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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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHT			
	FOR THE YEAR ENDED 31 DECEMBER 2014 (RMB'000)	FOR THE YEAR ENDED 31 DECEMBER 2013 (RMB'000)	CHANGE IN
Revenue	58,901	53,328	10.5%
Other revenue	8,717	13,262	-34.3%
Profit before taxation	39,814	32,620	22.1%
Profit for the year	26,354	19,041	38.4%
Total comprehensive income for the year	28,618	17,411	64.4%
Basic earnings per share <i>(RMB per share)</i>	0.06	0.06	0%
	AS AT 31 DECEMBER 2014 (RMB'000)	AS AT 31 DECEMBER 2013 (RMB'000)	CHANGE IN
Total assets	733,621	705,941	3.9%
Total equity	691,412	656,902	5.3%

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Success Finance Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2014, together with the comparative figures for the preceding financial year, as follows:

Consolidated statement of profit or loss

for the year ended 31 December 2014

(Expressed in Renminbi)

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue	4		
Revenue		61,180	54,080
Less: re-guarantee fee		(2,279)	(752)
		<u>58,901</u>	<u>53,328</u>
Other revenue	5	8,717	13,262
		<u>67,618</u>	<u>66,590</u>
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Impairment and provision charged	6(a)	(2,809)	(244)
Operating expenses		(32,221)	(40,838)
		<u>(35,030)</u>	<u>(41,082)</u>
		-----	-----
Profit from operations		32,588	25,508
Share of profits of an associate		7,226	7,112
		<u>39,814</u>	<u>32,620</u>
Profit before taxation	6	39,814	32,620
Income tax	7	(13,460)	(13,579)
		<u>26,354</u>	<u>19,041</u>
Profit for the year		<u><u>26,354</u></u>	<u><u>19,041</u></u>
Attributable to:			
Equity shareholders of the Company		26,080	18,808
Non-controlling interests		274	233
		<u>26,354</u>	<u>19,041</u>
Profit for the year		<u><u>26,354</u></u>	<u><u>19,041</u></u>
Earnings per share (RMB per share)			
Basic	9	0.06	0.06
		<u>0.06</u>	<u>0.06</u>
Diluted	9	0.06	0.06
		<u>0.06</u>	<u>0.06</u>

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2014

(Expressed in Renminbi)

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	26,354	19,041
Other comprehensive income for the year that may be reclassified subsequently to profit or loss (after tax: Nil)		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	2,264	(1,630)
Total comprehensive income for the year	<u>28,618</u>	<u>17,411</u>
Attributable to:		
Equity shareholders of the Company	28,344	17,178
Non-controlling interests	274	233
Total comprehensive income for the year	<u>28,618</u>	<u>17,411</u>

Consolidated statement of financial position
(Expressed in Renminbi)

		31 December 2014	31 December 2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Equipment		1,947	1,140
Intangible assets		29	—
Interest in an associate		76,505	50,618
Other non-current assets	10	97,841	7,309
Pledged bank deposits	11	131,050	106,292
		<u>307,372</u>	<u>165,359</u>
Current assets			
Pledged bank deposits	11	53,105	66,626
Trade and other receivables	12	115,447	15,322
Cash and bank deposits	13	257,697	458,634
		<u>426,249</u>	<u>540,582</u>
Current liabilities			
Receipts in advance		385	858
Accruals and other payables	14	5,097	7,938
Customer pledged deposits received		915	—
Current tax liabilities		8,400	1,991
Liabilities from guarantees	15	19,732	25,721
		<u>34,529</u>	<u>36,508</u>
Net current assets		<u>391,720</u>	<u>504,074</u>
Total assets less current liabilities		<u>699,092</u>	<u>669,433</u>
Non-current liabilities			
Customer pledged deposits received		—	1,550
Liabilities from guarantees	15	1,897	3,780
Deferred tax liabilities		5,783	7,201
		<u>7,680</u>	<u>12,531</u>
NET ASSETS		<u>691,412</u>	<u>656,902</u>
CAPITAL AND RESERVES			
Share capital	16	3,276	3,276
Reserves		683,655	649,419
Total equity attributable to equity shareholders of the Company		<u>686,931</u>	<u>652,695</u>
Non-controlling interests		<u>4,481</u>	<u>4,207</u>
TOTAL EQUITY		<u>691,412</u>	<u>656,902</u>

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption. For the purpose of these financial statements, the Group has adopted at the beginning of the earliest year presented, all the HKFRSs that have been issued and effective for the entire year, except for any new standards or interpretations that are not yet effective for the accounting year ended 31 December 2014.

2 New and revised HKFRSs that are first effective for the current accounting period

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. Impacts of the adoption of the new or amended HKFRSs are discussed below:

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 these financial statements as the Company 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 these financial statements 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 non-financial 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 these financial statements as the Group did not hold impaired non-financial 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 these financial statements 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 these financial statements as the guidance is consistent with the Group's existing accounting policies.

3 Segment reporting

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

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

The directors did not determine the business component/reportable segments as the directors allocated resources to and assessed the performance of the Group's line of business through reviewing the financial information provided by each operating subsidiary.

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

4 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 year is as follows:

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Income from financial guarantees		37,030	41,696
Income from litigation guarantees		2,339	768
Income from performance guarantees		665	679
Income from financial consultancy services		17,932	10,937
Interest income from finance leases	(a)	<u>3,214</u>	<u>—</u>
		61,180	54,080
Less: re-guarantee fees	(b)	<u>(2,279)</u>	<u>(752)</u>
Total		<u><u>58,901</u></u>	<u><u>53,328</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 6.49% (2013: 2.81%); while the percentage of the Group's top 5 customers' revenue was 24.08% (2013: 9.96%).

- (a) On 6 June 2014, the Group established Success Financial Leasing, a wholly-owned subsidiary, in Qianhai, Shenzhen on 6 June 2014 to explore opportunities in the financial leasing business.
- (b) 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.

5 Other revenue

	<i>Note</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Government grants	(a)	1,358	7,439
Interest income from bank deposits		7,356	4,784
Others		3	1,039
Total		<u>8,717</u>	<u>13,262</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. During the year ended 31 December 2014, RMB200,000 (2013: RMB1,500,000) of the government grants was rewarded to the Group for its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The remaining government grants were determined with reference to the average outstanding financial guarantee amount provided by the Group.

6 Profit before taxation

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

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Provision (written back)/charged for guarantees issued	(99)	244
Impairment provision charged for		
– trade receivables	1,319	—
– other non-current assets	1,589	—
Total	<u>2,809</u>	<u>244</u>

(b) *Staff costs*

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Salaries, wages and other benefits	8,370	4,488
Contributions to defined contribution retirement plan	381	239
Equity-settled share-based payment expenses	5,890	1,662
Total	<u>14,641</u>	<u>6,389</u>

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

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

(c) **Other items**

	<i>Note</i>	2014 <i>RMB’000</i>	2013 <i>RMB’000</i>
Depreciation		418	311
Operating lease charges in respect of leasing of properties		2,405	833
Auditors’ remuneration		2,100	1,297
IPO costs	(i)	—	24,971
Net foreign exchange loss/(gain)		<u>3,035</u>	<u>(817)</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 on 13 November 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.

7 Income tax in the consolidated statement of profit or loss

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

	2014 <i>RMB’000</i>	2013 <i>RMB’000</i>
Current tax		
Provision for PRC income tax for the year	14,878	8,591
Deferred tax		
Origination and reversal of temporary differences	<u>(1,418)</u>	<u>4,988</u>
Total	<u>13,460</u>	<u>13,579</u>

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

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>39,814</u>	<u>32,620</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	11,412	9,305
Tax effect of unused tax losses not recognised	(117)	—
Effect of non-taxable income	(683)	(1,421)
Effect of non-deductible expenses	<u>2,848</u>	<u>5,695</u>
Actual tax expense	<u>13,460</u>	<u>13,579</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 Company and the subsidiary located in Hong Kong as the Company and the subsidiary had not derived any income subject to Hong Kong Profits Tax during the year.
- (iii) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.
- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group’s dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of the PRC subsidiaries amounted to RMB80,264,000 as at 31 December 2014 will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

8 Dividends

No dividends were proposed or paid during the year. Subsequent to 31 December 2014, the directors proposed a final dividend of HKD0.02 per ordinary share, amounting to a total of HKD8,281,000. The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2014.

9 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 RMB26,081,000 (2013: RMB18,808,000) and the weighted average number of ordinary shares in issue during the year ended 31 December 2014 of 414,044,000 (2013: 314,464,000).

(i) Weighted average number of ordinary shares

	2014	2013
	'000	'000
Issued ordinary shares at 1 January	414,044	10
Effect of capitalisation issue	—	299,990
Effect of shares issued by share Offering	—	13,425
Effect of shares issued by over-allotment	—	1,039
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<u>414,044</u>	<u>314,464</u>

(b) Diluted earnings per share

During the year ended 31 December 2014, the exercise price of the options that includes the fair value of any goods or services, are lower than the average market price of ordinary shares, therefore the share options have a diluted effect about 714,028 shares in the period.

During the year ended 31 December 2013, there were no dilutive potential ordinary shares issued. The calculation of diluted earnings per share for the year ended 31 December 2013, does not assume the exercise of the Company's share options as the effect is anti-dilutive.

10 Other non-current assets

		The Group	
	Note	2014	2013
		RMB'000	RMB'000
Prepayments to a related party	(a)	6,107	6,107
Deferred expenses		2,741	196
Refund of re-guarantee handling fees	4(b)	84	118
Prepayments and deposits		1,208	888
Long-term receivables from finance leases	(b)	150,898	—
		<hr/>	<hr/>
Total		161,038	7,309
Less: within one year of Long-term receivables from finance leases		(61,608)	—
Less: Impairment allowance	6(a)	(1,589)	—
		<hr/>	<hr/>
Total		<u>97,841</u>	<u>7,309</u>

- (a) 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.

- (b) Long-term receivables from finance leases

The tables below provide an analysis of long-term receivables from finance leases for leases of certain property and equipment in which the Group is the lessor.

- (i) An analysis of the above finance leases receivable is as follows:

	The Group	
	2014	2013
Amount due from lessees	175,134	—
Less: Unearned finance income	(24,236)	—
	<u>150,898</u>	<u>—</u>
Finance leases	<u><u>150,898</u></u>	<u><u>—</u></u>

- (ii) The table below analyses the Group's Long-term receivables from finance leases by relevant maturity groupings at the end of the reporting period:

	The Group			
	2014		2013	
	Present	Total	Present	Total
	value of the	minimum	value of the	minimum
	lease	lease	lease	lease
	payments	payments	payments	payments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	61,608	76,757	—	—
After 1 year but within 5 years	89,290	98,377	—	—
Total	150,898	175,134	—	—
Impairment allowances:				
– collectively assessed	(1,589)	(1,589)	—	—
Net investment in finance leases, Receivable	<u>149,309</u>	<u>173,545</u>	<u>—</u>	<u>—</u>

11 Pledged bank deposits

	The Group	
	31 December	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current	131,050	106,292
Current	53,105	66,626
	<u>184,155</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.

12 Trade and other receivables

	<i>Note</i>	The Group	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
Trade debtors from guarantees	(i)	1,320	31
Trade debtors from consultancy services	(i)	477	—
Payments on behalf of customers	(ii)	53,294	14,251
		<u>55,091</u>	<u>14,282</u>
Less: allowance for doubtful debts		<u>(8,649)</u>	<u>(7,330)</u>
Trade receivables		46,442	6,952
Long-term receivables from finance leases with maturity of one year		61,608	—
Amounts due from related parties		2,730	4,144
Other receivables (Net of impairment provision)	(iii)	3,040	2,097
Receivables		<u>113,820</u>	<u>13,193</u>
Prepayments for re-guarantee fees		901	1,228
Other prepayments		12	535
Deferred expenses		714	366
Total	(iii)	<u><u>115,447</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 10, 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 and excluding receivables from finance leases), based on the guarantee income recognition date or advance payment date, is as follows:

	<i>Note</i>	The Group	
		31 December 2014	31 December 2013
		<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month		19,526	31
Over 1 month but less than 3 months		3,798	—
Over 3 months but less than 1 year		17,516	4,971
More than 1 year		14,251	9,280
		<hr/>	<hr/>
		55,091	14,282
Less: allowance for doubtful debts		(8,649)	(7,330)
		<hr/>	<hr/>
Total		<u>46,442</u>	<u>6,952</u>

At 31 December 2014, no receivables from finance leases were overdue.

13 Cash and bank deposits

	The Group	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits and term deposits with banks with original maturity less than three months	256,539	457,035
Restricted customer pledged deposits	915	1,550
Cash in hand	243	49
	<hr/>	<hr/>
Cash and bank deposits in the statement of financial position	<u>257,697</u>	<u>458,634</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 31 December 2014 and 2013, customer pledged deposits of RMB915,000 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. As at 31 December, the restricted customer pledged deposits received were maintained as follows:

	The Group	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Designated custodian bank accounts	850	1,550
The Group's bank accounts	65	—
	<u>915</u>	<u>1,550</u>

14 Accruals and other payables

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

15 Liabilities from guarantees

	The Group	
	31 December	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities		
– Deferred income	12,724	18,614
– Provision of guarantee losses	7,008	7,107
	<u>19,732</u>	<u>25,721</u>
Non-current liabilities		
– Deferred income	1,897	3,780
	<u>21,629</u>	<u>29,501</u>

16 Share capital

Authorised and issued share capital

	2014			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
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	414,044	4,140	3,276	10	—	—
Issuance of shares by share offering	—	—	—	114,044	1,140	902
Capitalisation issue	—	—	—	299,990	3,000	2,374
At 31 December	<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.

17 Contingent liabilities

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

	<i>Note</i>	The Group	
		2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Financial guarantees		1,024,209	1,207,908
Litigation guarantees		145,614	230,741
Performance guarantees		<u>107,014</u>	<u>118,500</u>
Gross guarantee amount		1,276,837	1,557,149
Proportional re-guarantee amount	4(b)	<u>(109,995)</u>	<u>(131,855)</u>
Total maximum guarantees issued		<u>1,166,842</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.

MANAGEMENT DISCUSSION AND ANALYSTS

BUSINESS REVIEW

OVERVIEW

For the year ended 31 December 2014, we have improved and effectively promoted implementation of the Company's business strategy based on the actual situation of China's economic and financial development. Leveraging our competitive advantages accumulated for a long time and through optimizing operation and management plans in 2014, we actively carried out gradual transformation of single-type business models into diversified integrated models which guided the Group to tide over all difficulties and stood out in 2014. The Group actively faced major challenges and uncertainties arising from changes in global economy and China's financial market and maintained an attitude of vigilance, striving to achieve comprehensive and balanced development.

The following are the highlights of our Group's business for the year ended 31 December 2014:

- 1) On 25 November 2014, we have opened our new Hong Kong office to pave way for the future development of our business in Hong Kong.
- 2) On 19 September 2014, the Group increased in capital contribution of Shenzhen Success Financial Leasing Company Limited* (深圳市集成融資租賃有限公司) ("**Success Financial Leasing**") to RMB 172.2 million. The main reason was that the business development of Success Financial Leasing was much faster than expected and increase in capital could meet growing business requirement and enjoy favorable tax treatment. On 15 December 2014, Success Financial Leasing entered into a finance lease agreement with Guangdong Shunyang Construction Engineering Company Limited* (廣東順洋建設工程有限公司) ("**Guangdong Shunyang**") pursuant to which we purchased certain machinery and equipment for construction (the "**Equipment**") from the Construction Company at a consideration of RMB70.0 million and leased the Equipment back to the Construction Company for a term of 30 months. It is expected that our Group will receive the aggregate lease rent of RMB13.8 million after deducting the consideration for the purchase of the Equipment by Success Financial Leasing.
- 3) As announced on 30 September 2014, our Group has established Shenzhen Success Equity as a wholly owned subsidiary of our Company in Qianhai, Shenzhen. The registered capital of Shenzhen Success Equity is RMB15.0 million, of which not less than 20% were to be paid up within three months using the general working capital of our Group. The remaining 80% of the registered capital shall be paid up within two years and our Company will consider using its internal resources, net proceeds from our Company's listing, external financing or a combination thereof to satisfy the capital requirement. We believe that the establishment of Shenzhen Success Equity enables our Group to offer a broader range of services to its target customers, thereby improving our Group's overall competitiveness, further consolidating our Group's leadership in the market and generate steady growth in our Group's results.

FINANCIAL GUARANTEE BUSINESS

The income from our financial guarantee business remained stable in 2014. Our Group mainly provides financial guarantees to SMEs to assist them in obtaining loans from banks or other financial institutions. Our Group had business relationships with 22 financial institutions, including, among others, 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 finance leasing company and internet financial platforms.

The balance of financial guarantee amount as at 31 December 2014 was approximately RMB1,024.2 million (2013: approximately RMB1,207.9 million). Income from financial guarantees for the year ended 31 December 2014 was approximately RMB37.0 million, representing a decrease of approximately 11.3% as compared to approximately RMB41.7 million for the year ended 31 December 2013.

NON-FINANCIAL GUARANTEE BUSINESS

Our non-financial guarantee business mainly involves the provision of litigation guarantee and performance guarantee in relation to, inter alia, the performance of payment obligations under the agreements entered into between our customers and their counter-parties. The balance of non-financial guarantee amount as at 31 December 2014 was approximately RMB252.6 million (2013: approximately RMB349.2 million). Income from non-financial guarantees for the year ended 31 December 2014 was approximately RMB3.0 million, representing an increase of approximately 114.3% as compared to approximately RMB1.4 million for the year ended 31 December 2013.

1) Litigation guarantee business

The purpose of litigation guarantees is to provide guarantee to the court that we will compensate the litigating 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. Income from litigation guarantees for the year ended 31 December 2014 was approximately RMB2.3 million (2013: approximately RMB0.8 million).

2) Performance guarantee business

During the recent years, our Group has provided performance guarantees in relation to (i) the payment obligations of customers under contracts for the sale of goods between our customers and these suppliers; and (ii) the obligations of customers under contracts for acquisitions of land (including their obligation to pay the acquisition price by installments and to build an office in accordance with the specifications stipulated in the contracts).

Income from performance guarantees for the year ended 31 December 2014 was approximately RMB0.7 million (2013: approximately RMB0.7 million).

FINANCIAL LEASING SERVICE

Success Financial Leasing was incorporated in Qianhai in June 2014 and developed several financial leasing business within half a year. Meanwhile, Success Financial Leasing has launched the leasing consultancy service, another profit-making model apart from traditional financial leasing business, and successfully developed two lease consulting businesses, overcoming many difficulties faced by it in its early days of establishment and achieving breakthrough development in terms of team building, construction of internal control mechanism as well as products and services innovation. Success Financial Leasing has developed rapidly on the right track and achieved profitability.

As at 31 December 2014, the balance of finance leases was approximately RMB 150.9 million. For the year ended 31 December 2014, income from finance leasing was approximately RMB 3.2 million.

FINANCIAL CONSULTANCY SERVICES

Our Group also provides customised financial consultancy services to our customers by entering into consultancy services agreements with them.

Income from financial consultancy services for the year ended 31 December 2014 was approximately RMB17.9 million (2013: approximately RMB10.9 million).

Most of the customers of our Group for financial consultancy services were SMEs. SMEs in the PRC may, due to their limited size of operation, lack of experienced staff in handling loan applications. They also 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 and experience in the financial services field, we are able 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-rounded 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.

CAPITAL INCREASE

The registered capital of Success Guarantee was increased from RMB250 million to RMB330 million on 26 January 2014. Our Board believes that the increase in registered capital will allow Success Guarantee to undertake a larger scale of guarantee business.

On 6 June 2014, Success Financial Leasing was established in the Qianhai Cooperation Zone with a registered capital of RMB 67 million, which was increased to RMB 172 million on 31 October 2014.

On 16 May 2014, Success Guarantee 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), 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) 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.

INDUSTRY REVIEW

Overview of the economy and policies of the PRC

During 2014, the pace of global economic recovery was slow, the momentum of economic recovery in developed countries was uncertain, world trade and investment experienced fluctuating changes, the risk of debts had not been fully resolved, regional turbulences brought many variable changes to the world economies.

In 2014, the domestic economy adhered to the overall basic working principles of achieving progress amidst stability, continuity and stability in macroeconomic policies were maintained, both fiscal policy and monetary policy were stable and flexible. For China, this was a turning-point year, the economic trend was fluctuating, economic growth turned from rapid growth during 2003-2013 to moderately fast growth in 2014, both quantity and prices of real estate transactions fell, momentum was lacking from the “Three Wagons” and economic development entered the “new normal state”.

Since 2014, various types of reform measures were implemented one after the other to guide the transformation and upgrading of enterprises through market means and facilitate optimisation of structure. It is expected that in 2015, the world economic growth rate may rebound slightly, but the overall recovery trend is still weak and the chances of a remarkable improvement are slim. External policy adjustments and geopolitical conflicts will bring about some risks and uncertainties.

It is anticipated that the GDP target of China in 2015 will be adjusted downward to 7%, the Chinese economy will change to pursuing for quality and efficiency rather than speed. Macroeconomic policies will also continue seeking a balance among facilitating reforms, stabilising growth and preventing risks, and will tend to be more relaxed.

In 2015, the pace of financial reform is expected to accelerate again, the deposit insurance system may be formally launched in 2015. Policies supporting the financial reform are still pending for further launching, such as financial institution insolvency regulation and licensing control relaxations, encouraging the establishment of more private banks, more liberalisation of interest rates, etc. An efficient and vigorous financial system which is unified and open, with orderly competition will be established. A highly efficient financial market will be developed, particularly the capital market (equity, bonds, financial derivatives, private equity). It is anticipated that the decision-making administration will further develop the domestic capital market while at the same time gradually relax the inflow restrictions for investment capital, including the continuous expansion of the QFII and RQFII limits.

In respect of the operating business and the industry of the Group, various favourable policies were launched in 2014. The Group will capture the policy opportunities timely to develop new business areas and strengthen financial service capabilities according to its own development strategies

In respect of the guarantee industry, the State Council convened a national television and telephone conference on the exchange of experience in promoting the development of the financial guarantee industry on 18 December 2014. The Premier of the State Council, Mr. Li Keqiang, gave an important instruction that significant efforts would be exerted on the development of financial guarantee and re-guarantee institutions supported by the government to facilitate the healthy development of the financial guarantee industry. Ministry of Industry and Information Technology had also promulgated measures and proposals to increase the supportive and guiding efforts to facilitate the healthy development of guarantee institutions. As of 31 December 2014, the guarantee industry in Foshan had cumulative guaranteed loans of RMB94.2 billion in supporting 16,175 medium, small and micro enterprises to alleviate financing problems, of which RMB13.7 billion was new addition of guaranteed loans in 2014, representing an increase of 17% as compared to the previous year, and enterprise income tax of RMB5.46 billion was created by 1,913 medium, small and micro enterprises supported.

In respect of the financial leasing industry, many favourable policies for the financial leasing industry in China have been promulgated since 2014, and the domestic financial leasing industry resumed the rapid growth trend. In February 2014, the Supreme People's Court promulgated the Explanation on the Issues of Applicable Law in the Trial for Cases of Disputes on Financial Leasing Contracts, providing a strong judicial protection for the development of the financial leasing market. In March, the China Banking Regulatory Commission ("CBRC") promulgated the Administrative Measures for Financial Leasing Companies which further promoted the development of financial leasing enterprises. In August, the General Office of the State Council published the Guidance Opinions on the Implementation of Multiple Measures Dedicated to Alleviate the Problems of High Cost in Corporate Financing, in which it was recommended that modern financial service industries, such as financial leasing, that provide direct service to the real economy would be further developed. By the end of 2015, the Tianjin-Fujian-Guangdong Free Trade Zone would be established with approval from the State Council, the policies promoting financial leasing would be implemented accordingly. As at the end of 2014, there were 2,200 financial leasing enterprises in the PRC, and the market size was over RMB3 trillion. In respect of the Pearl River Delta region where the Company is located, with the approval of the Guangdong Free Trade Zone, there will be more developing opportunities for the development of the financial leasing industry. Since the establishment of the Company, the advantages of being a first mover in the implementation and pilot operation of the Shenzhen – Hong Kong service regions were captured. In January 2014, the Opinions of Promoting the Development of Financial Leasing Business Pilot Program in the Qianhai Bay Bonded Port Zone were promulgated in Shenzhen to promote the development of the financial leasing industry in Qianhai from the three aspects of market access, customs policy and cross-border financing. In early 2015, the Municipal Government of Guangzhou promulgated and issued the Implementation Opinions on Accelerating the Progress of Development of the Financial Leasing Industry and indicated that Nansha Free Trade Zone would be developed into the Third Pole of financial leasing in China and was supported by the State Council. It is foreseeable that the establishment of the Guangdong Free Trade Zone will provide more opportunities and

greater space for the Company's development. In recent years, the attention and supporting efforts of the State Council on the financial leasing industry have been increasing continuously. In 2011, the Ministry of Commerce issued the Guidance Opinions on Promoting the Development of the Financial Leasing Business during the Period of the Twelfth Five-year Plan (Shang Fu Mao Fa [2011] No.487) in which it was confirmed that the development of the financial leasing industry would be accelerated, incentive policies would be unveiled as soon as possible, its position in national economic development would be enhanced within 5 years, and the development of a large batch of leading enterprises in the industry would be required. Subsequently, specific supporting policies for the financial leasing industry were launched, particularly the preferential policy on Qianhai taxation was an added advantage. In August 2014, in the Guidance Opinions on Accelerating the Development of Productive Service Industry to Promote the Adjustment and Upgrading of Industrial Structure issued by the State Council (Guo Fa [2014] No. 26), financial leasing once again was mentioned as a key industry for development in important documents.

In respect of the financial sector for small and micro enterprises, firstly on 30 January 2015, the Founding Conference for China Association of Microfinance Companies in China was convened in Beijing. The Association was a national industry self-regulatory organization formed voluntarily by small loan institutions and local industry self-regulatory organizations under the regulation and guidance of the CBRC. The establishment of the Association created the channels for small and micro financial services, leading the industry to serve the real economy.

Secondly, the People's Bank of China ("PBOC") decided that with effect from 5 February 2015, the Renminbi deposit reserve ratio of financial institutions would be reduced by 0.5 percentage point. At the same time, in order to further strengthen the abilities of financial institutions to support structural adjustment and increase supporting efforts for small and micro enterprises and the three agricultural sectors, if the percentage of loans to small and micro enterprises of financial institutions reach a targeted level for reserve ratio reduction, the Renminbi deposit reserve ratio of such financial institutions could be reduced by 0.5 percentage point. This measure will be favourable to further release financing space for institutions providing small and micro loan amounts.

In March 2015, the central bank announced a reduction in interest rate again: with effect from 1 March 2015, both the benchmark interest rates for Renminbi lending and deposits of financial institutions would be reduced by 0.25 percentage point. This interest rate adjustment continued to perform the guidance role of the benchmark interest rates, further consolidated the result of falling social financing cost, creating a moderate and appropriate monetary financial environment for economic structural adjustment, transformation and upgrading.

In the capital investment industry, the State Council issued the Guidance Opinions on Innovations in Key Areas of the Investment and Financing Mechanism to Encourage Social Investments and the Ministry of Finance issued the Notice on the Issues concerning the Promotion and Utilization of the Government and Social Capital Cooperation Model and the Notice on the Publication of the (Trial) Operation Guide for the Government and Social Capital Cooperation Model in 2014, further relaxed the restrictions on private capital for participating in infrastructural and public service areas. At present, more than 10 provinces and municipalities have promulgated the specific operation management standards.

In respect of equity funds, the State Council decided to establish a venture capital guidance fund for new emerging industries in China on 14 January 2014. On 30 June 2014, the CSRC issued the Provisional Measures for the Regulation and Administration of Private Equity Investment Fund, while the Asset Management Association of China issued the Measures for Filing Management of Qualifications for Securities Investment Fund Managers, further promoted the development of the private equity fund business. The Securities Association of China also drafted the (Trial) Measures for the Administration of Private Equity Pooling and Financing (consultation draft), which will promote innovations on entrepreneurship and healthy development of internet finance upon its launching.

In respect of the internet financial industry, the PBOC issued the Guidance Opinions on the Promotion of Healthy Development in Mobile Financial Technological Innovations in December 2014, which was favourable to further promote and facilitate the internet service in serving the real economy and its utilization in various economic areas. The CBRC carried out institutional reform on 20 January 2015, and established the Social Benefit Financial Department which further confirmed the regulatory authority for internet finance and provided protection to the regulated development of internet finance in future.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2014, our Group's revenue was approximately RMB58.9 million (2013: approximately RMB53.3 million), representing an increase of approximately 10.5%. 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 year ended 31 December 2014, our Group's revenue generated from financial guarantee services was approximately RMB37.0 million (2013: approximately RMB41.7 million), representing a decrease of approximately 11.3% and accounting for approximately 62.9% (2013: approximately 78.2%) of our Group's total revenue. Such decrease was mainly because the Group had properly controlled the amount of financing guarantee business occurred in the premise of more cautious risk control in 2014. Meanwhile, to emphasize liquidity, shortened average maturity of the guarantee business also properly reduced the level of guaranteed rates.

The number of new financial guarantee contracts entered into for the year ended 31 December 2014 was 227 (2013: 187), representing a increase of approximately 21.4% over the previous year.

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 year ended 31 December 2014, our Group's revenue generated from non-financial guarantee services increased by 114.3% to approximately RMB3.0 million (2013: approximately RMB1.4 million), accounting for approximately 5.1% (2013: approximately 2.6%) of our Group's total revenue in 2014. The increase was because in 2014 the Group strengthened development of procedural preservative guarantee business and achieved new breakthrough in construction performance guarantee business.

3. *Financial leasing 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 year ended 31 December 2014, revenue from the Group's finance leasing, a new business of the Group, was approximately RMB3.2 million, representing approximately 5.5% of the Group's total revenue in 2014.

4. *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 year ended 31 December 2014, our Group's revenue generated from financial consultancy services, was approximately RMB17.9 million (2013: approximately RMB10.9 million), representing approximately 30.4% of our Group's total revenue for 2014 (2013: approximately 20.5%). This increase was because in 2014 the Group strengthened development in financial consultancy services.

OTHER REVENUE

Our Group's other revenue was principally comprised of government grants and interest income. For the years ended 31 December 2013 and 2014, our Group's other revenue was approximately RMB13.3 million and RMB8.7 million, respectively, representing a decrease of approximately 34.3%. It was attributable to decrease in government grants. Our interest income increased by approximately 53.8% from approximately RMB4.8 million in 2013 to approximately RMB7.4 million in 2014 due to optimised structure of term deposit.

Impairment and provision (charged)/written back

Impairment and provision mainly represents impairment and provision for guarantees losses 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

Operating expenses mainly comprise (i) salaries and benefits expenses for management and administrative staff; (ii) traveling and entertainment expenses; (iii) office expenses; and (iv) other operating expenses (including professional consultancy service fees). For the year ended 31 December 2014, our Group's operating expenses was approximately RMB32.2 million (2013: approximately RMB40.8 million), accounting for approximately 54.7% (2013: approximately 76.5%) of our Group's revenue. The decrease in operating expenses was mainly attributed to the absence of initial public offering expenses for the year ended 31 December 2014.

Share of profit of an associate

The share of profits of an associate amounted to approximately RMB7.2 million for 2014, representing an increase of approximately RMB0.1 million from approximately RMB7.1 million for 2013. The increase was because the Company equity interests in Success Credit increased.

Income tax

For the year ended 31 December 2014, our Group's income tax amounted to approximately RMB13.5 million, representing a decrease of approximately 0.9% over approximately RMB13.6 million in 2013. Such decrease was mainly because the initial public offering expenses for 2013 could not be deducted before income tax in 2013.

Profit before tax

The profit before tax increased by approximately RMB7.2 million, or approximately 22.1%, from approximately RMB32.6 million for 2013 to approximately RMB39.8 million for the year ended 31 December 2014. The increase is a result of the new business development in financial leasing and financial consultancy services, and the decrease in operating expense, which is due to the absence of listing expense in 2014 compared to 2013.

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 possession of the counter-guarantee assets provided by these 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 RMB44.6 million as at 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Management and Investment Policy

In order to more effectively utilise our Group's financial resources for obtaining a better return for our 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 a minimum risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 31 December 2014, the current pledged bank deposits amounted to approximately RMB53.1 million (2013: approximately RMB66.6 million), representing a decrease of RMB13.5 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB257.7 million (2013: approximately RMB458.6 million), representing a decrease of approximately RMB200.9 million, as compared to the end of last year. The main reason was that a large part of the proceeds from Listing in 2013 has been invested in the newly established financial leasing company and the paid in capitals of financial leasing have been used for the provision of financial leasing services to customers.

Interest Rate Risk and Foreign Exchange Risk

During the year, our Group had no borrowings. Our Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

Our Group's businesses for the year ended 31 December 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.

KEY FINANCIAL RATIOS

	As at	
	31 December	
	2014	2013
	%	%
Current ratio (<i>Note 1</i>)	1,234.5	1,480.7
Gearing ratio (<i>Note 2</i>)	6.1	7.5
Return on assets (<i>Note 3</i>)	3.6	2.7
Return on equity (<i>Note 4</i>)	3.9	3.5

Notes:

1. Current ratio is calculated based on dividing current assets by current liabilities and multiplied by 100%
2. During the year, our Group had no borrowings. Gearing ratio is calculated based on dividing total liability by total equity and multiplied by 100%
3. Return on assets is calculated based on dividing profit attributable to equity shareholders of our Company by total asset and multiplied by 100%
4. Return on equity is calculated based on dividing profit attributable to equity shareholder of our Company by the weighted average balance of total equity as at the beginning and end of the relevant year and multiplied by 100%

Current ratio

Our Group's current ratio decreased from approximately 1,480.7% as at 31 December 2013 to approximately 1,234.5% as at 31 December 2014, which was mainly due to increased current assets as a result of the proceeds from the Listing in 2013, while in 2014 a large part of the proceeds from the Listing has been invested in Success Financial Leasing and the paid in capitals of financial leasing have been used for the provision of financial leasing services to customers.

Gearing ratio

Our Group's gearing ratio increased from approximately 7.5% as at 31 December 2013 to approximately 6.1% as at 31 December 2014, which was mainly because the increase in net profit led to the increase in net assets.

Return on assets

Our Group's return on assets increased from approximately 2.7% as at 31 December 2013 to approximately 3.6% as at 31 December 2014, which was mainly attributable to the higher average return of the new business compared to that of guarantee services with the commencement of business of financial leasing and the asset management company.

Return on equity

Our Group's return on equity increased from approximately 3.5% as at 31 December 2013 to approximately 3.9% as at 31 December 2014, which was mainly attributable to the higher average return of the new business compared to that of guarantee services with the commencement of business of financial leasing and the asset management company.

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 31 December 2014, our Group has a total of 69 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 RMB14.6 million for the year ended 31 December 2014.

USE OF PROCEEDS

The shares of our Company were listed on 13 November 2013 (“**Listing**”) on the Main Board of the Stock Exchange. The total net proceeds from the Listing which involved the issue of 114,044,000 ordinary shares of HK\$0.01 each of our Company amounted to approximately HK\$287.0 million.

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

Net proceeds from the Listing

(HK\$ million)

	Available to utilise	Utilised as at 31 December 2014	Unutilised as at 31 December 2014
Use to (i) increase the registered capital of Success Financial Leasing; and (ii) increase the registered capital of Foshan Success Asset Management Company Limited	172.2	137.7	34.5
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	23.3	5.4
Total	<u>287.0</u>	<u>245.0</u>	<u>42.0</u>

The balance of the net proceeds has been deposited on a short term basis in licensed financial institutions in Hong Kong and will be utilised in accordance with the reallocation and charge in use of proceeds as set out as follows and in the announcement of the Company dated 24 March 2015.

New intended use	New allocation of the unutilised Net Proceeds <i>HK\$ (million)</i>
Use to increase our net asset value, registered capital and/or paid up capital of other Group's companies or entities	34.5
Use for working capital of our Group	7.5
Total	<u>42.0</u>

PROSPECTS

Our Group will continue to (i) strengthen our risk management procedures; (ii) strengthen our internal control and post-guarantee monitoring procedures; (iii) expand our service offering; (iv) standardise products and services wherever possible; and (v) upgrade our Group's management information system to improve the effectiveness and the timeliness of our Group's risk control measures.

In future, the Group will strive for the vision of becoming the “leader of the small and micro finance, and cross-border financing”. In terms of industry tactile, the Group will (i) seize the favorable opportunity of China's financial system reform and financial development in the Internet, and will carry out businesses such as financial consultancy, asset management, financial guarantees, financial leasing and equity funds; (ii) select appropriate shareholders or members to carry out capital increase and equity investment, so as to integrate resources for business expansion and enriching our financial services; and (iii) expand asset management business and explore the business model of wealth management, and may consider establishment of operating companies when the time is right. The Group will focus on creating the four segments of assets, capital, wealth and data. In future, we will actively practice social responsibility to meet the various needs of SMEs with more extensive product, more quality service and more professional team, and ultimately achieving controllable risks, profit sharing, and unity of corporate mission and social responsibilities.

OTHER INFORMATION

Purchase, sale or redemption of securities

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

Corporate Governance

The Company has applied the principles and code provisions as set out in the corporate governance code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). For the year ended 31 December 2014, the Company has been in compliance with all the code provisions of the Corporate Governance Code.

Compliance with the Model Code for Securities Transactions

The Company has adopted the model code for securities transactions by directors of listed issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the Directors, the Directors confirmed that they had been in compliance with the requirements set out in the Model Code for the year ended 31 December 2014.

Dividends

The Board recommended the distribution of a final dividend of HK\$0.02 per ordinary share to the shareholders whose names appear on the register of members of the Company on 29 May 2015, subject to the approval of the shareholders at the AGM. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around 30 June 2015.

Review of Annual Results

The Company has established an audit committee (the “**Audit Committee**”) on 18 October 2013 with terms of reference in compliance with the Listing Rules and the Corporate Governance Code. As at 31 December 2014, the Audit Committee comprises Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei has been appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2014. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

Annual General Meeting

The annual general meeting of the Company (the “**AGM**”) for the year ended 31 December 2014 is scheduled to be held on 19 May 2015. A notice of AGM will be issued and disseminated to shareholders of the Company in due course.

Closure of Register of Members

The Company’s register of members will be closed from 15 May 2015 to 19 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 14 May 2015.

The register of members of the Company will be closed from 26 May 2015 to 29 May 2015 (both days inclusive), during which period no transfer of shares will be registered, for ascertaining shareholder’s entitlement to receive the proposed final dividend. In order to be eligible to receive the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 22 May 2015.

Publication of Annual Results Announcement and Annual Report

This announcement has been published on the Company's website (www.gdjcrzdb.cn) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2014 containing all relevant information required by the Listing Rules will be disseminated to the shareholders and available on the above websites in due course.

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

Hong Kong, 24 March 2015

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Zhang Tiewei, Mr. Chen Hui 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.