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**China Success Finance Group Holdings Limited**  
**(中國集成金融集團控股有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 3623)**

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2014**

<b>FINANCIAL HIGHLIGHTS</b>	<b>For the six months ended 30 June</b>		<b>Change In</b>
	<b>2014</b>	<b>2013</b>	
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	
REVENUE	<b>26,494</b>	26,585	-0.3%
OTHER REVENUE	<b>4,129</b>	3,399	21.5%
PROFIT BEFORE TAXATION	<b>13,094</b>	17,985	-27.2%
PROFIT FOR THE PERIOD	<b>6,894</b>	10,814	-36.2%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>10,100</b>	10,673	-5.4%
EARNING PER SHARE (RMB PER SHARE)	<b>0.02</b>	0.04	-50%
TOTAL ASSETS	<b>713,833</b>	705,941	1.1%
TOTAL EQUITY	<b>672,258</b>	656,902	2.3%

**INTERIM RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of China Success Finance Group Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014 together with comparative figures for the corresponding period in 2013. The interim financial information for the six months ended 30 June 2014 has not been audited, but has been reviewed by the audit committee of the Company (the “**Audit Committee**”) and the external auditors.

**Consolidated statement of profit or loss for the six-month ended 30 June 2014**  
*(Expressed in Renminbi)*

		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3		
Revenue		26,494	26,585
Less: re-guarantee fee		<u>(1,200)</u>	<u>(174)</u>
Other revenue	4	<u>4,129</u>	<u>3,399</u>
		29,423	29,810
Impairment and provision (charged)/ written back	5(a)	(700)	123
Operating expenses		<u>(18,877)</u>	<u>(15,619)</u>
		<u>(19,577)</u>	<u>(15,496)</u>
<b>Profit from operations</b>		9,846	14,314
Share of profits of an associate	10	<u>3,248</u>	<u>3,671</u>
<b>Profit before taxation</b>	5	13,094	17,985
Income tax	6(a)	<u>(6,200)</u>	<u>(7,171)</u>
<b>Profit for the period</b>		<u><u>6,894</u></u>	<u><u>10,814</u></u>
<b>Attributable to:</b>			
Equity shareholders of the Company		6,782	10,704
Non-controlling interests		<u>112</u>	<u>110</u>
<b>Profit for the period</b>		<u><u>6,894</u></u>	<u><u>10,814</u></u>
<b>Earnings per share (RMB per share)</b>			
Basic	7	<u>0.02</u>	<u>0.04</u>
Diluted	7	<u>0.02</u>	<u>0.04</u>

**Consolidated statement of profit or loss and other comprehensive income for the six-months ended 30 June 2014**

*(Expressed in Renminbi)*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	6,894	10,814
<b>Other comprehensive income for the period that may be reclassified subsequently to profit or loss</b>		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC") net of nil tax	<u>3,206</u>	<u>(141)</u>
<b>Total comprehensive income for the period</b>	<u>10,100</u>	<u>10,673</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	9,988	10,563
Non-controlling interests	<u>112</u>	<u>110</u>
<b>Total comprehensive income for the period</b>	<u><u>10,100</u></u>	<u><u>10,673</u></u>

## Consolidated statement of financial position

(Expressed in Renminbi)

		At 30 June 2014	At 31 December 2013
	Note	RMB'000 (unaudited)	RMB'000 (audited)
<b>Non-current assets</b>			
Equipment	8	962	1,140
Interest in an associate	10	51,002	50,618
Other non-current assets	11	8,192	7,309
Pledged bank deposits	12	<u>155,183</u>	<u>106,292</u>
		215,339	165,359
<b>Current assets</b>			
Pledged bank deposits	12	69,891	66,626
Trade and other receivables	13	21,768	15,322
Cash and bank deposits	14	<u>406,835</u>	<u>458,634</u>
		498,494	540,582
<b>Current liabilities</b>			
Receipts in advance		934	858
Accruals and other payables	15	2,970	7,938
Current tax liabilities	18	3,806	1,991
Liabilities from guarantees	19	<u>23,969</u>	<u>25,721</u>
		31,679	36,508
<b>Net current assets</b>		<u>466,815</u>	<u>504,074</u>
<b>Total assets less current liabilities</b>		<u>682,154</u>	<u>669,433</u>

		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
<b>Non-current liabilities</b>			
Customer pledged deposits received	16	850	1,550
Liabilities from guarantees	19	2,869	3,780
Deferred tax liabilities	18(a)	<u>6,177</u>	<u>7,201</u>
		9,896	12,531
		<u><u>9,896</u></u>	<u><u>12,531</u></u>
<b>NET ASSETS</b>		<u><u>672,258</u></u>	<u><u>656,902</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	20(a)	3,276	3,276
Reserves	20	<u>664,663</u>	<u>649,419</u>
<b>Total equity attributable to equity shareholders of the Company</b>		667,939	652,695
<b>Non-controlling interests</b>		<u>4,319</u>	<u>4,207</u>
<b>TOTAL EQUITY</b>		<u><u>672,258</u></u>	<u><u>656,902</u></u>

## Notes to financial statements

*(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 27 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 comprises the Company and its subsidiaries (together referred to as the “Group”). This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

### 2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK (IFRIC) 21, *Levies*

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

#### **Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities**

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as HK Listco does not qualify to be an investment entity.

#### **Amendments to HKAS 32, Offsetting financial assets and financial liabilities**

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the group.

#### **Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets**

The amendments to HKAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the group did not hold impaired nonfinancial assets.

#### **Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting**

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

#### **HK (IFRIC) 21, Levies**

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

### 3 Revenue

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

	<i>Note</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2014</b>	<b>2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Income from financial guarantees		19,996	22,620
Income from litigation guarantees		1,387	308
Income from performance guarantees		484	320
Income from financial consultancy services		<u>4,627</u>	<u>3,337</u>
		26,494	26,585
Less: re-guarantee fees	(a)	<u>(1,200)</u>	<u>(174)</u>
Total		<u><u>25,294</u></u>	<u><u>26,411</u></u>

The Group's customer base is diversified and no single client with whom transactions have exceeded 10% of the Group's revenue. In 2014, the percentage of the Group's largest single customer's revenue was 6.51% (2013: 2.81%); while the percentage of the Group's top 5 customers' revenue was 15.09% (2013: 9.96%).

- (a) On 29 November 2013, Success Guarantee entered into a cooperation agreement with an independent Sino-foreign financial guarantee company ("the Re-Guarantor") to proportionally share the guarantee obligation incurred for financial guarantees issued that meet certain criteria. According to the terms of the agreement, the Re-Guarantor will share 20% guarantee obligation for guarantee issued with an amount not more than RMB10,000,000 and 10% for an amount more than and equal to RMB10,000,000 but less than RMB20,000,000.

The re-guarantee fee for shared obligation is: (i) 2% of the shared guarantee amounts; and (ii) adjusted with reference to the number of months the Re-Guarantor undertaking (only for the then issued guarantees that were shared by the Re-Guarantor on the effective date of the agreement).

Besides, there is a refund of handling fees from the Re-Guarantor when the total amount of compensation paid by the Re-Guarantor over the total amount of the fees received by the Re-Guarantor is less than 70% upon expiry of the agreement. In the event that there is no default incurred, the Group is entitled to a maximum refund of re-guarantee handling fees with an amount of 70% of the paid re-guarantee fees.



#### 4 Other revenue

	<i>Note</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2014</b>	<b>2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Government grants	(a)	200	339
Interest income from bank deposits		3,925	3,060
Others		<u>4</u>	<u>—</u>
<b>Total</b>		<u><u>4,129</u></u>	<u><u>3,399</u></u>

- (a) Success Guarantee received funding supporting mainly from Ministry of Industry and Information Technology of the PRC, Ministry of Finance and Foshan Municipal Bureau of Economy and Trade, and the People's Government of Chancheng District of Foshan City. The entitlements of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to grant financial assistance to small and medium enterprises. For the six months ended 30 June 2014, RMB200,000 (six months ended 30 June 2013: Nil) of the government grants was rewarded to the Group for its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

#### 5 Profit before taxation

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

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

	<i>Note</i>	<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2014</b>	<b>2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Provision charged / (written back) for guarantees issued	19	<u>700</u>	<u>(123)</u>
<b>Total</b>		<u><u>700</u></u>	<u><u>(123)</u></u>

(b) *Staff costs*

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits		4,328	2,488
Contributions to defined contribution retirement plan		176	112
Equity-settled share-based payment expenses	17	<u>5,240</u>	<u>—</u>
		<u>9,744</u>	<u>2,600</u>

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

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

(c) *Other items*

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		208	155
Operating lease charges in respect of leasing of properties		467	413
IPO costs	(i)	—	9,615
Net foreign exchange Loss/ (gain)	(ii)	<u>3,741</u>	<u>(66)</u>

(i) The transaction costs were charged by the professional parties in connection with the listing of the ordinary shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited in 2013. These costs were charged to profit or loss except to the extent that costs directly attributable to the issuance of new shares for public offering were recognised in equity upon listing (Note 20(b)(ii)).

(ii) The net foreign exchange loss recognized for the six months ended 30 June 2014 mainly from the drop in the exchange rate of the RMB as the Company of which the functional currency is HKD held monetary assets denominated in RMB for the six months ended 30 June 2014.

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

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the period	7,224	3,152
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(1,024)</u>	<u>4,019</u>
Total	<u><u>6,200</u></u>	<u><u>7,171</u></u>

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>13,094</u>	<u>17,985</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	4,350	4,564
Effect of non-taxable income	(683)	—
Effect of non-deductible expenses	<u>2,533</u>	<u>2,607</u>
Actual tax expense	<u><u>6,200</u></u>	<u><u>7,171</u></u>

- (i) Pursuant to the rules and regulations of Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax has been made for the subsidiary located in Hong Kong as the subsidiary has not derived any income subject to Hong Kong Profits Tax during the period.
- (iii) According to the PRC Corporate Income Tax (“CIT”) Law, the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.
- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such

withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of the PRC subsidiaries amounted to RMB68,108,000 as at 30 June 2014 will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

## 7 Earnings per share

### (a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB6,782,000 (six months ended 30 June 2013: RMB10,704,000) and the weighted average of 414,044,000 ordinary shares (six months ended 30 June 2013: 300,000,000 shares, after adjusting for the capitalisation issue in November 2013).

### (b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB6,782,000 and the weighted of 415,009,000 ordinary shares after adjusting for the Company's share options granted in November 2013. During the six months ended 30 June 2013, there were no dilutive potential ordinary shares issued.

## 8 Equipment

### (a) *Acquisitions and disposals*

During the six months ended 30 June 2014, the group acquired items of plant and machinery with a cost of RMB30,440 (six months ended 30 June 2013: RMB63,097). No item of equipment was disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: item of equipment with a net book value of RMB300 was disposed of, resulting in no gain or loss).

### (b) *Impairment losses*

During the six months ended 30 June 2014, no impairment loss of equipment was recognized (six months ended 30 June 2013: nil).

## 9 Investment in a subsidiary

		<b>The Company</b>	
		<b>At</b>	<b>At</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Unlisted shares, at cost		107	107
Equity settled share-based transactions	17	<u>6,907</u>	<u>1,636</u>
<b>Total</b>		<u><u>7,014</u></u>	<u><u>1,743</u></u>

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

Name of company	Place and date of incorporation/ establishment	Authorised or registered capital/issued and full paid up capital	Group's effective interest	Proportion of ownership interest		Principal activities
				Held by a subsidiary	Held by the Company	
Double Chance	BVI 8 February 2012	1 share of USD1 each	100%	100%	—	Investment holding
Success Finance	Hong Kong 18 November 2011	10,000 shares of HKD1 each	100%	—	100%	Investment holding
Success Asset	The PRC 23 June 2004	RMB125,270,000	99%	—	99%	Investment holding
Success Guarantee	The PRC 26 December 1996	RMB330,000,000	99%	—	100%	Provision of financial guarantee services in the PRC
Success Financial Leasing	The PRC 6 June 2014	USD11,000,000	100%	—	100%	Provision of financial leasing services in the PRC

## 10 Interest in associate

	<b>The Group</b>	
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Share of net assets	47,701	47,317
Goodwill	<u>3,301</u>	<u>3,301</u>
<b>Total</b>	<u><u>51,002</u></u>	<u><u>50,618</u></u>

The following list contains the particulars of the associate, which is unlisted corporate entity whose quoted market price is not available:

Name of the associate	Form of business structure	Place of Incorporation and operation	Registered/ fully paid-up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by a subsidiary	
Chancheng Success Micro Credit Co., Ltd. 佛山市禪城集成小額貸款有限公司* ("Success Credit") (i)	Incorporated	The PRC	250,000,000 RMB	18.90%	19.09%	Micro credit financing

\* The official name of the company is in Chinese. The English translation is for reference only.

- (i) Interest in Success Credit was acquired on 18 December 2012. Success Guarantee has significant influence in Success Credit by appointing 3 of 9 representatives in the board of directors.

The associate is accounted for using the equity method in the consolidated financial statements. Summary financial information of Success Credit, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	At 30 June 2014 <i>RMB'000</i> <i>(unaudited)</i>	At 31 December 2013 <i>RMB'000</i> <i>(audited)</i>
Gross amounts of the associate		
Current assets	430,978	346,423
Non-current assets	41,703	42,357
Current liabilities	(124,226)	(42,833)
Non-current liabilities	<u>(98,583)</u>	<u>(98,083)</u>
Equity	<u>249,872</u>	<u>247,864</u>

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue	35,989	29,489
Expenses	(18,976)	(9,297)
Total comprehensive income	17,013	20,192
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate	249,872	247,864
Group's effective interest	18.9%	18.9%
Group's share of net assets of the associate	47,224	46,844
Non-controlling interests in the net assets of the associate	477	473
Goodwill	<u>3,301</u>	<u>3,301</u>
Carrying amount in the consolidated financial statements	<u>51,002</u>	<u>50,618</u>

Interest in Success Credit was acquired by Success Guarantee at totaling consideration of RMB37,827,000 on 18 December 2012, of which 9.09% was acquired from a related party. Revenue and profit for the period ended 31 December 2012 represented the income of Success Credit since the date of acquisition.

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

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

On 16 May 2014, Success Guarantee entered into Equity Transfer Agreements with Ms. Feng and Guangdong Xinmingzhu respectively pursuant to which Success Guarantee agreed to purchase and Ms. Feng and Guangdong Xinmingzhu agreed to sell 3.64% and 4.55% of the equity interests in Success Credit for a consideration of RMB9,507,500 and RMB11,884,400, respectively. Upon completion of the Acquisitions, the Company equity interests in Success Credit will be increased from 19.09% to 27.28%. The transfer of stock right is approved by Foshan Municipal People's Government Finance Bureau on 8 July 2014.

## 11 Other Non-current assets

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Prepayments to a related party	(i)	6,107	6,107
Deferred expenses		83	196
Refund of re-guarantee handling fees	3	584	118
Prepayments and deposits		<u>1,418</u>	<u>888</u>
		<u>8,192</u>	<u>7,309</u>

- (i) On 6 April 2012, Success Guarantee entered into an agreement with Foshan Success Finance Group Co., Ltd. ("Foshan Finance"). On 12 October 2012, Success Asset entered into a tripartite agreement with Foshan Finance and a third party, who is a constructor. These agreements are related to acquisition of properties from Foshan Finance by Success Guarantee and Success Asset at a total consideration of RMB54,300,000. The properties are floors of a commercial building located in Foshan, the PRC, and will be held for own use by the Group. According to the agreements, Foshan Finance acts as the representative to lead the whole tender and development process, while the construction of the commercial building is subcontracted to the constructor by Foshan Finance. The properties will be transferred to the Group upon the expected date of completion of the construction in 2016. Success Guarantee prepaid RMB27,000,000 to Foshan Finance as consideration. The other consideration of RMB27,300,000 was paid by Success Asset directly to the constructor on behalf of Foshan Finance under the tripartite agreement. In the event that the Group revokes the agreements as a result of Foshan Finance's failure or delay in the transfer of the premises, the aforesaid prepayments are fully refundable from Foshan Finance together with a default interests of 10% per annum.



On 21 October 2013, Success Guarantee entered into a supplementary agreement with Foshan Finance, and Success Asset entered into a supplementary tripartite agreement with Foshan Finance and the constructor. Pursuant to these supplementary agreements, Foshan Finance and the constructor agreed to refund RMB20,893,000 and RMB27,300,000, respectively to the Group. The supplementary agreements also stipulates that upon the premises becoming transferable according to the relevant PRC rules and regulations and the issue of the relevant acknowledgement notices by Foshan Finance, the Group is required to pay the balance of the consideration of RMB48,193,000 to Foshan Finance within 10 days from the receipt of the acknowledgement notices. In the event that the Group revokes the agreements as a result of Foshan Finance's failure or delay in the transfer of the premises, the remaining prepayments of RMB6,107,000 will be fully refundable from Foshan Finance together with a default interest payment of 10% per annum. The prepayments of RMB20,893,000 and RMB27,300,000 was refunded by Foshan Finance and the constructor respectively on 23 October 2013.

## 12 Pledged bank deposits

	<b>The Group</b>	
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current	155,183	106,292
Current	<u>69,891</u>	<u>66,626</u>
	<u>225,074</u>	<u>172,918</u>

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

### 13 Trade and other receivables

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Trade debtors	(i)	190	31
Payments on behalf of customers	(ii)/(iii)	<u>20,948</u>	<u>14,251</u>
		21,138	14,282
Less: allowance for doubtful debts	13(b)(i)	<u>(7,330)</u>	<u>(7,330)</u>
Trade receivables		13,808	6,952
Amounts due from related parties	23(h)(i)	2,864	4,144
Other receivables (Net of impairment provision (Note 13(b)(ii)))	(iii)	<u>2,330</u>	<u>2,097</u>
Receivables		19,002	13,193
Prepayments for re-guarantee fees	3	1,234	1,228
Other prepayments		1,268	535
Deferred expenses		<u>264</u>	<u>366</u>
Total	(iv)	<u><u>21,768</u></u>	<u><u>15,322</u></u>

- (i) The amounts represented service fee income receivables from customers.
- (ii) Payments on behalf of customers 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. Payments on behalf of customers were interest bearing and the Group holds certain collaterals over certain customers.
- (iii) All of the trade and other receivables (including the amount due from a subsidiary), apart from those mentioned in Note 11, are expected to be recovered or recognised as expense within one year.

(a) *Ageing analysis*

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

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Within 1 month		210	31
Over 1 month but less than 3 months		4,477	—
Over 3 months but less than 1 year		2,200	4,971
More than 1 year		<u>14,251</u>	<u>9,280</u>
		21,138	14,282
Less: allowance for doubtful debts	13(b)(i)	<u>(7,330)</u>	<u>(7,330)</u>
Total		<u><u>13,808</u></u>	<u><u>6,952</u></u>

(b) *Impairment of trade and other receivables*

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

- (i) At 30 June 2014 and 31 December 2013, the Group's debtors of RMB7,330,000 were individually determined to be impaired. The individually impaired receivables related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for the doubtful debts were recognised. Based on the management's assessment as at 30 June 2014, there were no changes in the allowance for impaired receivables related to customers or other parties during the six months ended 30 June 2014.
- (ii) At 30 June 2014 and 31 December 2013, the Group's other receivables of RMB6,100,000 were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, specific allowances for the doubtful debts were recognised with consideration of fair value of those debtors' own assets. Based on the management's assessment as at 30 June 2014, there were no changes in the allowance for other receivables during the six months ended 30 June 2014.

- (iii) 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.

#### 14 Cash and bank deposits

	<b>The Group</b>	
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Demand deposits and term deposits with banks with original maturity less than three months	405,811	457,035
Restricted customer pledged deposits	850	1,550
Cash in hand	<u>174</u>	<u>49</u>
Cash and bank deposits in the statement of financial position	406,835	458,634
Restricted customer pledged deposits	<u>(850)</u>	<u>(1,550)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u><u>405,985</u></u>	<u><u>457,084</u></u>

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011. The arrangements include: (a) enter into tripartite custodian agreement among lending bank, customer and the Group for ensuring the entrustment of lending bank to manage the deposits; (b) deposit the pledged deposit received from the customer into a designated custodian bank account; and (c) 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 2014 and 31 December 2013, customer pledged deposits of RMB850,000 and RMB1,550,000 respectively were deposited into a designated bank account under two tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts.

For the purpose of the consolidated cash flow statements, the restricted customer pledged deposits received by the Group have been excluded from cash and cash equivalents and cash flow from operating activities.

#### 15 Accruals and other payables

		<b>The Group</b>	
		At	At
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Other accruals and payables	(i)	2,970	7,938

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

#### 16 Customer pledged deposits received

		<b>The Group</b>	
		At	At
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Non-current		850	1,550

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

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

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

	2014	
	Exercise price	Number of options '000
Granted and outstanding at the end of the period	<u>HKD1.90</u>	<u>10,000</u>
Exercisable at the end of the period	<u>HKD1.90</u>	<u>5,000</u>

Notes: The options outstanding at 30 June 2014 had an exercise price of HKD1.90 and a weighted average remaining contractual life of 9.3 years.

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

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

<i>Fair value of share options and assumptions</i>	<i>2014</i>
Fair value (weighted average) per share option at measurement date	HKD1.60
Share price	HKD2.68
Exercise price	HKD1.90
Expected volatility rate	64.861%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.874%

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

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

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

## 18 Deferred tax, assets and liabilities

### (a) *Deferred tax assets and liabilities recognized*

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

<i>Deferred tax arising from:</i>	The Group								
	Deferred income	Provision of financial guarantee losses	Impairment provision for trade and other receivables	Accrued expenses	Share of profit of a joint venture and an associate	Government grants	Interest receivables	Re-guarantee fee	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2013	7,873	(6,859)	3,358	864	—	(7,750)	—	—	(2,514)
Credited / (charged) to profit or loss	<u>(2,275)</u>	<u>636</u>	<u>—</u>	<u>(710)</u>	<u>(356)</u>	<u>(1,310)</u>	<u>(273)</u>	<u>(399)</u>	<u>(4,687)</u>
At 31 December 2013 and 1 January 2014	5,598	(6,223)	3,358	154	(356)	(9,060)	(273)	(399)	(7,201)
Credited / (charged) to profit or loss	<u>(841)</u>	<u>2,368</u>	<u>—</u>	<u>(190)</u>	<u>(129)</u>	<u>(50)</u>	<u>(148)</u>	<u>14</u>	<u>1,024</u>
At 30 June 2014	<u>4,757</u>	<u>(3,855)</u>	<u>3,358</u>	<u>(36)</u>	<u>(485)</u>	<u>(9,110)</u>	<u>(421)</u>	<u>(385)</u>	<u>(6,177)</u>

### (b) *Reconciliation to the consolidated statement of financial position*

	The Group	
	At 30 June 2014	At 31 December 2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(6,177)</u>	<u>(7,201)</u>

(c) *Deferred tax assets not recognised*

The Group has not recognised deferred tax assets of RMB652,000 (2013: RMB479,000) in respect of cumulative tax losses of RMB3,687,000 (2013: RMB2,164,000) 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. As at 30 June 2014, unused tax losses of Success Asset and Success Financial Leasing of RMB152,000, RMB317,000 and RMB36,000 (2013: RMB152,000 and RMB317,000) will expire by 31 December 2017, 2018 and 2019 (2013: 2017 and 2018), respectively. The remaining unused tax losses of RMB3,182,000 (2013: RMB1,695,000) do not expire under current tax legislation.

(d) *Deferred tax liabilities not recognised*

At 30 June 2014, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB68,108,000 (2013: RMB59,926,000). Deferred tax liabilities of RMB6,811,000 (2013: RMB5,993,000) 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 **Liabilities from guarantees**

		<b>The Group</b>	
		<b>At</b>	<b>At</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Current liabilities			
- Deferred income		16,162	18,614
- Provision of guarantee losses	(a)	<u>7,807</u>	<u>7,107</u>
		23,969	25,721
Non-current liabilities			
- Deferred income		<u>2,869</u>	<u>3,780</u>
		<u>26,838</u>	<u>29,501</u>

(a) *Provision of guarantee losses*

		<b>The Group</b>	
		<b>At</b>	<b>At</b>
		<b>30 June</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
At the beginning of the year / period		7,107	6,863
Charge for the year / period	5(a)	<u>700</u>	<u>244</u>
At the end of the year / period		<u>7,807</u>	<u>7,107</u>



## 20 Capital, reserves and dividends

### (a) Dividends

No dividends were proposed or paid to the equity shareholders of the Company for the year ended 30 June 2014 (2013: Nil).

### (b) Share capital

#### (i) Authorised and issued share capital

	<i>Note</i>	At 30 June 2014			At 31 December 2013		
		No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
<b>Authorised:</b>							
Ordinary shares of HKD0.01 each		800,000	8,000	6,512	800,000	8,000	6,512
<b>Ordinary shares, issued and fully paid:</b>							
At 1 January		414,044	4,140	3,276	10	—	—
Issuance of shares by share offering	20(b)(ii)	—	—	—	114,044	1,140	902
Capitalisation issue	20(b)(iii)	—	—	—	299,990	3,000	2,374
At 30 June 2014		<u>414,044</u>	<u>4,140</u>	<u>3,276</u>	<u>414,044</u>	<u>4,140</u>	<u>3,276</u>

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

#### (ii) Issuance of shares by share offering

On 13 November 2013, the Company issued 100,000,000 new ordinary shares of HKD0.01 each at a price of HKD2.68 per share by way of global offering to Hong Kong and overseas investors. On 5 December 2013, additional 14,044,000 ordinary shares of HKD0.01 each were issued at a price of HKD2.68 per share as a result of the exercise of over-allotment option. Net proceeds from the global offering and exercise of over-allotment option totaling HKD287,023,000 (equivalent to RMB227,073,000) after offsetting IPO costs of RMB14,729,000, out of which HKD1,140,000 (equivalent to RMB902,000) and HKD285,883,000 (equivalent to RMB226,171,000) were recorded in share capital and share premium respectively.

(iii) Capitalisation issue

Pursuant to the Written Resolutions of all the shareholders passed on 18 October 2013, an amount of HKD2,999,900 standing to the credit of the share premium account was applied in paying up in full 299,990,000 ordinary shares of HKD0.01 each which were allotted and distributed as fully paid to shareholders whose names appeared on the register of members of the Company at the close business on 18 October 2013, in the proportion to their then existing shareholdings in the Company.

(iv) Shares issued under share option scheme

No options were exercised during the six months ended 30 June 2014. Further details of these options are set out in Note 17 to the financial statements.

(c) ***Share premium***

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

(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 pursuant to the Reorganisation; and
- the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognized.

(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.

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

(f) ***Regulatory reserve***

According to the Interim Measures for the Administration of Financial Guarantee Companies (“Interim Measures”) issued at 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 details 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) ***Distributability of reserves***

At 30 June 2014, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB225,587,000 (31 December 2013: RMB221,594,000). No dividends has been proposed and paid during the year.

(i) ***Capital management***

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

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

During 2014, there were no changes in the Group’s approach to capital management from 2013.

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

Particularly, the Group monitors regularly the residual balance of outstanding guarantees for single customers and multiples of the total outstanding guarantees in relation to net

assets and paid-in capital of Success Guarantee, which is the principal operation entity of the Group, so as to keep the capital risk within an acceptable limit. The decision to manage the net assets and registered capital of Success Guarantee to meet the needs of developing guarantee business rests with the directors.

As at 30 June 2014 and 31 December 2013, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee are as follows:

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Outstanding guarantees		1,405,361	1,425,294
Net assets of Success Guarantee	(i)	386,045	311,274
Registered / paid-in capital of Success Guarantee	(i)	<u>330,000</u>	<u>250,000</u>
Multiples of			
- net assets		<u>3.64</u>	<u>4.58</u>
- paid-in capital		<u>4.26</u>	<u>5.70</u>

(i) The amounts of net assets and registered/paid-in capital as at 31 December 2013 and as at 30 June 2014 is extracted from the unaudited PRC management accounts of Success Guarantee.

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

## 21 Fair value measurement of financial instruments

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and at 31 December 2013. The fair value measurements of financial instruments carried at cost or amortised cost are using Level 2 inputs as defined in HKFRS 13. The description of valuation techniques and inputs for the fair value measurements are set out in note 21(b).

### (b) *Estimation of fair value*

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

(i) Trade and other receivables

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

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

(ii) Guarantees issued

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

(iii) Interest rates used for determining fair value

The market interest rates adopted for determining the fair value of trade and other receivables are ranging from 3.72% to 4.00% as at 30 June 2014 (30 June 2013: 3.29% to 3.48%).

## 22 Commitments and contingent liabilities

(a) *Guarantees issued*

At 30 June 2014 and at 31 December 2013, the total maximum guarantees issued are as follows:

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Financial guarantees		1,315,224	1,207,908
Litigation guarantees		116,369	230,741
Performance guarantees		<u>107,014</u>	<u>118,500</u>
Gross guarantee amount		1,538,607	1,557,149
Proportional re-guarantee amount	3(a)	<u>(133,246)</u>	<u>(131,855)</u>
Total maximum guarantees issued		<u>1,405,361</u>	<u>1,425,294</u>

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

(b) *Operating leases commitments*

At 30 June 2014 and at 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>The Group</b>	
	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Within 1 year	2,571	104
After 1 year but less than 5 years	11,690	131
More than 5 years	<u>15,595</u>	<u>—</u>
Total	<u><u>29,856</u></u>	<u><u>235</u></u>

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 10 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

(c) *Capital commitments outstanding at 30 June 2014 not provided for in the financial statements were as follows:*

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Commitments in respect of purchase of share of associate Contracted for	10	<u>21,392</u>	<u>—</u>

23 **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:

<i>Name of related party</i>	<i>Relationship</i>
Mr. Zhang Tiewei	A substantial shareholder, chairman and executive director

Mr. He Darong	A substantial shareholder and non-executive director
Mr. Xu Kaiying	A substantial shareholder and non-executive director
Mr. Pang Haoquan	A substantial shareholder and non-executive director
Mr. Chen Guoxian	A substantial shareholder
Mr. Yuan Chen	Vice general manager of the Success Guarantee
Foshan Finance* (佛山市集成金融集團有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan
Success Credit	Associate of the Group since 18 December 2012
Foshan Shunde Jiayou Tianzhi Investment Co., Ltd.* (“Shunde Jiayou”) (佛山市順德嘉友天旨投資有限公司)	A company of which 68% interest is indirectly held by the substantial shareholders
Guangdong Jiayou Network Technology Co., Ltd.* (“Jiayou Network”) (廣東嘉友網路科技有限公司)	A company of which 100% interest is held by Mr. Zhang Tiewei and Foshan Finance

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

(b) **Key management personnel remuneration**

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

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<i>RMB’000</i>	<i>RMB’000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries allowances and other benefits		799	579
Contributions to defined contribution retirement plan		89	67
Equity compensation benefits	17	<u>2,144</u>	<u>—</u>
		<u>3,032</u>	<u>646</u>

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

(c) *Related parties transactions*

		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Guarantee fee income from Shunde Jiayou		11	11
Waiver of loans from the substantial shareholders	(i)	—	5,174

- (i) In order to finance the initial public offering process, the substantial shareholders advanced loans to Success Finance with an aggregate amount of RMB5,174,000 on 28 March 2013. The loans were waived by them with effect from 31 May 2013.

(d) *Guarantees provided to related parties*

During the relevant periods, the Group issued guarantees to entities owned by the substantial shareholders as follows:

	<b>The Group</b>	
	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Guarantees provided for		
- Shunde Jiayou	<u>1,667</u>	<u>1,667</u>

(e) *Guarantees provided by related parties*

The guarantees provided by the substantial shareholders to the Group at the end of the reporting period were as follows:

		<b>The Group</b>	
		<b>At 30 June</b>	<b>At 31 December</b>
		<b>2014</b>	<b>2013</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(audited)</i>
Three of the substantial shareholders	(i)	<u>—</u>	<u>3,500</u>

- (i) In 2012, Mr. Zhang Tiewei, Mr. Xu Kaiying and Mr. Pang Haoquan entered into an agreement with a bank to provide guarantee for the financial guarantees issued by the Group. The maximum guarantees amount with the bank during the six months ended 30 June 2014 and the year ended 31 December 2013 were RMB3,500,000 and RMB61,000,000, respectively.



(f) *Advances to/from related parties*

Success Guarantee made/received certain fund transfers to/from certain related parties. All of such fund transfers bear no interest and are repayable upon demand. Maximum amounts of advances to related parties outstanding during the Relevant Periods are as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Mr. Zhang Tiewei	—	1,979
Mr. Xu Kaiying	—	970
Mr. Pang Haoquan	—	931
Mr. He Darong	—	1,035
Mr. Chen Guoxian	—	259
Mr. Yuan Chen	—	50
Success Credit	23(h)(b) <u>4,144</u>	<u>—</u>
Total	<u>4,144</u>	<u>5,224</u>

(g) *Guarantee provided through a related party*

Since 18 November 2013, the Group has provided guarantees to customers who obtained funding from lenders through peer-to-peer lending services platform - Jiayou Network, and the lenders are the guarantee holders. Pursuant to the relevant agreement between the Group and the borrowers, and the one between Jiayou Network and the borrowers, the Group is charging guarantee fee to the borrowers based on the borrowing amount while the Jiayou Network is charging a service fee to the borrowers. The Group is required to make payments on behalf of the customers to reimburse the beneficiary of the guarantee holder for a loss the holder incurs when the borrowers fail to make payment when due in accordance with the terms of the relevant agreements.

As at 30 June 2014, no guarantee holders is from the key management personnel of Success Guarantee. As at 31 December 2013, one of the guarantee holders is the key management personnel of Success Guarantee, with a lending amount of RMB50,000.

Guarantee fee income received from the customers for guarantee services provided through Jiayou Network is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Guarantee fee income- Jiayou Network	<u>649</u>	<u>—</u>

The guarantees provided by the Group through Jiayou Network at the end of the reporting period were as follows:

	<b>The Group</b>	
	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Outstanding guarantee amount	<u>33,750</u>	<u>7,500</u>

(h) *Balances with other related parties*

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

(i) Amounts due from related parties

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2014</b>	<b>At 31 December 2013</b>
		<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>
Foshan Finance	11(i)	6,107	6,107
Success Credit	(a)/(b)	<u>2,864</u>	<u>4,144</u>
Total		<u>8,971</u>	<u>10,251</u>

- (a) 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 the dividend with an amount of RMB2,864,000.
- (b) On 31 December 2013, Success Guarantee made a payment on behalf of Success Credit with an amount of RMB4,144,000 to the ex-shareholders of Success Credit. One of the ex-shareholders is a related party of the Group. The amount was fully settled on 20 March 2014.
- (c) Balances with these related parties are unsecured. Except for the amounts due from Foshan Finance, the balances with these related parties are interest free and have no fixed repayment terms.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

In the first half of 2014, a slowdown in the macro-economy posted challenges to the general market environment and recent economic data showed signs of slower economic growth in the domestic economy of the PRC. However, following China's entering into an era of accelerated reforms of the financial area, there will be enormous opportunities emerging in China's financial industry. Leveraging the established competitive advantages over the years, the Group has actively faced challenges and opportunities, and its overall businesses were healthily operated during the reporting period.

#### Latest development of the Company

Some material business achievements in the first half of 2014 of the Company include:

##### *Establishment of financial leasing company*

In February 2014, the State Council officially approved the "Overall Development Plan on Hong Kong/Shenzhen Cooperation on Modern Service Industries in Qianhai Area" to further enhance close cooperation between Guangdong and Hong Kong, creating a favorable policy environment for the agglomeration and development of modern service industries in Qianhai. The Group immediately seized the opportunity of the rapid development of financial leasing and the optimization of the financial policy in Qianhai, and further optimized the utilization of net proceeds from listing. After taking into full account of the potential risks, our operating capability and the increasing demand for financial leasing by the great number of our existing customers, successfully obtained a financial leasing license and established Shenzhen Success Financial Leasing Co., Ltd ("**Success Financial Leasing**"), a wholly-owned subsidiary, in Qianhai, Shenzhen on 6 June 2014 with a registered capital of USD 11 million (approximately HKD85.4 million) to actively explore new opportunities in the financial leasing business.

#### Four major core businesses

##### *Financial guarantee business*

Revenue from financial guarantee business of the Group remained stable in the first half of 2014. The Group mainly provides financial guarantees to SMEs to assist them in obtaining loans from banks or other institutions. The Group has established

business relationship with 20 financial institutions, including a policy bank, state-owned commercial banks, joint-stock commercial banks, local commercial banks, rural banks, a provincial re-guarantee company, a trust company, a sino-foreign cross-regional financial guarantee institution, a large financial leasing company and internet financial platforms.

As at 30 June 2014, the total maximum financial guarantees issued were approximately RMB1,315.2 million (2013: approximately RMB1,207.9 million). For the six months period ended 30 June 2014, revenue from financial guarantee was approximately RMB20.0 million, representing a decrease of approximately 11.5% when compared with approximately RMB22.6 million for the six-month period ended 30 June 2013. It was mainly due to against the backdrop of the tightening financial environment, the Group strictly controlled the risk and selected premium financial guarantee projects.

### ***Non-financial guarantee business***

Non-financial guarantee business of the Group mainly involved the provision of litigation guarantee and performance guarantee. As of six-month period ended 30 June 2014, outstanding balance of non-financial guarantee was approximately RMB223.4 million (six-month period ended 30 June 2013: approximately RMB349.2 million). For the six-month period ended 30 June 2014, revenue from non-financial guarantee was approximately RMB1.9 million, representing an increase of 216.7% when compared with approximately RMB0.6 million for the six-month period ended 30 June 2013. The increase was benefit from our Group's branding effect subsequent to listing, increased efforts in business expansion and the relaxation of restrictions on the cooperation between the original financial guarantee companies and the court by the Higher People's Court of Guangdong Province.

#### **(1) Litigation guarantee business**

The purpose of litigation guarantees is to provide guarantee to the court that we will compensate the litigation counter-party for the loss incurred as a result of the freezing of the counterparty's property by the court due to our customers' inappropriate application for property preservation against the counter-party.

For the six-month period ended 30 June 2014, revenue from litigation guarantee was approximately RMB1.4 million (for the six months period ended 30 June 2013: approximately RMB0.3 million).

#### **(2) Performance guarantee business**

The purpose of performance guarantee is to provide guarantee to the performance of payment obligations under the agreements entered into between our customers and their counter-party.

For the six-month period ended 30 June 2014, revenue from performance guarantee was approximately RMB0.5 million (six-month period end 30 June 2013: approximately RMB0.3 million).

### ***Financial consultancy service***

The Group also provided tailor-made financial consultancy service to customers by entering into financial consultancy service agreements with them.

For the six-month period ended 30 June 2014, the revenue from financial consultancy service amounted to approximately RMB4.6 million, representing an increase of 28.3% as compared to approximately RMB3.3 million for the six-month period ended 30 June 2013.

Most of the customers of our Group for financial consultancy services were SMEs. As SMEs in the PRC may, due to their size of operation, lack experienced staff in handling loan applications, and they may not be familiar with compliance matters regarding relevant rules and regulations or lending institutions' requirements, with our established cooperation with lending banks and institutions, experience in the financial services field and hence our ability to understand the requirements of lending institutions, trends in the market as well as financial products offerings in the market, we would be able to provide all-round financial consultancy services to our customers that suit their needs. We believe that financial consultancy services would also be a good opportunity for us to expand and diversify our business.

### ***Financial leasing business***

The Group's financial leasing business integrates funding and asset finance, investment and asset management and is able to provide tailor-made financial service solutions with capital as the core and underpinned by technology and services, and provides diversified value-added and extended services including investment and financing consultation, financial advisory services based on the needs of customers.

The Group has carried out comprehensive researches into such aspects as the relevant laws and policies relating to financial leasing in China and has made a detailed analysis of the operating model and trading structure of the financial leasing business. It has established a professional risk control mechanism, innovated a series of leasing business models that establish credit, identify risks and suit the development needs of the PRC's SMEs and formed a core management team comprising a group of dedicated, experienced and energetic investment banking, finance, audit and legal professionals with excellent professional quality which can provide more prudent, better, more efficient and more professional financial leasing services to customers.

Success Financial Leasing officially commenced business since July 2014 and began to generate income for the Group. The Group believe the financial leasing business can further optimize asset layout, expand our business platform and channel, and become the new growth point of the Group's result.

## **INCREASE IN REGISTERED CAPITAL**

On 29 May 2014, Foshan Success Asset Management Company Limited (“**Success Asset**”), a subsidiary of the Company, apply to increase its registered capital by RMB100,000,000 from RMB125,270,000 to RMB225,270,000. The increase in registered capital of Success Asset will be contributed by its shareholders on a pro-rata basis according to their respective shareholdings in Success Asset. As such, China Success Finance Holdings Limited (“**Success Finance**”), a wholly owned subsidiary of the Company, and Foshan Shunde Zhongcheng Joint Investments Management Company Limited which holds 99% and 1% of the shareholdings in Success Asset, will contribute RMB99,000,000 and RMB1,000,000, respectively.

As set out in the section headed “Future plans and use of proceeds from the global offering — Use of proceeds” of the prospectus of the Company dated 31 October 2013 (the “**Prospectus**”), the Company intends to use 60% of the net proceeds from the listing (the “**Listing**”) to expand the Group's financial capability by increasing the net asset value, registered capital and/or paid-up capital. The Company intends to use part of this 60% of the net proceeds from the Listing for Success Finance to fund the RMB99,000,000 required for the increase in registered capital in Success Asset.

It has now been nearly three months and Success Asset is still undergoing the relevant procedures for the increase in its registered capital. However, the time of completion is unknown yet and the Group may consider channeling the resources and funds into other business line first in order to fully utilise the net proceeds from the Listing and maximise the return to its shareholders.

## **SOCIAL ENTERPRISE**

At the annual prize presentation ceremony of The Community Chest of Hong Kong for the year 2013/2014 held on 16 June 2014, the Group's chairman and executive Director, Mr. Zhang Tiewei, received the President's Award on behalf of Success Finance, illustrating Success Finance was not only outstanding in operations. Success Finance emphasized on the fulfillment of corporate social responsibility and gave back to the community, while it has been keeping innovative development. Apart from dedicated to solve the financing difficulties of SMEs, Success Finance was also enthusiastic in charitable activities and recognized by the community of Hong Kong, establishing an exemplary social responsibility image for enterprises.

## **FINANCIAL REVIEW**

### **REVENUE**

For the six-month period ended 30 June 2014, our Group's revenue was approximately RMB29.4 million (2013: approximately RMB29.8 million), representing a decrease of approximately 1.3%. Detailed analysis of revenue is as follows:

#### **1. Financial guarantee services**

Revenue from our Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee service. For the six-month period ended 30 June 2014, our Group's revenue generated from financial guarantee services was approximately RMB20.0 million (2013: approximately RMB22.6million), representing a decrease of approximately 11.5% and accounting for approximately 68.0% (2013: approximately 75.8%) of our Group's total revenue.

As the PRC government has strengthened its macroeconomic control to reduce market liquidity, the credit scale was restricted and bank lending has slowed. However, benefited from the Group's risk management system, the impact of bank policies was minimal when compared with the peers.

#### **2. Non-financial guarantee services**

Revenue from our Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the six-month period ended 30 June 2014, our Group's revenue generated from non-financial guarantee services increased 216.7% to approximately RMB1.9 million (2013: approximately RMB0.6 million), accounting for approximately 6.5% (2013: approximately 2.0%) of our Group's total revenue in the first half-year of 2014, respectively. The increase was attributed to our Group's branding effect subsequent to Listing, improved efforts in business expansion and the relaxation of restrictions on the cooperation between the original financial guarantee companies and the court by the Higher People's Court of Guangdong Province.



### **3. Financial consultancy services**

Revenue from our Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by our Group. For the six-month period ended 30 June 2014, our Group's revenue generated from financial consultancy services was approximately RMB4.6 million (2013: approximately RMB3.3 million), representing approximately 15.6% of our Group's total revenue for the first half of 2014 (2013: approximately 11.1%), respectively. The financial consultancy services business is relatively new to our Group and the revenue generated has been relatively stable. This business segment is closely related to factors such as financing channels of the financial market and financing costs. We believe its expansion will enhance our influence in the financial market.

#### **Other revenue**

Our Group's other revenue was comprised of government grants, interest income. For the half-years ended 30 June 2013 and 2014, our Group's other revenue was approximately RMB3.4 million and RMB4.1 million, respectively, representing an increase of approximately 20.6%. It was mainly attributable to the increase in our interest income by approximately 25.8% from approximately RMB3.1 million in 2013 to approximately RMB3.9 million in 2014, due to the increase in the principal of term deposit at the bank.

#### **Impairment and provision (charged)/written back**

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

#### **Operating expenses**

For the six-month period ended 30 June 2014, our Group's operating expenses was approximately RMB18.9 million (2013: approximately RMB15.6 million), accounting for approximately 64.3% (2013: approximately 52.3%) of our Group's revenue. The increase in operating expenses was mainly attributed to the share based payment made for the share options granted amounted to approximately RMB5.2 million, the foreign exchange loss as a result of the drop in the exchange rate of the Renminbi amounted to approximately RMB3.8 million, the staff costs and



professional parties fees after Listing amounted to approximately RMB1.9 million and RMB1.1 million, respectively and the effect of a one-off listing expenses amounted to approximately RMB9.6 million incurred in the corresponding period in 2013.

### **Share of profit of an associate**

The share of profits of an associate amounted to approximately RMB3.2million for the six-month period ended 30 June 2014, representing an decrease of approximately RMB0.5 million from approximately RMB3.7 million for six-month period ended 30 June 2013, the decrease in the share of profits of an associate was resulted from the increased provisions made by the associate for prudent reasons of approximately RMB0.4 million (refer to Note 10 to the financial statemnet on pages 13 to 16 of this announcement).

### **Profit before taxation**

As the total revenue of the Group remain stable, while the operating expense increase, the profit before tax decrease by approximately RMB4.9 million , or approximately 27.2%, from approximately RMB18.0 million for the six-month period ended 30 June 2013 to approximately RMB13.1 million for the six-month period ended 30 June 2014 (refer to Note 5 to the financial statement on pages 9 to 10 of this announcement).

### **Income tax**

For the six months ended 30 June 2014, our Group's income tax amounted to approximately RMB6.2 million, representing a decrease of approximately 13.9% over approximately RMB7.2 million in 2013. Such decrease was mainly related to the reduction of our Group's profit before taxation during the period.

### **Trade and other receivables - Payments on behalf of customers**

Payments on behalf of customers mainly represents default loan amount repaid by our 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 our Group on behalf of our customers. Our Group will then subsequently request repayment from our customers or take procession of the counter-guarantee assets provided by such customers to recover the outstanding balance. Payments on behalf of customers were interest bearing and our Group holds certain collaterals over certain customers. The net book value of payments on behalf of customers increased from approximately RMB6.9 million as at 31 December 2013 to approximately RMB13.6 million as at 30 June 2014.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Treasury Management and Investment Policy**

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

### **Pledged Bank Deposits and Cash and Bank Deposits**

As at 30 June 2014, the current pledged bank deposits amounted to approximately RMB69.9 million (2013: approximately RMB66.6 million), representing an increase of approximately RMB3.3 million as compared to the corresponding period of last year. Cash and bank deposits amounted to approximately RMB406.8 million (2013: approximately RMB458.6 million), representing a decrease of approximately RMB48.5 million, as compared to the corresponding period of last year. The decrease in cash and bank deposits was mostly accounted under non-current pledged bank deposits (refer to Note 12 to the financial statement on pages 17 of this announcement). The main reason was due to an increase in the Group's outstanding balance of guarantees with guarantee period of over one year as at 30 June 2014.

### **Interest Rate Risk Foreign Exchange Risk and charges on group asset**

During the six months ended 30 June 2014, our Group had no borrowings and charges on group asset. Our Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

Our Group's businesses for the six-month period ended 30 June 2014 were principally conducted in RMB, while most of our Group's monetary assets and liabilities are 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 our Group's result. Although foreign currency exposure does not pose significant risk on our Group and currently, we do not have hedging measures against such exchange risks, we will continue to take proactive measures and monitor closely of our exposure to such currency movement.

### **Current ratio**

Our Group's current ratio increased from approximately 1,480.7% as at 31 December 2013 to approximately 1,573.6% as at 30 June 2014, which was mainly attributable to the decrease in current liabilities due to the decrease in accruals and other payables.

## **Gearing ratio**

Our Group's gearing ratio decreased from 7.5% as at 31 December 2013 to approximately 6.2% as at 30 June 2014, which was mainly attributable to increased accumulated equity and our group do not have any borrowing.

## **MATERIAL ACQUISITION OR DISPOSAL**

On 16 May 2014, Guangdong Success Finance Guarantee Company Limited\* (廣東集成融資擔保有限公司) (“**Success Guarantee**”), our principal operating subsidiary, entered into two separate equity transfer agreements with Ms. Feng Minqian and Guangdong Xinmingzhu Ceramic Group Limited\* (廣東新明珠陶瓷集團有限公司) (“**Guangdong Xinmingzhu**”), respectively pursuant to which Success Guarantee agreed to purchase and Ms. Feng Minqian and Guangdong Xinmingzhu agreed to sell 3.64% and 4.55% of the equity interests in Foshan Chancheng Success Micro Credit Company Limited\* (佛山市禪城集成小額貸款有限公司) (“**Success Credit**”) being our associate at the material time for a consideration of RMB9,507,500 and RMB11,884,400, respectively. Upon completion of the acquisitions of the equity interest on 30 July 2014, the Company equity interests in Success Credit increased from 19.09% to 27.28% and Success Credit remained as our associate.

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

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

As at 30 June 2014, our Group has 51 full-time employees. Compensation of our employees primarily includes salaries, discretionary bonus, contributions to social insurance and retirement benefit scheme. Our Group incurred staff costs (including Directors' remuneration) of approximately RMB9.7 million for the six months ended 30 June 2014.

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

## **PROSPECTS AND OUTLOOK**

Looking ahead in future, the Group will continue to fully utilize the new policy on financial reforms to supplement existing business and enrich the categories of financial services provided to SMEs, including but not limited to small loans, financial leasing, equity investments, etc., and will continue to actively expand the business in Qianhai.

Regarding internal controls, the Group will continue to strengthen our risk management procedures; strengthen our internal control and post-guarantee monitoring procedures; standardise products and services wherever possible; and upgrade our Group's management information system to improve the effectiveness and the timeliness of our Group's risk control measures.

According to the investigation of the financing market and demands, the Group is highly optimistic of the future of economic development in Qianhai, particularly in the financing market for micro, small and medium enterprises in the PRC, there will be enormous space and opportunities for development, and the Group is fully confident in Success Financial Leasing and believes that it will bring remarkable returns for the Company and its shareholders.”

## **OTHER INFORMATION**

### **Dividends**

The Board has resolved not to declare an interim dividend by the Company for the six-month period ended 30 June 2014.

### **Use of proceeds from the Listing**

The shares of the Company were listed on the Main Board of the Stock Exchange on 13 November 2013. The net proceeds received by the Group from the Listing amounted to approximately HK\$287.0 million.

Pursuant to the announcement of the Company dated 15 May 2014 for the change in use of proceeds, approximately 30% of the proceeds from the Listing, will be used to establish a wholly-owned financial leasing service company to further expand our business and service offerings instead of to pursue potential merger and acquisition opportunities within the industry.

The following table sets forth a breakdown of the use of net proceeds from the Listing:-

**Net proceeds from the Listing**  
(HK\$ million)

	<b>Available to utilise</b>	<b>Utilised as at 30 June 2014</b>	<b>Unutilised as at 30 June 2014</b>
Use to expand our financial capability by increasing our net asset value, registered capital and/or paid-up capital	172.2	nil	172.2
Use to establish a wholly-owned financial leasing service company to further expand our business and service offerings	86.1	84.0	2.1
Used for working capital of our Group	28.7	15.8	12.9
<b>Total</b>	<b>287.0</b>	<b>99.9</b>	<b>187.1</b>

The balance of net proceeds have been deposited on short term basis in licensed financial institutes in Hong Kong and mainland China and will be utilized in accordance with the use as set out in the Prospectus.

## **Corporate Governance**

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 (the “**Listing Rules**”) of the Listing Rules for the six-month period ended 30 September 2013. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

### **Model Code of Securities Transactions by Directors**

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

Having made specific enquiry of all Directors, each Director has confirmed that he has complied with the standard set out in the Model Code for the six months ended 30 June 2014.

### **Audit Committee**

The Audit Committee was established on 18 October 2013 with specific written terms of reference in compliance with Rule 3.22 of the Listing Rules and Code Provision C.3 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 of the Company. The existing members of the Audit Committee comprise Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan, all of whom are independent non-executive Directors. Mr. Tsang Hung Kei is the chairman of the Audit Committee.

The unaudited interim financial information for the six-month period ended 30 June 2014 had been reviewed by the Audit Committee and the external auditors, KPMG.

### **Purchase, sale or redemption of listed securities**

During the six-month ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **Publication of the interim report**

The interim report of the Company for the six-month period ended 30 June 2014 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Company ([www.gdjcrzdb.cn](http://www.gdjcrzdb.cn)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

### **Appreciation**

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

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

Hong Kong, 27 August 2014

*As at the date of this announcement, the Board comprises (i) two executive Directors, namely, Mr. Zhang Tiewei and Mr. Li Bin, (ii) three non-executive Directors, namely, Mr. He Darong, Mr. Xu Kaiying and Mr. Pang Haoquan, and (iii) three independent non-executive Directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan.*