8 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.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

No final dividend was declared (2017: HKD0.02 per ordinary share) for the year ended 30 June 2018.There were a total of 530,805,000 ordinary shares outstanding for the year ended 30 December 2017, giving a total final dividend amount of HKD10,616,000 which was fully paid in 2017.

(b) Share capital

(i) *Authorised and issued share capital*

	At 30 June 2018			At 31 December 2017		
	No. of shares	**Share capital**	**Share capital**	**No. of shares**	**Share capital**	**Share capital**
	'000	*HKD'000*	*RMB'000*	*'000*	*HKD'000*	*RMB'000*
Authorised:						
Ordinary shares of HKD0.01 each	800,000	8,000	6,512	800,000	8,000	6,512
Ordinary shares, issued and fully paid:						
At 1 January	530,805	5,308	4,241	530,805	5,308	4,241
At 30 June/ 31 December	530,805	5,308	4,241	530,805	5,308	4,241

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.

(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.

(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;

- Convertible bonds equity reserve arising from the residual amount of the net proceeds of convertible bonds less the fair value of liability component at the date of issuance. The equity component will remain as a separate line item within equity until the conversion option is exercised (in which case the corresponding portion of the equity component will be transferred to share capital and share premium). Where the conversion option remains unexercised at the expiry date, the balance will be released to the retained earnings; and

- the waiver of debts from related parties (Note 11(d)).

(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 2018, the aggregate amounts of reserves available for distribution to equity shareholders of the company was RMB424,970,000 (31 December 2017: RMB410,830,000). Details of dividends payable to equity shareholders of the company refer to Note 27(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 2018, there were no changes in the group's approach to capital management from 2017.

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 2018 and 31 December 2017, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee are as follows:

	Note	**At 30 June 2018** *RMB'000*	**At 31 December 2017** *RMB'000*
Outstanding guarantees		2,764,552	1,578,345
Net assets of Success Guarantee	(i)	419,178	430,134
Registered/paid-in capital of Success Guarantee	(i)	330,000	330,000
Multiples of			
— net assets		6.60	3.67
— paid-in capital		8.38	4.78

(i) ***The amounts of net assets and registered/paid-in capital as at 30 June 2018 and 31 December 2017 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.

28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities 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 2018	At 31 December 2017
	RMB'000	*RMB'000*
Level 3		
Available-for-sale financial assets	—	8,066
Financial assets at fair value through profit or loss	13,066	—

Information about Level 3 fair value measurements

The fair value of unlisted equity investment is determined using latest transaction price.

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Unlisted equity investment:		
At 1 January	8,066	—
Additional investment acquired	—	8,066
Net unrealised gains or losses recognised in other comprehensive income during the period	—	—
At 30 June/31 December	8,066	8,066
Bank structured deposits:		
At 1 January	—	—
Purchase	5,000	—
At 30 June/31 December	5,000	—
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	—	—

(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 2018 and as at 31 December 2017.

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

(i) ***Trade and other receivables, factoring receivable and finance lease receivable***

Trade and other receivables, factoring receivable and finance lease receivable are initially recognised at fair value and thereafter stated at amortised cost less allowances 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 are ranging from 2.72% to 3.27% as at 30 June 2018 (2017: 3.27% to 3.74%).

29 COMMITMENTS

(a) Capital commitments outstanding at 30 June 2018 and 31 December 2017 not provided for in the financial statements were as follows:

	At 30 June 2018	**At 31 December 2017**
	RMB'000	*RMB'000*
Contracted for	—	4,355

(b) As at 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018	**At 31 December 2017**
	RMB'000	*RMB'000*
Within 1 year	5,412	3,070
After 1 year but less than 5 years	1,481	2,821
Total	6,893	5,891

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.

30 GUARANTEES ISSUED

As at 30 June 2018 and 31 December 2017, the total maximum guarantees issued are as follows:

	At 30 June 2018	**At 31 December 2017**
	RMB'000	*RMB'000*
Financial guarantees	1,604,979	188,943
Litigation guarantees	113,957	114,419
Performance guarantees	1,045,616	1,274,983
Total maximum guarantees issued	2,764,552	1,578,345

Since 2018, the group has provided guarantees to customers who obtained funding from lenders through Jiufu Jinke Holding Group Ltd. ("Jiufu Finance") and Shanghai Wanda Micro Credit Co., Ltd. ("Wanda Micro Credit").

31 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
Mr. Xu Kaiying	A substantial shareholder and executive director
Mr. Pang Haoquan	A substantial shareholder and executive director
Mr. Li Bin	Executive director and Chief Executive Officer
Ms. Dai Jing	Executive director
Mr. Hung Hoi Ming Raymond	Executive director
Mr. He Darong	A substantial shareholder and non-executive director

Name of related party	**Relationship**
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 Shengshijunen Enterprise Management Co., Ltd.* (佛山市盛世雋恩企業管理有限公司)	A company of which 36% 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 from 1 February 2016 to 15 January 2018

* 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	
	2018	**2017**
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	6,138	7,507
Contributions to defined contribution retirement plan	76	91
Equity compensation benefits	223	68
Total	6,437	7,666

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

(c) **Related parties transactions**

	Six months ended 30 June	
	2018	**2017**
	RMB'000	*RMB'000*
Services fee from Shengshi Junen Enterprise Management	—	7,547

(d) **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

	Note	**At 30 June 2018**	**At 31 December 2017**
		RMB'000	*RMB'000*
Success Credit	(i)	23,059	2,730
Guangzhou Chenghuijin		—	4
Total		23,059	2,734

(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. Success Credit borrowed RMB1,329,000 and RMB19,000,000 from the group on 21 June 2018 and on 28 June 2018, respectively for temporary need of business.

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

32 COMPARATIVE FIGURES

The group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the first half of 2018, the global economy showed signs of recovery but faced considerable downside risks. The global economic recovery faced challenges from increasing possibilities of disorder fluctuations in the financial market, rising trade protectionism sentiment, policy uncertainties, and intensified geopolitical risks. Those factors not only led to economic volatility but also drag down global economic recovery.

China's GDP grew by 6.8% year-on-year in the first half of 2018. While achieving stable growth overall, the national economy maintained sound development momentum. The economy saw a good start by stepping toward high-quality development in line with significant achievements in upgrade and transformation, accelerated growth of the new dynamics, and steady improvement in quality and efficiency. However, China was experiencing a crucial stage of structural reforms and upgrade, which consisted of imbalance and unstable factors. As pointed out during the meeting of the Politburo of the Communist Party of China on 31 July 2018, "China's economy maintained stability in the context of obvious changes in the external environment in the first half of 2018." Despite being stable overall, the economic environment still faced changes, thus bringing challenges and opportunities to the business development of the Group.

During the first half of 2018, guided by the national policy, the Group continued to focus on four aspects in line with the economic development. These aspects included the stable growth of traditional businesses, promoting asset management business by innovation, propelling integrated services in the Bay Area and strengthening partnership mechanism. The Group continued to develop itself into an integrated financial services provider in the Guangdong-Hong Kong-Macao Greater Bay Area ("Bay Area"). During the reporting period, the Group recorded total revenue of approximately RMB 16.1 million and loss for the period of approximately RMB 9.7 million.

Industry and Business Review

Steadily Developing Traditional Businesses

In the first half of 2018, the Group responded to changes in national policies and the market environment by adjusting business structure to address customers' needs. The Group strived to develop and refine its traditional businesses, whilst actively developing new businesses and steadily enhancing the Group's core competitiveness.

For guarantee business, Success Guarantee continued to adjust the structure of its guarantee business by maintaining stock, promoting development and offering integrated guarantee services to clients. On the other, leveraging the idea of internet technology while responding to market demand, Success Guarantee developed the new business model, innovated new guarantee business operations, and enriched product chains in the guaranteed segment, thus further enhancing the core competitiveness.

Success Guarantee fully leveraged the domestic situation to further expand the market in the context of increasingly stringent financial compliance requirements in Mainland China. Success Guarantee intended to enhance financial strength of the Company by increasing the registered capital. Meanwhile, Success Guarantee actively developed new business and enlarged the scale of guarantee business operations by leveraging financial technology, generating more income for the Group.

For financial leasing and factoring business, during the first half of 2018, capturing the changes in the market demand and satisfying potential needs of the clients, Success Financial Leasing provided professional and customized financing services to clients by giving play to its advantages and enhancing product structure. Since commencing our factoring business in 2016, Success Financial Leasing has actively developed factoring business and enriched the product chain of financial leasing, thereby increasing the operational income of the Group.

In addition, the Group optimized its business structure in respond to policies for related industries and its operational plan. The Group suspended its financial consultancy business and gradually retreated from its housing financial business, all the while focusing its resources on new businesses.

Promoting Asset Management Business Through Innovation

In the first half of 2018, with the promulgation of the new regulations and related rules on asset management in Mainland China, the development direction of the industry was reshaped as the domestic financial institutions underwent a steady transition, ensuring a stable development of the financial market.

The Group grasped the development opportunities in the era of "asset management" in Mainland China. Promoted by "twin-driver" development of asset management operations in both Mainland China and Hong Kong, the Group provided diversified asset management services to clients.

In Mainland China, the Group provided asset preservation and appreciation services for clients with small asset value by utilizing the existing asset management company and fund management license to integrate platform resources and taking advantage of team management to demonstrate the Group client-servicing's capability. In Hong Kong, by obtaining an asset management license through acquisition, the Group has laid a solid foundation for the synergy of asset management business in Mainland China and Hong Kong.

Leveraging its listing status in Hong Kong, the Group managed to raise over HK$152 million through the issuance of convertible bonds with an aggregate principal amount of HK$154 million in early 2018. This issuance expanded the Group's capital channels, thereby facilitating its business development and strengthening its position in the capital market.

Developing Integrated Services For Bay Area

In the first half of 2018, the Group continued to position itself as an "integrated financial and investment service provider in Bay Area," providing comprehensive and professional financial services to the development of Bay Area.

Strengthening Cooperation Mechanism

In the first half of 2018, while seeking new cooperation channels to strengthen the Group's core competitiveness, the Group continued to optimize the existing cooperation channels and platforms with different parties.

In the first half of 2018, the Group actively responded to national policy in developing financial inclusion system. The Group cooperated with banks, famous domestic insurance agencies, and internet finance companies to provide internet financial inclusion services and innovate business models, thereby offering comprehensive, efficient and multi-functional financial inclusion services.

SOCIAL ENTERPRISE

While serving the local economic development and assisting the growth of small and medium sized enterprises that are at a disadvantage in the capital market, the Group also extensively engaged in charitable activities to fulfil social responsibility, thus building a positive social image. Every year, Success Charity Foundation (集成愛心基金), as voluntarily initiated by shareholders and employees of the Group, aims to help and support employees in need within the Company, providing timely supports and assistance to families of employees who suffer from serious illnesses or accidental injury, to go 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 former Chief Executive Officer of the Group, 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, building leadership skills and entrepreneurship, as well as cultivating 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 meet its requirements as permanent staff, playing a pivotal role in unfolding the career path of the next generation of financial talents.

FINANCIAL REVIEW

Revenue

For the six-month period ended 30 June 2018, the Group's revenue was approximately RMB16.1 million (six-month period ended 30 June 2017: approximately RMB52.5 million), representing a decrease of approximately 69.3%. 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 2018, the Group's net revenue generated from financial guarantee services was approximately RMB6.3 million (six-month period ended 30 June 2017: approximately RMB3.5 million), representing an increase of approximately 80.0% and accounting for approximately 39.1% of the Group's total revenue (six-month period ended 30 June 2017: approximately 6.7%).

   In the first half of 2018, the Group did not receive any interest income from receivables from guarantee payments for their due debts.

   The revenue from financial guarantee increased significantly in the first half of 2018. This was mainly attributable to the Group's leverage on the idea of internet technology while responding to market demand, developing new business models and innovating new guarantee business operations, which delivered positive results and increased the Group's revenue; while the Group continued to steadily develop the traditional financial guarantee business.

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 2018, the

Group's revenue generated from non-financial guarantee services increased by approximately 1.1% to approximately RMB2.4 million (six-month period ended 30 June 2017: approximately RMB2.4 million), accounting for approximately 14.9% of the Group's total revenue in the first half of 2018 (six-month period ended 30 June 2017: approximately 4.6%).

Success Guarantee continued to develop the relatively low risk non-financial guarantee services while innovating new guarantee business operations, and making the income from non-financial guarantee business to become a stable source of growth of the Group's revenue.

The outstanding guarantee balance from performance guarantee business decreased by approximately 18.0% from approximately RMB1,275.0 million in 31 December 2017 to approximately RMB1,045.6 million and the income from performance guarantee business decreased by approximately RMB0.1 million as compared to the same period in the previous year. As Success Guarantee adjusted product structure during the course of developing non-financial guarantee services, that has led to changes in the amount and revenue from operation of performance guarantee.

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 2018, the Group's revenue generated from financial consultancy services was approximately RMB1.1 million (six-month period ended 30 June 2017: approximately RMB18.5 million), representing approximately 6.8% of the Group's total revenue for the first half of 2018 (six-month period ended 30 June 2017: approximately 35.2%).

There was a relatively significant decrease in revenue from the Group's financial consultancy services in the first half of 2018 because all existing businesses within financial consultancy services were completed, and as there was no new business, the revenue decreased.

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 2018, revenue from the

Group's financial leasing was approximately RMB8.8 million, representing approximately 54.7% of the Group's total revenue in the first half of 2018 and increased by approximately 44.3% from approximately RMB6.1 million in the corresponding period in 2017.

For the six-month period ended 30 June 2018, revenue from factoring business was approximately RMB3.6 million, accounting for approximately 22.4% of the Group's total revenue in the first half of 2018 and decreased by approximately 2.7% from approximately RMB3.7 million in the corresponding period in 2017.

During the first half of 2018, capturing the changes in the market demand and satisfying potential needs of the clients, the Group provided professional and customized financing leasing services to clients by giving play to its advantages, enhancing product structure and strictly adopting risk management measures. Since commencing the factoring business, the Group has actively developed factoring business, while the revenue for factoring business was generally in line with the same period last year.

Other Revenue

The Group's other revenue comprised interest income from bank deposits and others. For the six-month period ended 30 June 2017 and 2018, the Group's other revenue was approximately RMB2.1 million and RMB1.3 million, respectively, representing a decrease of approximately gain 38.1%. The reason for decrease: the Group did not receive government grants and gain from disposal of non-current assets in the first half of 2018.

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 2018, the Group's operating expenses was approximately RMB22.5 million (six-month period ended 30 June 2017:

approximately RMB24.5 million), decreased by approximately RMB2.0 million or approximately 8.2% when compared with the corresponding period of the last year, accounting for approximately 139.8% of the Group's total revenue (six-month period ended 30 June 2017: approximately 46.7%).

The Group upheld the cost-efficient principle, while the decrease in operating expenses was mainly attributable to the decline in rent and business entertainment expenses compared to the same period last year for 47.9% and 53.8% respectively.

Share of Losses of Associates

The share of losses of associates amounted to a loss of approximately RMB0.5 million for the six-month period ended 30 June 2018, representing a decrease of approximately RMB1.0 million from a profit of approximately RMB0.5 million for the six-month period ended 30 June 2017. The increase in share of losses of associates was mainly from the Group's associate - Success Credit.

(Loss)/Profit Before Taxation

As the interest income and revenue from financial consultancy business recorded a relatively significant decrease in the first half of 2018 compared to the same period last year, (loss)/profit before taxation decreased by approximately RMB31.7 million, or approximately 121.9%, from approximately RMB26.0 million for the six-month period ended 30 June 2017 to a loss of approximately RMB5.7 million for the six-month period ended 30 June 2018.

Income Tax

For the six-month period ended 30 June 2018, the Group's income tax amounted to approximately RMB3.9 million, representing a decrease of approximately 63.2% from approximately RMB10.6 million in the corresponding period of 2017. The decrease in income tax was mainly attributable to the reduction in the Group's operational income in the first half of 2018 compared with the same period last year.

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 decreased from approximately RMB246.9 million as at 31 December 2017 to approximately RMB236.7 million as at 30 June 2018.

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 2018, the current pledged bank deposits amounted to approximately RMB237.5 million (31 December 2017: approximately RMB95.5 million), representing an increase of approximately RMB142.0 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB153.9 million (31 December 2017: approximately RMB39.4 million), representing an increase of approximately RMB114.5 million, as compared to the end of last year. Pledged bank deposits increased compared to same period last year because of the pledge deposit from new guarantee client for the new project. The increase in cash and bank deposits was mainly attributable to the funds raised from the Group's issuance of convertible bonds under the General Mandate on 1 February 2018.

Interest Rate Risk and Foreign Exchange Risk

As at 30 June 2018, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the six-month period ended 30 June 2018 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 8.0% as at 31 December 2017 to approximately 45.2% as at 30 June 2018, which was mainly attributable to the increase in total liabilities. The increase in total liabilities was mainly caused by the rise in liabilities from guarantee (deferred income), liabilities from convertible bond, pledge deposits payable to partner companies and receipts in advance from partner companies.

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 30 June 2018, the Group had 60 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 RMB12.2 million for the six month period ended 30 June 2018.

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

Macro Outlook

Looking forward to the second half of 2018, the global economy will still face various challenges despite the gradual recovery. The increasing spillover effect caused by the normalization of the U.S. monetary policy, tightening global macroeconomic policy, and isolationism and populism will impact the global economic growth. In addition, the China-U.S. trade war will continue, leading to a possible fall of global trade volume, thus suppressing the momentum of economic growth and bringing uncertainties to the outlook of the economy.

China's economy will maintain sound development overall amid changes. Although there are increasing positive aspects and factors that facilitate high-quality development, the macroeconomy will face tremendous challenges, which shall never be ignored.

In the second half of 2018, the Group will embrace and lead reforms. Riding on the prevailing trend, the Group will steadily develop traditional businesses and will forge "twin-driver" development of asset management operations in Mainland China and Hong Kong. It will also facilitate the development of enterprises in the Bay Area through providing innovative financial services; to enhance the Group's strength through investing in merger and acquisitions, thereby fostering the Group's rapid development.

Steadily Developing Traditional Businesses

The Group will steadily develop traditional businesses, continue to use business channels such as guarantee, financial leasing, and financial consultancy to fully explore client needs, provide customized financial services to clients and satisfy their diversified needs in investment and financing.

Twin-drivers of Asset Management

The Group will seize the development opportunities of asset management business in Mainland China. Leveraging the advantages of its listing status, resources in Mainland China and team management quality, the Group will make good use of its Hong Kong international platform and provide diversified 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 of Enterprise Development in Bay Area

The Group will seize the market opportunities and favorable policy environment of the Bay Area, to proactively participate in and promote the development of the Bay Area.

Enhancing the Group's Strength through Investing in Mergers and Acquisitions

Affected by factors such as the potential risks of the global currency market and the China-U.S. trade war, the financial market of China will continue to be challenging. In respond to that, the Group plans to adopt a diversified operation mode as part of our long-term development strategy. By establishing a diverse income basis, we are able to reduce our reliance on any single income source, which enables us to maintain and raise the value and returns of our shareholders. Therefore, the Group will continue to explore suitable investment opportunities in new businesses and to improve the Group's market structure and lower the risks from single business operation.

OTHER INFORMATION

Dividends

The Board has resolved not to declare any interim dividend by the Company for the six-month period ended 30 June 2018.

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 2018.

In respect of code provision A.6.7 of the CG Code, two independent non-executive Directors were not able to attend the annual general meeting of the Company held on 18 May 2018 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 Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding the Directors' transactions of the listed securities of the Company.

In response to the specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standard set out in the Model Code and there was no non-compliance with the required standard set out in the Model Code for the six-month period ended 30 June 2018.

Audit Committee

The audit committee of the Company (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 include 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.

This interim report had been reviewed by the Audit Committee and the external auditor, KPMG.

Purchase, sale or redemption of listed securities

During the six-month period ended 30 June 2018, 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 2018 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 express sincere gratitude to the management of the Group and all the staff for their continues support and contributions. The Board also takes this opportunity to thank its loyal shareholders, invetors, customers, business partners and associates, bankers and auditors for their continued faith in the prospects of the Group.

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

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises (i) six executive Directors, namely, Mr. Zhang Tiewei, Mr. Li Bin, Ms. Dai Jing, 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.