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 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	
	(RMB'000)	*(RMB'000)*	Change In %
REVENUE	**29,176**	14,848	96.5%
OTHER REVENUE	**9,900**	1,270	679.5%
LOSS BEFORE TAXATION	**(19,922)**	(5,741)	247.0%
LOSS FOR THE PERIOD	**(20,812)**	(9,671)	115.2%
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(21,408)**	(12,077)	77.3%
LOSS PER SHARE *(RMB PER SHARE)*	**(0.04)**	(0.0178)	124.7%

	AS AT 30 JUNE 2019	AS AT 31 DECEMBER 2018	
	(RMB'000)	*(RMB'000)*	Change In %
TOTAL ASSETS	**2,416,480**	1,938,278	24.7%
TOTAL EQUITY	**956,829**	978,237	-2.2%

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 2019 together with comparative figures for the corresponding period in 2018. The interim financial information for the six months ended 30 June 2019 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 2019 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2019	2018
			(Note)
		RMB'000	*RMB'000*
Guarantee fee income		**552,161**	20,682
Less:guarantee service fee		**(517,482)**	(12,433)
Net guarantee fee income		**34,679**	8,249
Interest income		**5,477**	12,581
Less: interest expenses		**(11,307)**	(7,052)
Net interest (expenses)/income		**(5,830)**	5,529
Service fee from consulting services		**327**	1,070
Revenue	3	**29,176**	14,848
Other revenue	4	**9,900**	1,270
Impairment and provision (charged)/written back	5(a)	**(29,406)**	1,134
Operating expenses		**(24,952)**	(22,516)
Share of losses of associates		**(4,640)**	(477)
Loss before taxation	5	**(19,922)**	(5,741)
Income tax	6(a)	**(890)**	(3,930)
Loss for the period		**(20,812)**	(9,671)
Attributable to:			
Equity shareholders of the Company		**(20,947)**	(9,463)
Non-controlling interests		**135**	(208)
Loss for the period		**(20,812)**	(9,671)
Loss per share (RMB per share)			
Basic	7	**(0.04)**	(0.0178)
Diluted	7	**(0.04)**	(0.0043)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, 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 2019 - unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2019	**2018**
		(Note)
	RMB'000	*RMB'000*
Loss for the period	**(20,812)**	(9,671)
Other comprehensive loss 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	**(596)**	(2,406)
Total comprehensive loss for the period	**(21,408)**	(12,077)
Attributable to:		
Equity shareholders of the Company	**(21,543)**	(11,869)
Non-controlling interests	**135**	(208)
Total comprehensive loss for the period	**(21,408)**	(12,077)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

Consolidated Statement of Financial Position
at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	**30 June 2019** **RMB'000**	31 December 2018 *(Note)* *RMB'000*
Assets			
Cash and bank deposits	8	**833,346**	719,072
Pledged bank deposits	9	**97,111**	86,188
Trade and other receivables	10	**1,053,639**	725,219
Factoring receivable	11	**85,892**	90,999
Finance lease receivable	12	**184,413**	186,906
Interest in associates	14	**86,962**	91,602
Equipment	15	**1,132**	1,420
Intangible assets		**7**	11
Goodwill	16	**—**	5,695
Other financial assets	17	**35,647**	23,951
Deferred tax assets	18(c)	**37,462**	7,215
Other assets	19	**869**	—
Total assets		**2,416,480**	1,938,278
Liabilities			
Liabilities from guarantees	20	**431,084**	128,187
Pledged deposits received	21	**651,930**	309,021
Interest-bearing borrowings	22	**43,976**	—
Liability component of convertible bonds	23	**62,035**	110,640
Accruals and other payables	24	**232,156**	393,937
Current tax	18(a)	**37,256**	17,867
Obligations under finance leases	25	**344**	389
Lease liabilities	2(d)	**870**	—
Deferred tax liabilities	18(c)	**—**	—
Total liabilities		**1,459,651**	960,041
NET ASSETS		**956,829**	978,237

Consolidated Statement of Financial Position
at 30 June 2019 - unaudited
(Expressed in Renminbi)

	Note	30 June 2019 *RMB'000*	31 December 2018 *(Note)* *RMB'000*
CAPITAL AND RESERVES			
Share capital	27(b)	**4,187**	4,187
Reserves	27	**950,636**	972,179
Total equity attributable to equity shareholders of the Company		**954,823**	976,366
Non-controlling interests		**2,006**	1,871
TOTAL EQUITY		**956,829**	978,237

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 judgements, 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 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 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with 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 page 1.

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets . As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in Note 19.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value;

— right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and

— right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in Note 30(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	RMB'000
Operating lease commitments at 31 December 2018	2,523
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(1,425)
— leases of low-value assets	—
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	—
	1,098
Less: total future interest expenses	(232)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	866
Add: finance lease liabilities recognised as at 31 December 2018	—
Total lease liabilities recognised at 1 January 2019	866

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

The Group presents right-of-use assets that do not meet the definition of investment property in 'other assets' and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other assets	—	866	866
Total assets	**1,938,278**	**866**	**1,939,144**
Lease liabilities	—	(866)	(866)
Total liabilities	**(960,041)**	**(866)**	**(960,907)**
Net assets	**978,237**	**—**	**978,237**

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	**At 1 January 2019**
	RMB'000	*RMB'000*
Ownership interests in leasehold investment properties, carried at fair value	**870**	866

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		**At 1 January 2019**	
	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	**660**	**708**	850	880
After 1 year but within 2 years	**210**	**217**	10	11
After 2 years but within 5 years	**—**	**—**	—	—
After 5 years	**—**	**—**	6	11
	210	**217**	16	22
	870	**925**	866	902
Less: total future interest expenses		**(55)**		(36)
Present value of lease liabilities		**870**		866

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in an insignificant change in presentation of cash flows within the cash flow statement.

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	
	2019	**2018**
	RMB'000	*RMB'000*
Guarantee fee income		
— Income from financial guarantees	**5,448**	6,321
— Income from online financial guarantees	**545,875**	11,923
— Income from performance guarantees	**810**	2,279
— Income from litigation guarantees	**28**	159
Gross guarantee fee income	**552,161**	20,682
Less: guarantee service fee	**(517,482)**	(12,433)
Net guarantee fee income	**34,679**	8,249
Interest (expenses)/income		
— Interest income from finance leasing	**2,683**	8,755
— Interest income from factoring	**2,489**	3,554
— Interest income from loans receivable	**305**	272
Less: interest expenses	**(11,307)**	(7,052)
Net interest (expenses)/income	**(5,830)**	5,529
Service fee from consulting services	**327**	1,070
Total	**29,176**	14,848

During the six months ended 30 June 2019, the percentage of the Group's largest single customer's revenue was 11.00% of the Group's revenue (six months ended 30 June 2018: 11.30%); while the percentage of the Group's top 5 customers' revenue was 24.06% (six months ended 30 June 2018: 38.58%).

4 OTHER REVENUE

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Fair value gain on modification of convertible bonds	23	**4,197**	—
Interest income from bank deposits		**3,945**	1,184
Interest income from related parties		**940**	—
Government grants	(a)	**806**	—
Others		**12**	86
Total		**9,900**	1,270

(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 2019, a government grant amounted to RMB806,000 (six months ended 30 June 2018: nil) was rewarded to Success Guarantee.

5 LOSS BEFORE TAXATION

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

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

	Note	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Provision charged/(written back) for guarantees issued	20(a)	**1,121**	(3,427)
Impairment provision charged for			
— receivables from guarantee payments	10(a)(ii)	**3,286**	1,547
— factoring receivable	11(b)	**(334)**	455
— finance lease receivable	12(b)	**915**	663
— trade and other receivable	10(c)	**18,700**	—
Intangible assets written off		**—**	59
Recoveries of amounts previously written off		**—**	(431)
Impairment of goodwill	16	**5,718**	—
Total		**29,406**	(1,134)

(b) Staff costs

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**9,663**	11,681
Contributions to defined contribution retirement plan	**267**	325
Equity-settled share-based payment expenses	**—**	174
Total	**9,930**	12,180

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

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

(c) Other items

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
Depreciation charge	**705**	310
—right-of-use assets	**410**	—
—owned property, plant and equipment	**295**	310
Amortisation	**4**	4
Operating lease charges in respect of leasing of properties	**1,463**	2,242
Auditors' remuneration	**1,310**	894
— audit services	**953**	500
— other services	**357**	394
Net foreign exchange gain	**(66)**	(994)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	Six months ended 30 June 2019	2018
		RMB'000	*RMB'000*
Current tax			
Provision for PRC income tax for the period	18(a)	**31,137**	3,037
Under-provision in respect of prior years		**—**	25
Deferred tax			
Origination and reversal of temporary differences		**(30,247)**	868
Total		**890**	3,930

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

	Six months ended 30 June 2019	2018
	RMB'000	*RMB'000*
Loss before taxation	**(19,922)**	(5,741)
Notional tax on loss before taxation, calculated at domestic income tax rate of 25% (2018: 25%)	**(4,981)**	(1,435)
Tax effect of unused tax losses not recognised	**5,758**	5,278
Effect of non-deductible expenses	**113**	62
Under-provision in respect of prior years	**—**	25
Actual tax expense	**890**	3,930

(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) At 30 June 2019, the Group had estimated tax losses of certain subsidiaries. The tax effect of unused tax losses not recognized is calculated at the tax rates applicable in the jurisdiction concerned (See note 18(d)).

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB20,947,000 (loss for six months ended 30 June 2018: RMB9,463,000) and the weighted average of 524,635,000 ordinary shares (six months ended 30 June 2018: 530,805,000 shares).

Weighted average number of ordinary shares

	Six months ended 30 June	
	2019	**2018**
	RMB'000	*RMB'000*
Issued ordinary shares at 1 January	**524,635**	530,805
Effect of shares issued by share option exercised	**—**	—
Weighted average number of ordinary shares at 30 June	**524,635**	530,805

(b) Diluted loss per share

The Group has convertible bonds as dilutive potential ordinary shares on 30 June 2019.

As the Group's convertible bonds have an anti-dilutive effect to the basic earnings per share calculation on 30 June 2019, and, therefore, diluted earnings per share are the same as the basic earnings per share.

8 CASH AND CASH EQUIVALENTS

	At 30 June 2019	**At 31 December 2018**
	RMB'000	*RMB'000*
Demand deposits and term deposits with banks with original maturity less than three months	**157,016**	235,609
Bank deposit with original maturity over three months	**22,400**	—
Restricted customer pledged deposits	**61**	61
Restricted third-party pledged deposits	**651,869**	308,960
Other restricted funds	**1,913**	174,390
Cash in hand	**87**	52
Cash and bank deposits in the consolidated statement of financial position	**833,346**	719,072
Bank deposit with original maturity over three months	**(22,400)**	—
Restricted customer pledged deposits	**(61)**	(61)
Restricted third-party pledged deposits	**(651,869)**	(308,960)
Other restricted funds	**(1,913)**	(174,390)
Cash and cash equivalents in the condensed consolidated cash flow statement	**157,103**	235,661

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.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, customer or the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the customer into a designated custodian bank account; and (iii) such deposit is not available for use by the Group.

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 30 June 2019, restricted customer pledged deposits of RMB56,000 (31 December 2018: RMB56,000) were deposited into a designated bank account under 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.

Pursuant to the agreements in relation to the online financial guarantee business, the Group set up certain arrangements to manage the third parties' pledged deposits.

These arrangements include: (i) enter into tripartite custodian agreement among lending bank, the third party and the Group, for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the third party into a designated custodian bank account; and (iii) such deposit is not available for use by the Group. As at 30 June 2019, restricted third-party pledged deposits of RMB651,869,000 (31 December 2018: RMB308,960,000) were deposited into a designated bank account under tripartite custodian arrangements.

	At 30 June 2019 *RMB'000*	**At 31 December 2018** *RMB'000*
Restricted third-party pledged deposits	**651,869**	308,960
Restricted customer pledged deposits:		
— designated custodian bank accounts	**56**	56
— the Group's bank accounts	**5**	5
Total	**651,930**	309,021

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 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Receivables from guarantee payments	(a)(i)	**245,554**	247,083
Less: allowances for doubtful debts	(a)(ii)	**(17,718)**	(14,432)
		227,836	232,651
Trade debtors from guarantees		**120,715**	22,801
Trade debtors from consultancy services		**12,344**	13,344
		133,059	36,145
Trade receivables	(a)	**360,895**	268,796
Down payments for investments	(b)	**74,857**	74,850
Deposit and other receivables, net of impairment allowances	(c)	**189,425**	210,378
Amounts due from related parties		**27,975**	27,568
		653,152	581,592
Deferred expenses	(d)	**321,879**	98,075
Mortgage assets		**3,289**	3,380
Others		**75,319**	42,172
Total		**1,053,639**	725,219

(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 2019** ***RMB'000***	**At 31 December 2018** *RMB'000*
Within 1 month		**107,662**	14,563
Over 1 month but less than 3 months		**—**	—
Over 3 months but less than 1 year		**12,514**	7,381
More than 1 year		**258,437**	261,284
Total		**378,613**	283,228
Less: allowance for doubtful debts	(ii)	**(17,718)**	(14,432)
Total		**360,895**	268,796

(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 2019, 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.

At 30 June 2019, the Group's debtors of RMB220,191,000 (31 December 2018: RMB42,122,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired. These 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, allowances for the doubtful debts were recognised as follows:

	Note	**2019**	**2018**
		RMB'000	*RMB'000*
At 1 January		**14,432**	12,818
Charged	5(a)	**3,286**	1,614
Written off		**—**	—
Disposal		**—**	—
At 30 June/31 December		**17,718**	14,432

(iii) Trade receivables that are not impaired

	At 30 June 2019	**At 31 December 2018**
	RMB'000	*RMB'000*
Neither past due nor impaired	**124,084**	26,170
Less than 3 months past due	**318**	—
More than 3 months but less than 1 year past due	**—**	—
More than 1 year	**34,020**	214,936
Total	**158,422**	241,106

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 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Deposit and other receivables	**214,225**	216,478
Less:allowances for other receivables	**(24,800)**	(6,100)
	189,425	210,378

As at 30 June 2019, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB24,800,000 (31 December 2018: RMB6,100,000), for which a full impairment allowance had been provided. At 30 June 2019, the Group's debtors of RMB95,238,000 (31 December 2018: RMB112,901,000) of other receivables were determined to be stage 3 lifetime ECL credit-impaired.

(d) Deferred expenses

Since the second half of 2018, the Group has started to carry out online financing guarantee business. For a cooperation contract, the Group collected a three-year guarantee fee at one time and needed to pay a three-year service fees to the cooperated financial platform for each of the financial guarantee provided. Those service fee was recognised as deferred expenses, and amortized during the period of guarantee.

11 Factoring receivable

		As at 30 June 2019			
	Note	**12-month ECL** *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Factoring receivable		**56,560**	**—**	**26,950**	**83,510**
Interest receivable from factoring receivable		**196**	**—**	**4,895**	**5,091**
Less: allowances for factoring receivable	(a)/(b)	**(1,290)**	**—**	**(1,419)**	**(2,709)**
Carrying amount of factoring receivable		**55,466**	**—**	**30,426**	**85,892**

		31 December 2018			
	Note	12-month ECL *RMB'000*	Lifetime ECL not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
Factoring receivable		62,000	—	26,950	88,950
Interest receivable from factoring receivable		196	—	4,896	5,092
Less: allowances for factoring receivable	(a)/(b)	(1,569)	—	(1,474)	(3,043)
Carrying amount of factoring receivable		60,627	—	30,372	90,999

(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 2019 ***RMB'000***	At 31 December 2018 *RMB'000*
Within 1 month	**—**	105
Over 1 month but less than 3 months	**—**	—
Over 3 months but less than 1 year	**105**	65,116
More than 1 year	**88,496**	28,821
Total	**88,601**	94,042
Less:allowances for factoring receivable	**(2,709)**	(3,043)
Total	**85,892**	90,999

(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.

Consequently, an allowance of impairment losses for factoring receivable during the period was recognised as follows:

	2019			
	12-month ECL *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2018 and 1 January 2019	**1,569**	**—**	**1,474**	**3,043**
Transfer to 12-month ECL	—	—	—	—
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	—	—	—
Net remeasurement of loss allowance	**(279)**	—	**(55)**	**(334)**
New financial assets originated	—	—	—	—
Recoveries of amounts previously written off	—	—	—	—
Balance at 30 June 2019	**1,290**	**—**	**1,419**	**2,709**

12 FINANCE LEASE RECEIVABLE

	Note	**12-month ECL** *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
		As at 30 June 2019			
Net amount of finance lease receivables		**46,340**	**—**	**144,568**	**190,908**
Less:allowances for finance lease receivable	(a)(b)	**(1,577)**	**—**	**(4,918)**	**(6,495)**
Carrying amount of finance lease receivables		**44,763**	**—**	**139,650**	**184,413**

	Note	12-month ECL *RMB'000*	Lifetime ECL not credit-impaired *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
		31 December 2018			
Net amount of finance lease receivable		47,919	—	144,567	192,486
Less:allowances for finance lease receivable	(a)/(b)	(1,389)	—	(4,191)	(5,580)
Carrying amount of finance lease receivable		46,530	—	140,376	186,906

(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 2019		At 31 December 2018	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Overdue	**10,224**	**10,224**	28,179	28,179
Within 1 year	**149,412**	**160,966**	109,774	116,640
After 1 year but within 5 years	**31,272**	**32,902**	54,533	58,357
Total	**190,908**	**204,092**	192,486	203,176
Less: allowances for finance lease receivable	**(6,495)**	**(6,495)**	(5,580)	(5,580)
Net investment in finance lease receivable	**184,413**	**197,597**	186,906	197,596

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

	2019			
	12-month ECL *RMB'000*	**Lifetime ECL not credit-impaired** *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2018 and 1 January 2019	**1,389**	**—**	**4,191**	**5,580**
Transfer to 12-month ECL	—	—	—	—
Transfer to lifetime ECL not credit-impaired	—	—	—	—
Transfer to lifetime ECL credit-impaired	—	—	—	—
Net remeasurement of loss allowance	**188**	**—**	**727**	**915**
New financial assets originated	—	—	—	—
Recoveries of amounts previously written off	—	—	—	—
Balance at 30 June 2019	**1,577**	**—**	**4,918**	**6,495**

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

	At 30 June 2019				At 31 December 2018			
	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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivables	**—**	**—**	**10,224**	**10,224**	—	27,713	466	28,179

13 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
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	RMB430,000,000	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

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
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
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
Foshan Success Cloud Technologies Company Limited ("Success Cloud") (Note 1)	The PRC 9 January 2019	—	69.49%	—	70%	Provision of cloud technology development services in the PRC
Foshan Success Technologies Company Limited ("Success Technologies") (Note 2)	The PRC 11 December 2018	—	45.56%	—	45.90%	Provision of software development services in the PRC

Note 1 On 9 January 2019, Success Asset set up Success Cloud, holding 70% of shares. The remaining 30% shares were held by an individual investor “WuHao”.

Note 2 On 11 December 2018, Success Asset set up Success Technologies, holding 45.90% of shares. The remaining 54.10% shares were held by Guangzhou Information Technologies Company Limited. On 15 February 2019, Beijing Internet Technologies Company Limited was involved in board of shareholders and taking 9.99% shares. Two shareholders have not actually contributed, and the executive directors are accredited by “Success Asset”.

14 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”) 佛山市禪城集成小額貸款有限公司* (「集成貸款」)	Incorporated	The PRC	RMB250,000,000	27.08%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd. (“Hengsheng Fund”) 廣州恒晟基金管理有限公司* (「恒晟基金」)	Incorporated	The PRC	RMB23,900,000	40% *(Note 1)*	40%	Equity fund management
Guangzhou Rongdacheng Information Technology Service Co., Ltd. (“Guangzhou Rongdacheng”) 廣州融達成信息技術服務有限公司* (「廣州融達成」)	Incorporated	The PRC	RMB8,000,000	30% *(Note 2)*	30%	Information technology

* 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 Guangzhou 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 Foshan Fozhiying Industrial Investment Co.Ltd. on 25 August 2016. Success Fund had subscribed capital of RMB2,400,000, which accounted for 30% of the total subscribed capital. This company has been cancelled on 8 April 2019.

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

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 consolidated financial statements, is disclosed below:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Gross amounts of the associate		
Current assets	**266,650**	286,873
Non-current assets	**46,597**	41,195
Current liabilities	**(70,069)**	(68,455)
Equity	**243,178**	259,613

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Revenue	**2,681**	3,881
Expenses	**(19,115)**	(4,631)
Total comprehensive loss	**(16,434)**	(750)

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	**243,178**	259,613
Group's effective interest	**27.08%**	27.08%
Group's share of net assets of the associate	**65,855**	70,305
Non-controlling interests in the net assets of the associate	**484**	517
Goodwill	**4,232**	4,232
Impairment on cost	**(5,855)**	(5,855)
Carrying amount in the consolidated financial statements	**64,716**	69,199

(a) As at 30 June 2019, the proportion of ownership interest in Success Credit held by Success Guarantee was 27.08%. 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 2019 (31 December 2018: 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 2019	At 31 December 2018
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**22,246**	22,403

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Aggregate amounts of the Group's share of those associates		
Loss from operations	**(157)**	(273)
Other comprehensive income	**—**	—
Total comprehensive loss	**(157)**	(273)

15 EQUIPMENT

(a) Acquisitions and disposals

During the six months ended 30 June 2019, no item of equipment was acquired (six months ended 30 June 2018: nil). No equipment was disposed of during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB4,000).

(b) Impairment losses

During the six months ended 30 June 2019, no impairment loss of equipment was recognised (six months ended 30 June 2018: nil).

16 GOODWILL

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
T. M. Management	—	5,695

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 in Hong Kong 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. Since T.M. Management conduct no business activities until 30 June 2019, the group has charged full impairment for the goodwill of T.M. Management.

17 OTHER FINANCIAL ASSETS

	Note	**At 30 June 2019** ***RMB'000***	At 31 December 2018 *RMB'000*
Financial assets measured at FVPL			
— Unlisted equity investment		**23,951**	23,951
— Conversion option embedded in convertible bonds	23(b)	**1,696**	—
— Wealth management product		**10,000**	—
Total		**35,647**	23,951

18 DEFERRED TAX, ASSETS AND LIABILITIES

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

	Note	**2019** ***RMB'000***	2018 *RMB'000*
At 1 January		**17,867**	12,902
Provision for PRC income tax for the period/year	6(a)	**31,137**	20,690
PRC income tax paid		**(11,748)**	(15,725)
At 30 June/31 December		**37,256**	17,867

(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	Provision of financial guarantee losses	Impairment allowances for trade and other receivables	Accrued expenses	Share of profit of an associate	Government grants	Interest receivables	Long-term unamortised expenses	Fair value change gains and losses	Re-guarantee fee	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	2,016	(3,049)	7,695	536	(717)	(1,956)	(44)	—	—	(56)	4,425
Credited/(charged) to profit or loss	28,239	377	1,058	403	(401)	1,467	(107)	(24,275)	(3,971)	—	2,790
At 31 December 2018 and 1 January 2019	30,255	(2,672)	8,753	939	(1,118)	(489)	(151)	(24,275)	(3,971)	(56)	7,215
Credited/(charged) to profit or loss	75,444	667	5,641	(316)	1,121	1,283	(101)	(53,492)	—	—	30,247
At 30 June 2019	105,699	(2,005)	14,394	623	3	794	(252)	(77,767)	(3,971)	(56)	37,462

(c) Reconciliation to the consolidated statement of financial position

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**37,462**	7,215
Net deferred tax liabilities recognised in the consolidated statement of financial position	**—**	—
	37,462	7,215

(d) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of RMB11,830,000 (31 December 2018: RMB7,955,000) in respect of cumulative tax losses of RMB65,102,000 (31 December 2018: RMB42,225,000) 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 2019, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB228,694,000 (31 December 2018: RMB241,622,000). Deferred tax liabilities of RMB22,869,000 (31 December 2018: RMB24,162,000) 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)).

19 OTHER ASSETS

(a) Right-of-use assets

As discussed in Note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. In addition, the depreciated carrying amount of the finance leased assets which were previously included in other property, plant and equipment is also identified as right-of-use assets. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in Note 2.

During the six months ended 30 June 2019, the Group entered into one lease agreement for use of office, and therefore recognised the additions to right-of-use assets of RMB3,390.

20 LIABILITIES FROM GUARANTEES

	Note	**At 30 June 2019** *RMB'000*	At 31 December 2018 *RMB'000*
Deferred income		**422,797**	121,021
Provision of guarantee losses	(a)	**8,287**	7,166
		431,084	128,187

(a) Provision of guarantee losses

	Note	**At 30 June 2019** *RMB'000*	At 31 December 2018 *RMB'000*
At 31 December of previous year		**7,166**	768
Impact on initial application of HKFRS 9		**—**	7,965
At 1 January		**7,166**	8,733
Charged/(written back) for the period/year	5(a)	**1,121**	(1,567)
At 30 June/31 December		**8,287**	7,166

21 PLEDGED DEPOSITS RECEIVED

Pledged deposits received represent deposits received from customers or third parties as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contract, these deposits are expected to be settled within one year.

22 INTEREST-BEARING BORROWINGS

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Note payables	**43,976**	—

Note payables arose from the amendment deed regarding to the convertible bonds (Note 23) on 11 January 2019. The fair value of Note payable was HKD46,057,000 on 11 January 2019. Note payable carries 6% coupon interest per annum payable semi-annually in arrears on 1 February and 1 August in each year. The Company shall pay each Noteholder administrative fee equal to 1% of the aggregate principal amount of the outstanding bonds held by each Noteholder on each of the issue date and each anniversary thereof.

The maturity date of note payable is 31 January 2020, upon which the Company can apply for one year extension subject to the Noteholders' approval. At maturity, the Company shall repay at an amount equal to the aggregate of the outstanding principal amount, and an amount that would yield an internal rate of return of 10% on the aggregate principal amount of the Notes held by such Noteholder from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Issuer to such Noteholder.

The effective interest rate of Note payable is 27.3%. As at 30 June 2019, certain shares were pledged to Noteholder.

23 LIABILITY COMPONENT OF CONVERTIBLE BONDS

(a) On 1 February 2018, the Company issued the convertible bonds (the "Original 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 Original CBs are as below:

(i) The Original 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 1% 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 Original 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 10% 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 Original 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 HKD2.20 per share.

The Original 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 HKD116,928,000 as at the issuance date by using the Binomial Tree Model, taking into account the terms and conditions of the Original CBs. In subsequent periods, the liability component is measured at amortised 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 HKD37,128,000, was presented in equity under the heading 'capital reserve'.

(b) On 11 January 2019, the Company entered into an amendment deed ("Amendment Deed"). Pursuant to the Amendment Deed, certain terms of the CBs were amended, including: (i) repayment of a partial principal amount of the CBs of HKD10,000,000, (ii) issuance of a HKD60,000,000.00 interest-bearing Note at an interest rate of 6%, (iii) a downward revision of Conversion Price from HKD2.20 to HKD1.09 for the outstanding 77,064,200 Conversion Shares of the CBs with a principal amount of HKD84,000,000 (the "New CBs"), and (iv) an early redemption option that the Company could redeem, or a designated third party could purchase, the outstanding New CBs with an internal rate of return of 26% on the aggregate principal amount of such outstanding New CBs, in whole or in part, from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company. For details, please refer to the Company's announcement on 27 December 2018.

The amendment resulted in the derecognition of the original CBs as a whole and the recognition of an interest-bearing borrowing (Note 22) at fair value of HKD46,057,000 for the Note payable, new financial liability and equity components of the New CBs and a financial asset at fair value of HKD1,929,000 (Note 17) for the early redemption option. Fair value gain arose from such amendment, of which RMB4,190,000 was recognised in other revenue (Note 4) in the consolidated statement of profit or loss and RMB17,099,000 was recognised in equity.

The New CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD66,844,000 as at 11 January 2019. In subsequent periods, the liability component is measured at amortised cost using effective interest rate method. The effective interest rate of the liability component of the New CBs is 20.6% per annum. The residual amount representing the value of the equity component of approximately HKD14,539,000, was presented in equity under the heading 'capital reserve'.

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

	Liability component *RMB'000*	**Equity component** *RMB'000*
At the date of issue	**93,660**	**29,695**
Interest charge	**16,224**	**—**
Net increase in interest payable	**(3,001)**	**—**
Net increase in administrative fee paid in advance	**112**	**—**
Interest paid	**(4,015)**	**—**
Administrative fee paid	**(1,238)**	**—**
Exchange adjustment	**8,898**	**—**
At 31 December 2018 and 1 January 2019	**110,640**	**29,695**
Interest charge	**591**	**—**
Net increase in interest payable	**(240)**	**—**
Net increase in administrative fee paid in advance	**(40)**	**—**
Exchange adjustment	**39**	**—**
At 11 January 2019 before modification	**110,990**	**29,695**
Derecognition of the CBs	**(110,990)**	**(29,695)**
Recognition of the New CBs upon modification	**58,800**	**12,596**
Interest charge	**5,582**	**—**
Net increase in interest payable	**(1,822)**	**—**
Net increase in administrative fee paid in advance	**362**	**—**
Interest paid	**(243)**	**—**
Administrative fee paid	**(739)**	**—**
Exchange adjustment	**95**	**—**
At 30 June 2019	**62,035**	**12,596**

24 ACCRUALS AND OTHER PAYABLES

	At 30 June 2019 *RMB'000*	At 31 December 2018 *RMB'000*
Accruals and other payables	**232,156**	393,937

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

25 OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2019, the Group had obligations under finance leases repayable as follows:

	At 30 June 2019		**At 31 December 2018**	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*	**Present value of the minimum lease payments** *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	**166**	**172**	166	171
After 1 year but within 2 years	**178**	**193**	156	171
After 2 years but within 5 years	**—**	**—**	67	86
Total	**344**	**365**	389	428
Less: total future interest expenses		**(21)**		(39)
Present value of lease obligations		**344**		389

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:

			Number of share options granted			Contractual life of
Date granted	**Vesting date**	**Expiry date**	**Director**	**Employees**	**Total**	**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 2019		At 31 December 2018	
	Exercise price	**Number of options** ***'000***	**Exercise price**	**Number of options** *'000*
Granted and outstanding at the beginning of the period/year	**HKD1.90**	**6,488**	HKD1.90	6,501
Forfeited during the period/year	**HKD1.90**	**—**	HKD1.90	(13)
Exercised during the period/year	**HKD1.90**	**—**	HKD1.90	—
Granted and outstanding at the end of the period/year	**HKD1.90**	**6,488**	HKD1.90	6,488
Exercisable at the end of the period/year	**HKD1.90**	**5,638**	HKD1.90	5,638

Notes: The options outstanding at 30 June 2019 had an exercise price of HKD1.90 and a weighted average remaining contractual life of 4.3 years (2018: 4.8 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	64.86%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.87%

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 (2018: nil) until 30 June 2019. The Company did not declare dividend before 30 June 2019. Thus, there is no balance for dividend payable at 30 June 2019.

(b) Share capital

(i) Authorised and issued share capital

	At 30 June 2019			At 31 December 2018		
	No. of shares ***'000***	**Share capital** ***HKD'000***	**Share capital** ***RMB'000***	**No. of shares** *'000*	**Share capital** *HKD'000*	**Share capital** *RMB'000*
Authorised:						
Ordinary shares of HKD0.01 each	**800,000**	**8,000**	**6,512**	800,000	8,000	6,512
Ordinary shares, issued and fully paid:						
At 1 January	**524,635**	**5,246**	**4,187**	530,805	5,308	4,241
Shares repurchased	—	—	—	(6,170)	(62)	(54)
At 30 June/31 December	**524,635**	**5,246**	**4,187**	524,635	5,246	4,187

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;

— the amount allocated to the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds.

— the waiver of debts from related parties.

(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 2019, there was no aggregate amounts of reserves available for distribution to equity shareholders of the Company (31 December 2018: Nil). 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 to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from 1 January 2019. This caused an insignificant increase in the Group's total debt and hence the Group's adjusted net debt-to-capital ratio rose from 98.14% to 98.23% on 1 January 2019 when compared to its position as at 31 December 2018.

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.

As at 30 June 2019, the Group's held other financial assets, which were measured at FVPL (Note 17), with fair value measurement categorised into level 3.

Information about Level 3 fair value measurements

The fair values of unlisted equity investment and wealth management product are determined using the latest transaction price.

The fair value of conversion option embedded in convertible bonds is determined using Binominal Model. The valuation was carried by an independent qualified valuer. The Group's management has discussed with the valuer about the valuation assumptions and results.

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

	At 30 June 2019	**At 31 December 2018**
	RMB'000	*RMB'000*
Other financial assets:		
At 1 January	**23,951**	8,066
Additional investment acquired	**11,696**	—
Changes in fair value recognised in profit or loss during the period/year	**—**	15,885
At 30 June/31 December	**35,647**	23,951

(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 2019 and as at 31 December 2018.

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 interes t 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 2.57% to 2.94% as at 30 June 2019 (2018: 2.45% to 3.05%).

29 COMMITMENTS

As at 30 June 2019 and 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
Within 1 year	**1,035**	2,407
After 1 year but less than 5 years	**9**	116
Total	**1,044**	2,523

The Group is the lessee in respect of a number of properties held under operating leases. None of the leases includes contingent rentals.

30 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	Chief executive officer and executive director
Ms. Dai Jing	Chief operation officer and executive director
Mr. He Darong	A substantial shareholder and non-executive director
Mr. Tsang Hung Kei	Independent non-executive director
Mr. Au Tien Chee Arthur	Independent non-executive director
Mr. Xu Yan	Independent non-executive director
Mr. Zhou Xiaojiang	Independent non-executive director
Foshan Shengshijunen Enterprise Management Co., Ltd.	A company of which 35% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Success Credit	Associate of the Group since 18 December 2012
Guangdong Success Data Co., Ltd	A company of which 30% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan

(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	
	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	**6,424**	6,138
Contributions to defined contribution retirement plan	**58**	76
Equity compensation benefits	**22**	223
Total	**6,504**	6,437

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

(c) Related parties transactions

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Services fee expense	**(993)**	—
Net interest income	**940**	—
Entrusting payment	**3,780**	—
Loan	**20,480**	—
Total	**24,207**	—

(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 2019** *RMB'000*	At 31 December 2018 *RMB'000*
Success Credit	(i)	**26,575**	25,363
Shengshi Junen Enterprise Management		**—**	2,205
Success Data		**1,400**	1,400
Total		**27,975**	28,968

(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 RMB2,730,400. On 30 June 2019, the balance of debt with Success Credit is RMB20,480,000 and the interest is RMB3,365,000 for temporary need of business.

31 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, 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

The sluggish trend of the global economy from last year showed no signs letting up in the first half of 2019, with trade disputes among developed economies and rising geopolitical tensions in the Middle East. All these conduced to a deeper market concern over the prospects of global economy. Therefore, growth rate of the gross domestic product ("GDP") in major economies continued to slow down. The European Union along with other key emerging economies witnessed their growth rates fall significantly lower than expectation. Meanwhile, the U.S. economy managed to sustain its growth, but as the market generally expected that China-U.S. trade deadlock could not be resolved in the short term, the growth momentum was remarkably weakened. Among various industries, the dwindling external demand caused by trade policies suppressed exports of goods in various areas, which led to a slowed growth rate in trade industry. In general, the global economy was hampered by factors such as political unrest and trade protectionism in the first half of the year, which resulted in a slowdown in economic growth and increased downside risks.

In the first half of 2019, China's economy grew at a reasonable level with a 6.3% GDP growth, prolonging the stable development trend. Influenced by the tension brought by the China-U.S. trade rifts, production in the manufacturing sector dropped, as asset value and Renminbi ("RMB") experienced small-scale depreciation, while the aggregate amount of imports and exports increased in comparison with last year. There appeared to be a growing trend in the issuance of credits and bonds from banks, but the non-bank loan market shrank under the tightened national control policies. Inflation rate saw a mild growth and stayed within the control target. Overall, the fundamentals of China's economy, including income, employment, price and Balance of Payments were stable in the first half of the year. China also continued to push forward its supply-side structural reform in order to refine its economic structure.

In the first half of 2019, the Group continued to closely follow the national and overseas economic conditions, as well as the national strategic planning regarding the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"), to seize market opportunities and facilitate the Group's transformation which catered market demand. The Group continued to focus on steadily developing traditional businesses, propelling integrated services for the Greater Bay Area, and strengthening cooperation mechanism, in order to provide comprehensive, professional and efficient integrated financial services to customers.

Industry and Business Review

Steadily Developing Traditional Business

In the first half of 2019, the Group responded to changes in national policies and market environment, accelerating business transformation, steadily developing major businesses, exploring new businesses, offering more professional and efficient integrated financial services, thus enhancing the Group's core competitiveness.

For guarantee business, the Group actively explored financial technology by devoting more resources and establishing a talented technical team to actively develop this operation in the first half of 2019. The Group emphasised quality in customers' selection, with a view to forging a strong win-win partnership. As a number of new business partners and customers grew and scaled, the Group not only achieved the ideal revenues, but also laid a solid foundation for future business development. In addition, Success Guarantee actively responded to the government's policy in supporting micro, small and medium sized enterprises, through maintaining traditional operations and sustaining volume. Further, it also proactively sought out technological solutions to improve its efficiency and service model, thus gaining widespread market recognition and opportunities for multi-party cooperation, and further expanding market share and enhancing core competitiveness.

For financial leasing and factoring business, Success Financial Leasing continued to provide financial leasing services to customers, fulfilled the needs of constructing the Greater Bay Area, observed the market from different perspectives, and satisfied the demand for leasing services during the construction within the Greater Bay Area in the first half of 2019.

Developing Integrated Services for Greater Bay Area

In response to the section regarding plans on financial development in the "Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area" issued by the State Council in February 2019, the Group made use of the resources from both mainland China and Hong Kong to actively provide high-quality resource deployment services, devised plans for the provision of integrated financial services in the Greater Bay Area beforehand, and contributed to the construction of the Greater Bay Area.

Strengthening Cooperation Mechanism

In the first half of 2019, the Group strived to explore diversified collaboration models by tapping financial technology whilst preserving traditional business channels. It also established solid partnerships with a greater number of financial institutions and financial technology companies, thereby reinforcing the core competitiveness of the Group.

In the first half of 2019, the Group actively explored financial technology through cooperation with banks, insurance agencies and financial technology companies, innovated business models, enriched product chain and provided customers with comprehensive and efficient integrated financial services. Meanwhile, by utilising technological tools including the internet, big data and cloud computing, the Group managed to constantly improve its risk management system, boost efficiency in risk control, which fostered its business development and presented the opportunities to pursue diversified cooperations.

SOCIAL ENTERPRISE

While serving the local economic development and assisting micro, small and medium sized enterprises, the Group was also engaged in charitable activities to fulfil social responsibilities, thereby establishing a good social image. Every year, Success Charity Foundation（集成愛心基金）, which was voluntarily initiated by shareholders and employees of the Group, gives help and support to employees in need. It provides timely support and assistance to families of employees who suffer from serious illnesses or accidental injuries, and goes through difficult times with the employees and their families. In respect of poverty alleviation efforts, the Group sent representatives to visit Butuo County, Liangshan Prefecture, Sichuan Province to assist in poverty alleviation work, and donated funds supporting industry development in villages to help Liangshan Yi Autonomous Prefecture of Sichuan Province out of poverty. In addition, Mr. Zhang Tiewei, the Chairman and Executive Director of the Group, has been teaching as an off-campus tutor of the master's degree of finance of Guangdong University of Finance and Economics to nurture brilliant students in joint effort with higher institutions, assist students in developing the habit and thinking which integrate both theories and practices in learning, encourage students to tap into professional knowledge, train up their leadership skills and foster innovation and high moral standards. Furthermore, Mr. Zhang Tiewei also served as a member of the Narcotics Association of Chancheng District in Foshan, contributed to drug prohibition efforts of Foshan by participating in events that enhanced the level of public knowledge on drugs.

FINANCIAL REVIEW

Revenue

For the six months period ended 30 June 2019, the Group's revenue was approximately RMB39.1 million (six months period ended 30 June 2018: approximately RMB16.1 million), representing an increase of approximately 142.9%. 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 months period ended 30 June 2019, the Group's net revenue generated from financial guarantee services was approximately RMB34.0 million (six months period ended 30 June 2018: approximately RMB6.3 million), representing an increase of approximately 439.7%.

   In the first half of 2019, the revenue from financial guarantee services increased significantly as compared to the same period of last year, mainly due to the Group invested more resources in expanding inclusive finance business, improving the efficiency and mode of services, and enriching the product chain, so as to create revenue for the Group.

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 months period ended 30 June 2019, the Group's revenue generated from non-financial guarantee services decreased by approximately 66.7% to approximately RMB0.8 million (six months period ended 30 June 2018: approximately RMB2.4 million).

   In the first half of 2019, the revenue from non-financial guarantee business decreased as compared to the same period of last year, due to product structure adjustments made in Success Guarantee when expanding the non-financial guarantee services, resulting in changes in the performance and revenue of performance guarantee business and the litigation guarantee business.

3. Financial consultancy services

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the six months period ended 30 June 2019, the Group's revenue generated from financial consultancy services was approximately RMB0.3 million (six months period ended 30 June 2018: approximately RMB1.1 million).

The decrease in the revenue from financial consultancy services in the six months period ended 30 June 2019 was mainly due to the fact that most of the original business of the Group's financial consultancy services had expired and the new business decreased as compared to the same period of last year due to changes in the market environment, resulting in a decrease in revenue.

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 months period ended 30 June 2019, revenue from the Group's financial leasing was approximately RMB2.7 million, decreased by approximately 69.3% from approximately RMB8.8 million in the corresponding period in 2018.

For the six months period ended 30 June 2019, revenue from factoring business was approximately RMB2.5 million, decreased by approximately 30.6% from approximately RMB3.6 million in the corresponding period in 2018.

The decrease in the revenue from the financial leasing and factoring services of the Group in the six months period ended 30 June 2019 was mainly due to the fact that most of the original business of financial leasing and factoring services had expired and no new business occurred, resulting in a decrease in revenue.

Other Revenue

The Group's other revenue comprised fair value gain on modification of convertible bonds, interest income from bank deposits, interest income from related parties, government grants and others. For the six months period ended 30 June 2018 and 2019, the Group's other revenue was approximately RMB1.3 million and RMB9.9 million, respectively, representing an increase of approximately 661.5%.

Other revenue of the Group increased significantly as compared with the same period of last year was due to: (i) other gains arising from completing the amendments to the terms and conditions of the convertible bonds on 11 January 2019; and (ii) the increase in interest income from bank deposits due to the increase in cash and bank deposits of the Group in 2019.

Impairment and Provision (Charged)/Written Back

Impairment and provision mainly comes from outstanding issued guarantees and 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, it will be written back in the year in which the relevant amount is recovered.

Operating Expenses

For the six months period ended 30 June 2019, the Group's operating expenses was approximately RMB25.0 million (six months period ended 30 June 2018: approximately RMB22.5 million), increased by approximately RMB2.5 million or approximately 11.1% when compared with the corresponding period of the last year.

The Group upheld the cost-efficient principle, while the increase in operating expenses was mainly attributable to the increase in data service expenses compared to the same period last year for 604.9%. The Group's data service expenses in the six months period ended 30 June 2019 recorded a relatively higher increase as compared with last year, given the cost for information storage significantly increased in order to facilitate the business growth of Success Guarantee.

Share of Losses of Associates

The share of losses of associates amounted to a loss of approximately RMB4.6 million for the six months period ended 30 June 2019, representing an increase of approximately RMB4.1 million from a loss of approximately RMB0.5 million for the six months period ended 30 June 2018. The increase in share of losses of associates was mainly from the Group's associate - Success Credit.

Loss Before Taxation

Loss before taxation increased by approximately RMB14.2 million, or approximately 249.1%, from a loss of approximately RMB5.7 million for the six months period ended 30 June 2018 to a loss of approximately RMB19.9 million for the six months period ended 30 June 2019. The loss is mainly due to: (i) the Group's investment in associates recorded a net loss in the six months period ended 30 June 2019; (ii) the Group's provision for impairment losses in the six months period ended 30 June 2019 increased significantly as compared to the same period of last year; and (iii) the Group's interest income from financial leasing and factoring business decreased during the six months period ended 30 June 2019 as compared to the same period of last year.

Income Tax

For the six months period ended 30 June 2019, the Group's income tax amounted to approximately RMB0.9 million, representing a decrease of approximately 76.9% from approximately RMB3.9 million in the corresponding period of 2018. The decrease in income tax is mainly attributable to the significant deferred income tax assets arising from the provision of impairment losses made by certain subsidiaries of the Group during the six months period ended 30 June 2019, making the deferred income tax expense has significant impact on the overall income tax.

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 the customer. The Group will then subsequently request repayment from the customer or take possession of the counter-guarantee assets provided by such customer 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 RMB232.7 million as at 31 December 2018 to approximately RMB227.8 million as at 30 June 2019.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to utilise the Group's financial resources for obtaining a better return for the shareholders effectivelly, the Group's general approach is to seek some alternative investment opportunities which could provide a better return with limited risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 30 June 2019, the current pledged bank deposits amounted to approximately RMB97.1 million (as at 31 December 2018: approximately RMB86.2 million), representing an increase of approximately RMB10.9 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB833.3 million (31 December 2018: approximately RMB719.1 million), representing an increase of approximately RMB114.2 million, as compared to the end of last year. The increase in cash and bank deposits was mainly due to the new business entered into between Success Guarantee and its customers, and the new customers placed pledged deposits for collaboration in the Group for new projects.

Interest Rate Risk and Foreign Exchange Risk

As at 30 June 2019, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the six months period ended 30 June 2019 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 98.1% as at 31 December 2018 to approximately 152.6% as at 30 June 2019, which was mainly attributable to the increase in total liabilities. The increase in total liabilities was mainly caused by the increase in liabilities from guarantee (deferred income) and pledged deposits payable to cooperative companies.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits talents from the open market. The Group offers competitive remuneration packages to qualified employees, including salaries, bonuses, food and regular health examinations and various benefits. The Group places a 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, the applicable laws and regulations and professional skills in relation to the industry in which the Group operates. The Group offers substantially support to employees with its diverse resources to boost their self-esteem and leading to their personal development.

The Group maintained stable relationship with its employees. As at 30 June 2019, the Group had 59 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to five social insurance and one housing fund, employer's liability insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB 9.9 million for the six months period ended 30 June 2019.

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

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to the second half of 2019, major economies are losing growth momentum. Impeded by the depleted international investment, emerging economies will experience an economic slowdown, and the global economy will continue to pose downside risks. Burgeoning geopolitical uncertainties and the perduring China-U.S. trade dispute, coupled with the serious interference brought to valid layout of global industry chain by American unilateral trade protectionism, the global economy growth will face a more volatile external environment.

Despite that China's economy development remains generally stable and sound, the unbalanced and inadequate national development continued to stand out, entailing new downside risks to the economy. In the second half of 2019, China will create a world-class business environment through a series of measures, including giving a targeted focus on overcoming its weakness in important fields, encouraging healthy development of private investment, strengthening marketisation reform, and further opening up the economy, in order to broaden the appeal of the development of manufacturing sector.

In the second half of 2019, the Group will steadily develop traditional businesses and grasp the opportunities to participate in constructing the Greater Bay Area, whilst promoting integrated services in the Greater Bay Area, enhancing the Group's strength through investing in mergers and acquisitions, as well as fostering the Group's rapid development.

Steadily Developing Traditional Businesses, Actively Innovating Products

The Group will seize opportunities to steadily develop traditional businesses, and actively respond to government's policy in supporting micro, small and medium sized enterprises, utilising operational channels such as guarantee, financial leasing and factoring, enhancing resource allocation and actively devising new products, thereby providing integrated financial services to micro, small and medium sized enterprises.

For guarantee business, Success Guarantee will continue to enhance exploration in financial technology, closely follow the latest market trend, actively develop new products, and utilise technological tools to refine risk management system and increase risk management efficiency. Meanwhile, Success Guarantee will respond to government's policy and ride on the establishment of the national financing guarantee fund, continuously developing traditional guarantee business. With micro, small and medium sized enterprises as target clients, the Group will strive to accommodate clients' demand and launch a wider variety of new products, thus offering more comprehensive financial services to them.

For financial leasing and factoring business, the Group will continue to leverage its strengths in resource allocation and professional expertise in product design to accommodate clients' demand to provide diversified financial services to clients.

Propelling Integrated Services for the Bay Area

The Group will continue to grasp market opportunities and capitalise on the policy change for the Greater Bay Area. Drawing resources in mainland China and Hong Kong, the Group will conduct strategic planning for and actively participate in the construction of the Greater Bay Area, whilst providing comprehensive and diverse financial services to support enterprises in the area.

Strengthening through Investment, Mergers and Acquisitions

In the second half of 2019, the Group will adapt the changes in economic condition as well as adhere to its long-term development strategy to explore new investment opportunities by strategically setting up funds and through share purchases or acquisitions. The Group will also bolster the integration of industry construction and financial services, to develop new business operations, thus enhancing the Group's strengths.

OTHER INFORMATION

Dividends

The Board has resolved not to declare an interim dividend by the Company for the six months period ended 30 June 2019.

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 months period ended 30 June 2019.

In respect of code provision A.6.7 of the CG Code, all directors including Non-executive and Independent Nonexecutive Directors participated in the annual general meeting held on 23 May 2019. 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 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 the Directors confirmed that they have fully complied with the required standard set out in the Model Code and there are no non-compliance with the required standard set out in the Model Code for the six months period ended 30 June 2019.

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 announcement had been reviewed by the Audit Committee and the auditor of the Company, KPMG.

Purchase, Sale or Redemption of Listed Securities

During the six months period ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Competition and Conflict of Interests

Except for the interests in the Group, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the period under review.

Public Float

The Company has maintained the public float as required by the HK Listing Rules up to the date of this announcement.

Events After the Reporting Period

There were no material subsequent events undertaken by the Company or by the Group after 30 June 2019 and up to the date of this announcement.

Publication of the Interim Report

The interim report of the Company for the six months period ended 30 June 2019 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 continued support and contributions. The Board also takes this opportunity to thank its loyal shareholders, investors, 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, 28 August 2019

As at the date of this announcement, the Board comprises (i) five executive directors, namely, Mr. Zhang Tiewei, Mr. Li Bin, Ms. Dai Jing, Mr. Xu Kaiying and Mr. Pang Haoquan, (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.