



中國金融發展(控股)有限公司

CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3623

Interim Report **2019**



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Tiewei (*Chairman*)
Mr. Li Bin (*Chief Executive Officer*)
Ms. Dai Jing
Mr. Xu Kaiying
Mr. Pang Haoquan

NON-EXECUTIVE DIRECTOR

Mr. He Darong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Hung Kei
Mr. Au Tien Chee Arthur
Mr. Xu Yan
Mr. Zhou Xiaojiang

AUTHORISED REPRESENTATIVE

Mr. Li Bin
Mr. Pang Chung Fai Benny

AUDIT COMMITTEE

Mr. Tsang Hung Kei (*Chairman*)
Mr. Au Tien Chee Arthur
Mr. Xu Yan

REMUNERATION COMMITTEE

Mr. Xu Yan (*Chairman*)
Mr. Zhang Tiewei
Mr. Tsang Hung Kei

NOMINATION COMMITTEE

Mr. Zhang Tiewei (*Chairman*)
Mr. Tsang Hung Kei
Mr. Xu Yan

COMPANY SECRETARY

Mr. Pang Chung Fai Benny

LEGAL ADVISERS

As to Hong Kong Law
Benny Pang & Co

AUDITORS

KPMG

REGISTERED OFFICE

Fourth Floor, One Capital Place
P.O. Box 847, Grand Cayman
KY1-1103
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

27th Floor
100QRC
100 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd., Foshan Branch
Foshan Rural Commercial Bank Co. Ltd., Jinlan Branch

COMPANY WEBSITE ADDRESS

<http://www.chinasuccessfinance.com>

STOCK CODE

3623

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change In %
	2019 (RMB' 000)	2018 (RMB' 000)	
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 ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	(21,543)	(11,869)	81.5%
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 (RMB' 000)	AS AT 31 DECEMBER 2018 (RMB' 000)	Change In %
	TOTAL ASSETS	2,416,480	
TOTAL EQUITY	956,829	978,237	-2.2%

* Loss per share for the six-month period ended 30 June 2018 and 2019 was calculated based on the loss attributable to ordinary equity holders of the Company and number of issued shares of the Company for the corresponding period. For the six-month period ended 30 June 2018 and 2019, the number of issued shares of the Company were 530,805,000 and 524,635,000 ordinary shares, respectively.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of China Success Finance Group Holdings Limited (the “**Company**” or “**China Success**”), I am pleased to present the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2019.

In the first half of 2019, the global economy continued to be clouded by uncertainties, while the gross domestic product (“**GDP**”) growth rates of major economies experienced slowdown. Among which, economic growth of European Union and other major emerging economies were significantly slower than expected. Geopolitical tensions and China-U.S. trade deadlock continued to bring uncertainties to the market, thus suppressing exports of goods in various areas. Coupled with the currency fluctuations, trade industry witnessed a sluggish growth. The global turbulence continuously hampered the development trend of global economy, leading to heightened downside risks. Therefore, the global economic prospects remained gloomy, while the rising concerns further weakened market sentiments; therefore, the investors adopted a relatively cautious approach in the first half of the year.

Fortunately, China's economy grew at a reasonable level with a 6.3% GDP growth, prolonging the stable development momentum. Despite the repercussion brought by trade dispute, the aggregate value of imports and exports of China still increased by 3.9% year-on-year to RMB14.67 trillion, manifesting the resilience of China's economy under the trade dispute. In general, 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 spite of the rising uncertainties in external market, China's positive economic fundamentals and long-term trajectory remained unchanged.

During the reporting period, the Group grasped opportunities created by national development trend and market upgrade, gradually propelling transition, improving strategic planning and steadily optimizing its business operations. Meanwhile, the Group adopted a multi-pronged approach to improve its business structure, facilitated stable development of its traditional operations and actively promoted the development of its innovative business, in order to provide comprehensive, professional and efficient integrated financial services to customers.

For guarantee business, Guangdong Success Finance Guarantee Company Limited (“Success Guarantee”) maintained stable operation of traditional businesses, whilst actively planning for the rapid development of financial inclusion. The Group also explored financial technology by devoting more resources, established a talented technical team, and fostered strong win-win partnerships with reputable and sizable clients and platforms. During the reporting period, through utilizing technological means including the internet, big data and cloud computing, the Group managed to constantly improve its risk management system, boost efficiency in risk control, with a view to optimizing its diversified financial businesses. As the number of new business partners and customers grew and scaled, the Group realized satisfactory business growth trend, which laid a solid foundation for future business development. The Group improved its efficiency and service model with technology solutions and innovative mindset, in order to provide customers with professional, personalized and efficient products and financial services, with a view to seizing more business cooperation opportunities, as well as further expanding its market share in guarantee market.

Chairman's Statement

For financial leasing and factoring business, Shenzhen Success Financial Leasing Company Limited (“Success Financial Leasing”) continued to provide financial leasing services to customers and satisfied the demand for leasing services during the construction within the Bay Area. Following the unveiling of the Greater Bay Area Integrated Financial Service Scheme announced 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, while bolstering its cooperation mechanism and devising plans to contribute to the construction of the Bay Area.

Looking forward to the second half of 2019, the global economy is expected to be constantly flustered by considerable uncertainties. Affected by international investors' cautious attitude, major economies will lack growth momentum, while the signals of downside risks become increasingly prominent. Besides, the market generally expects that the trade tussle between China and the U.S. will not be resolved in the near future. Overshadowed also by growing geopolitical and policy uncertainties, as well as financial market volatility, the global economy prospects are expected to remain gloomy.

Despite that China's economy development remains generally stable and sound in the first half of the year, the downside risk in China's economy will increase due to the recently imposed tariffs on Chinese goods by the U.S. and global economic slowdown. Looking forward to the second half of 2019, the Chinese government will focus on a series of measures, including encouraging healthy development of private investment, strengthening marketization reform, propelling rapid development of financial inclusion and further opening up the economy, in order to optimize the business environment so as to broaden its appeal to foreign businessmen.

The Group will seize opportunities and actively respond to government's policy in supporting micro, small and medium-sized enterprises, and steadily develop traditional business. The Group will also continue to develop innovative financial technology business, actively participate in propelling comprehensive services in the Bay Area and provide diversified financial services to customers. Meanwhile, the Group will actively explore appropriate investment opportunities by establishing funds and through share purchases or acquisitions, in order to realize fast business development and enhance its core competitiveness.

Last but not least, on behalf of the Board, I would like to express my sincerest gratitude to all shareholders, clients, and business partners. Facing uncertain economic prospects, management and all employees of the Group will strive for better business development and performance, thus maximizing returns for investors and shareholders.

Zhang Tiewei

Chairman and Executive Director

28 August 2019

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 conducted 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

USE OF PROCEEDS

USE OF PROCEEDS FROM THE ISSUANCE OF CONVERTIBLE BONDS ON 1 FEBRUARY 2018

On 1 February 2018, the Company issued convertible bonds in an aggregate principal amount of HKD154 million under general mandate. The net proceeds, after deducting the handling charges of HKD1,540,010, were HKD152,459,990, and had been utilised as follows as at 30 June 2019:

	HKD'million
1. Acquisition of T. M. Management Limited	5.53
2. Capital increase of Guangdong Success Finance Guarantee Company Limited	73.18
3. Repayment of principle and interest payment of convertible bonds and handling charges	20.84
4. General working capital of the Group	45.62
Total net proceeds unutilised	7.29

The balance of the net proceeds was deposited with banks in Hong Kong and will be used as general working capital of the Group and for development of the existing and future projects of the Group.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 effectively, 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Review Report of Interim Financial Information

Review report to the board of directors of China Success Finance Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 16 to 76 which comprises the consolidated statement of financial position of China Success Finance Group Holdings Limited (“the Company”) and its subsidiaries (“the Group”) as of 30 June 2019 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

28 August 2019

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
		RMB'000	(Note) 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.

The notes on pages 24 to 76 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 27(a).

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
	RMB'000	(Note) RMB'000
Loss for the period	(20,812)	(9,671)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	(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.

The notes on pages 24 to 76 form part of this interim financial report.

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	31 December 2018 (Note)
		RMB'000	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.

Approved and authorised for issue by the board of directors on 28 August 2019.

張鐵偉
Zhang Tiewei
Director

李斌
Li Bin
Director

The notes on page 24 to 76 form part of this interim financial report.

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
	27(b)	27(c)	27(d)	27(e)	27(f)	27(g)				
Balance at 1 January 2018	4,241	447,472	304,828	47,128	18,126	7,106	114,564	943,465	2,252	945,717
Changes in equity for the six months ended										
30 June 2018:										
Loss for the period	—	—	—	—	—	—	(9,463)	(9,463)	(208)	(9,671)
Exchange differences on translation of financial statements of operations outside the mainland China	—	—	—	—	—	(2,406)	—	(2,406)	—	(2,406)
Total comprehensive loss	—	—	—	—	—	(2,406)	(9,463)	(11,869)	(208)	(12,077)
Regulatory reserve appropriation	—	—	—	—	(13,978)	—	13,978	—	—	—
Equity settled share-based transactions	26	—	174	—	—	—	—	174	—	174
Convertible bonds equity reserve	—	—	29,695	—	—	—	—	29,695	—	29,695
Balance at 30 June 2018	4,241	447,472	334,697	47,128	4,148	4,700	119,079	961,465	2,044	963,509

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

Attributable to equity shareholders of the Company										
Note	Share capital	Share premium	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	27(b)	27(c)	27(d)	27(e)	27(f)	27(g)				
Balance at 30 June 2018 and 1 July 2018	4,241	447,472	334,697	47,128	4,148	4,700	119,079	961,465	2,044	963,509
Changes in equity for the six months ended 31 December 2018:										
Profit for the period	—	—	—	—	—	—	15,125	15,125	(173)	14,952
Exchange differences on translation of financial statements of operations outside the mainland China	—	—	—	—	—	5,128	—	5,128	—	5,128
Total comprehensive income	—	—	—	—	—	5,128	15,125	20,253	(173)	20,080
Regulatory reserve appropriation	—	—	—	—	26,840	—	(26,840)	—	—	—
Equity settled share-based transactions	26	—	—	—	—	—	—	—	—	—
Dividends approved in respect of the previous year	(54)	(5,298)	—	—	—	—	—	(5,352)	—	(5,352)
Surplus reserve appropriation	—	—	—	9,869	—	—	(9,869)	—	—	—
Balance at 31 December 2018 (Note)	4,187	442,174	334,697	56,997	30,988	9,828	97,495	976,366	1,871	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.

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2019 - unaudited
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
	27(b)	27(c)	27(d)	27(e)	27(f)	27(g)				
Balance at 31 December 2018 and 1 January 2019	4,187	442,174	334,697	56,997	30,988	9,828	97,495	976,366	1,871	978,237
Changes in equity for the six months ended 30 June 2019:										
Loss for the period	—	—	—	—	—	—	(20,947)	(20,947)	135	(20,812)
Exchange differences on translation of financial statements of operations outside the mainland China	—	—	—	—	—	(596)	—	(596)	—	(596)
Total comprehensive loss	—	—	—	—	—	(596)	(20,947)	(21,543)	135	(21,408)
Regulatory reserve appropriation	—	—	—	—	14,763	—	(14,763)	—	—	—
Surplus reserve appropriation	—	—	—	(2)	—	—	2	—	—	—
Convertible bonds equity reserve	23(b)	—	(17,099)	—	—	—	17,099	—	—	—
Balance at 30 June 2019	4,187	442,174	317,598	56,995	45,751	9,232	78,886	954,823	2,006	956,829

The notes on pages 24 to 76 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2019 - unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2019	2018
		RMB'000	(Note) RMB'000
Operating activities			
Cash (use in)/generated from operations		(33,371)	5,068
PRC income tax paid	18(a)	(11,748)	(9,320)
Net cash used in operating activities		(45,119)	(4,252)
Investing activities			
Proceeds from capital withdrawal of an associate		—	3,200
Proceeds from sale of equipment	15(a)	—	4
Acquisition of a subsidiary		—	(4,302)
Acquisition of financial assets		(10,000)	(5,000)
Interest received		4,479	573
Increase in bank deposit with original maturity over three months	8	(22,400)	—
Net cash used in investing activities		(27,921)	(5,525)
Financing activities			
Net proceeds from issuance of convertible bonds		—	128,539
Interest paid		(5,098)	(335)
Repayment of bank loans		—	(5,000)
Capital element of finance lease rentals paid		(518)	(69)
Net cash (used in)/generated from financing activities		(5,616)	123,135
Net (decrease)/increase in cash and cash equivalents		(78,656)	113,358
Cash and cash equivalents at 1 January	8	235,661	39,320
Effect of foreign exchange rate changes		98	1,208
Cash and cash equivalents at 30 June	8	157,103	153,886

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.

The notes on pages 24 to 76 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 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 15.

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Cont 'd)*

HKFRS 16, Leases *(Cont 'd)*

(a) Changes in the accounting policies *(Cont 'd)*

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

HKFRS 16, Leases (Cont'd)

(a) Changes in the accounting policies (Cont'd)

(ii) Lessee accounting (Cont'd)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

HKFRS 16, Leases (Cont'd)

(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:

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

HKFRS 16, Leases (Cont'd)

(c) Transitional impact (Cont'd)

- (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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES (Cont'd)

HKFRS 16, Leases (Cont'd)

(c) Transitional impact (Cont'd)

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 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 Changes in accounting policies (Cont'd)

HKFRS 16, Leases (Cont'd)

(c) Transitional impact (Cont'd)

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 RMB'000	At 1 January 2019 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 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	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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(Cont 'd)*

HKFRS 16, Leases *(Cont 'd)*

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 RMB'000	2018 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%).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 RMB'000	2018 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.

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(Expressed in Renminbi unless otherwise indicated)

5 LOSS BEFORE TAXATION (Cont'd)

(c) Other items

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Depreciation charge	705	310
— right-of-use asstes	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:

		Six months ended 30 June	
		2019 RMB'000	2018 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

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(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)

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

	Six months ended 30 June	
	2019 RMB'000	2018 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 recognised is calculated at the tax rates applicable in the jurisdiction concerned (See note 18(d)).

Notes to the Unaudited Interim Financial Report

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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 '000	2018 '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.

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8 CASH AND CASH EQUIVALENTS

	At 30 June 2019 RMB'000	At 31 December 2018 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 CASH AND CASH EQUIVALENTS (Cont'd)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Cont 'd)

(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.

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10 TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Ageing analysis (Cont'd)

(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 RMB'000	2018 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

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(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Ageing analysis (Cont'd)

(iii) Trade receivables that are not impaired

	At 30 June 2019 RMB'000	At 31 December 2018 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.

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(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Cont'd)

(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

	Note	As at 30 June 2019			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired 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

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(Expressed in Renminbi unless otherwise indicated)

11 FACTORING RECEIVABLE (Cont'd)

	Note	12-month ECL RMB'000	31 December 2018		Total RMB'000
			Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired 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

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(Expressed in Renminbi unless otherwise indicated)

11 FACTORING RECEIVABLE (Cont'd)

(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			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired 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

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12 FINANCE LEASE RECEIVABLE

	Note	As at 30 June 2019			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	
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	31 December 2018			Total RMB'000
		12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	
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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

12 FINANCE LEASE RECEIVABLE (Cont'd)

- (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

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12 FINANCE LEASE RECEIVABLE (Cont'd)

(b) Impairment provision charged for finance lease receivable

	2019			Total RMB'000
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired 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 over 3 months		Overdue Over 1 year		Overdue over 3 months		Overdue Over 1 year	
	within 3 months	but within 1 year	Overdue Over 1 year	Total	within 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

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13 INVESTMENT IN SUBSIDIARIES

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

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

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13 INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of company	Place and date of incorporation/ establishment	Fully paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
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 Outsourcing Limited ("Success Financial Services")	The PRC 15 October 2015	RMB30,000,000	60%	—	60%	Provision of real estate financial services in the PRC
Guangzhou 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 Consultancy 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

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13 INVESTMENT IN SUBSIDIARIES (Cont'd)

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

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".

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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		Principal activity
				Group's effective interest	Held by a subsidiary	
Foshan Chancheng Success Micro Credit Co., Ltd. ("Success Credit") 佛山市禪城集成小額貸款有限公司* (「集成貸款」)	Incorporated	The PRC	RMB250,000,000	27.08%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd. ("Hengsheng Fund") 廣州恒晟基金管理有限公司* (「恒晟基金」)	Incorporated	The PRC	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.

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14 INTEREST IN ASSOCIATES (Cont'd)

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 RMB'000	At 31 December 2018 RMB'000
<i>Gross amounts of the associate</i>		
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 RMB'000	2018 RMB'000
Revenue	2,681	3,881
Expenses	(19,115)	(4,631)
Total comprehensive loss	(16,434)	(750)
<i>Reconciled to the Group's interests in the associate</i>		
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

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14 INTEREST IN ASSOCIATES (Cont'd)

- (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 RMB'000	At 31 December 2018 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	22,246	22,403
	At 30 June 2019 RMB'000	At 31 December 2018 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)

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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

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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 RMB'000	Provision of financial guarantee losses RMB'000	Impairment allowances for trade and other receivables RMB'000	Accrued expenses RMB'000	Share of profit of an associate RMB'000	Government grants RMB'000	Interest receivables RMB'000	Long-term unamortised expenses RMB'000	Fair value change and losses RMB'000	Re- guarantee fee RMB'000	Total 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

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18 DEFERRED TAX, ASSETS AND LIABILITIES (Cont'd)

(c) Reconciliation to the consolidated statement of financial position

	At 30 June 2019 RMB'000	At 31 December 2018 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.

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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.

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22 INTEREST-BEARING BORROWINGS

	At 30 June 2019 RMB'000	At 31 December 2018 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.

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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 12 months from the issue date up to the close of business on 1 business day prior to the maturity date (both days inclusive) by giving a notice to the issuer of not less than 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'.

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23 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

- (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’.

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23 LIABILITY COMPONENT OF CONVERTIBLE BONDS (Cont'd)

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

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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

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26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

Date granted	Vesting date	Expiry date	Number of share options granted			Contractual life of options
			Director	Employees	Total	
6 November 2013	30 June 2014	5 November 2023	500,000	4,500,000	5,000,000	10 years
	30 June 2016	5 November 2023	300,000	2,700,000	3,000,000	10 years
	30 June 2018	5 November 2023	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).

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26 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Cont'd)

(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.

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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.

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27 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(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 exercising;
- 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.

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27 CAPITAL, RESERVES AND DIVIDENDS *(Cont'd)*

(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.

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27 CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(i) Capital management (Cont'd)

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.

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28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

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

	At 30 June 2019 RMB'000	At 31 December 2018 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 interest cash flows, discounted at the market rate of interest at the balance sheet date.

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

(ii) Guarantees issued

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

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28 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

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

(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 RMB'000	At 31 December 2018 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.

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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 executive director	A substantial shareholder, chairman and
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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(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 RMB'000	2018 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 RMB'000	2018 RMB'000
Services fee expense	(993)	—
Net interest income	940	—
Entrusting payment	3,780	—
Loan	20,480	—
Total	24,207	—

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

(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.

DIVIDENDS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

INTEREST IN THE SHARES OF THE COMPANY

Name of Director	Capacity	Notes	Number of Shares	Approximate Percentage of Shareholding (Note 6)
Mr. Zhang Tiewei	(1) Beneficial Interest	1, 7	1,638,000	47.68%
	(2) Interest in a controlled corporation		248,494,000	
Mr. Xu Kaiying	Interest in a controlled corporation	2, 7	250,132,000	47.68%
Mr. Pang Haoquan	Interest in a controlled corporation	3, 7	250,132,000	47.68%
Mr. He Darong	Interest in a controlled corporation	4	45,000,000	8.58%
Mr. Li Bin	Beneficial Interest	5	1,000,000	0.19%
Ms. Dai Jing	Beneficial interest	5	900,000	0.17%

Other Information

Notes:

- Expert Depot Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang Tiewei, our chairman and executive Director.
- Bliss Success Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu Kaiying, our executive Director.
- Novel Heritage Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang Haoquan, our executive Director.
- New Maestro Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. He Darong, our non-executive Director.
- The Company granted 1,000,000 and 900,000 options under the Pre-IPO Share Option Scheme to Mr. Li Bin and Ms. Dai Jing on 6 November 2013. None of the options granted to Mr. Li Bin and Ms. Dai Jing had been exercised from 13 November 2013 (the "Listing Date") to 30 June 2019.
- Calculated with reference to the number of issued Shares (524,635,000) as at 30 June 2019.
- Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian are deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company or their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Name of director	Date of grant	Exercise Period (subject to vesting period)	Exercise price per share HKD	Exercised during the period	Number of shares subject to outstanding options as at 30 June 2019	Approximate percentage of our Company's issued capital
Li Bin	6 November 2013	30 June 2014 — 5 November 2023	1.9	Nil	1,000,000	0.19%
Dai Jing	6 November 2013	30 June 2014 — 5 November 2023	1.9	Nil	900,000	0.17%

Other Information

Save as disclosed above, at no time during the six-month period ended 30 June 2019 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as is known to the Directors or chief executives of the Company, the following persons other than a Director or chief executive of the Company had an interest or a short position in the Shares and underlying Shares which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Shareholder	Capacity	Notes	Number of Shares	Approximate Percentage of Shareholding
Expert Depot Limited	Beneficial interest	1, 6	250,132,000	47.68%
Bliss Success Investments Limited	Beneficial interest	2, 6	250,132,000	47.68%
Novel Heritage Limited	Beneficial interest	3, 6	250,132,000	47.68%
Mr. Chen Guoxian	Interest in a controlled corporation	4, 6	250,132,000	47.68%
Insider Solution Limited	Beneficial interest	4, 6	250,132,000	47.68%
New Maestro Investments Limited	Beneficial interest	5	45,000,000	8.58%

Notes:

- Expert Depot Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang Tiewei, our Chairman and an executive Director. Out of the 250,132,000 Shares held by Expert Depot Limited, 1,638,000 Shares are held by Mr. Zhang Tiewei for his own beneficial interest.
- Bliss Success Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu Kaiying, an executive Director.
- Novel Heritage Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang Haoquan, an executive Director.
- Insider Solution Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Chen Guoxian.
- New Maestro Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. He Darong, the non-executive Director.
- Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian are deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Other Information

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has the interests or short positions in any Shares or underlying Shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

SHARE OPTION SCHEME

Our Company maintains two share option schemes, namely the Pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and the Post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”, together with the Pre-IPO Share Option Scheme, the “**Share Option Schemes**”) for the purpose of recognising the contribution of the employees of our Group and retaining them for the continual operation and development of our Group. Both schemes were adopted pursuant to a written resolution of all the then shareholders of our Company passed on 18 October 2013 (the “**Adoption Date**”).

Under the Share Option Schemes, our Board may, at its discretion, offer any employee (including any executive Directors) of our Group, options to subscribe for shares in our Company subject to the terms and conditions stipulated in the Share Option Schemes.

The Pre-IPO Share Option Scheme

The major terms of the Pre-IPO Share Option Scheme were summarised as follows:

a) Purpose of the scheme

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant options to the participants as incentive or rewards for their contributions to our Group.

b) Total number of shares available for issue and vesting period

The total number of shares subject to the options under the Pre-IPO Share Option Scheme is 10,000,000 Shares, which shall vest to the relevant option holder in tranches in the following manner:

- (i) 50% of the options shall vest and become exercisable on 30 June 2014;
- (ii) 30% of the options shall vest and become exercisable on 30 June 2016; and
- (iii) 20% of the options shall vest and become exercisable on 30 June 2018.

Other Information

c) Remaining life of the Pre-IPO Share Option Scheme

On 6 November 2013, our Company granted 10,000,000 options under the Pre-IPO Share Option Scheme. Accordingly, the Pre-IPO Share Option Scheme had no outstanding options granted at the end of the six months ended 30 June 2019. Nevertheless, the provisions of the Pre-IPO Share Option Scheme shall in all other respects remain in force and effect and options which are granted during the life on the Pre-IPO Share Option Scheme may continue to exercise in accordance with the respective terms of issue.

During the six-month period ended 30 June 2019, the movements of the options which have been granted under the Pre-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting Date	Exercise period	Outstanding as at 1 January 2019	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2019
Category 1 – Director							
Li Bin	6 November 2013 – 30 June 2014	30 June 2014 – 5 November 2023	500,000	—	—	—	500,000
	6 November 2013 – 30 June 2016	30 June 2016 – 5 November 2023	300,000	—	—	—	300,000
	6 November 2013 – 30 June 2018	30 June 2018 – 5 November 2023	200,000	—	—	—	200,000
Dai Jing	6 November 2013 – 30 June 2014	30 June 2014 – 5 November 2023	450,000	—	—	—	450,000
	6 November 2013 – 30 June 2016	30 June 2016 – 5 November 2023	270,000	—	—	—	270,000
	6 November 2013 – 30 June 2018	30 June 2018 – 5 November 2023	180,000	—	—	—	180,000
Sub-Total			1,900,000	—	—	—	1,900,000
Category 2 – Employees under continuous employment contract							
	6 November 2013 – 30 June 2014	30 June 2014 – 5 November 2023	2,183,000	—	—	—	2,183,000
	6 November 2013 – 30 June 2016	30 June 2016 – 5 November 2023	1,449,000	—	—	—	1,449,000
	6 November 2013 – 30 June 2018	30 June 2018 – 5 November 2023	966,000	—	—	—	966,000
Sub-Total			4,598,000	—	—	—	4,598,000
Total			6,498,000	—	—	—	6,498,000

Other Information

Notes:

1. The date of grant of the options is 6 November 2013.
2. The options have an exercise price of HK\$1.90.

The Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the shares in issue from time to time.

The maximum number of shares issuable upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Post-IPO Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the shares in issue upon the Listing Date (i.e. 414,044,000 shares after over-allotment option has been exercised). The limit of 10% may be refreshed at any time by approval of the shareholders of our Company in general meeting provided that the total number of the shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

As at the date of this interim report, no options had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

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 Non-executive 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.

CHANGES IN DIRECTORS' INFORMATION

Mr. Tsang Hung Kei has been appointed as an independent non-executive director of Ground International Development Limited (stock code: 989), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, with effect from 30 April 2019.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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 report 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 report.

Other Information

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the reporting period, there was no material acquisition or disposal of subsidiaries undertaken by the Group.

CHARGES ON GROUP ASSETS

During the Reporting Period, there was no assets pledge to secure its borrowings and/or utilities guarantees by the Group.

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 report.

PUBLICATION OF INTERIM REPORT

The electronic version of this report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinasuccessfinance.com).

APPRECIATION

The Board would like to express sincere gratitude to the management of the Group and all the staff for their continuous support and contributions. The Board also takes this opportunity to thank its loyal shareholders, investors, customers, auditors, business partners and associates for their continued faith in the prospects of the Group.

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

Hong Kong, 28 August 2019

As at the date of this report, 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.