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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 2015

| FINANCIAL HIGHLIGHTS | For the six months ended 30 June | | Change In |
|--|-------------------------------------|-------------------|-----------|
| | 2015 (RMB'000) | 2014 (RMB'000) | |
| REVENUE | 40,671 | 26,494 | 53.5% |
| OTHER REVENUE | 3,196 | 4,129 | -22.6% |
| PROFIT BEFORE TAXATION | 21,188 | 13,094 | 61.8% |
| PROFIT FOR THE PERIOD | 16,027 | 6,894 | 132.5% |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 16,602 | 10,100 | 64.4% |
| EARNING PER SHARE (RMB PER SHARE) | 0.04 | 0.02 | 100% |
| TOTAL ASSETS | 866,171 | 713,833 | 21.3% |
| TOTAL EQUITY | 828,958 | 672,258 | 23.3% |

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 2015 together with comparative figures for the corresponding period in 2014. The interim financial information for the six months ended 30 June 2015 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 months ended 30 June 2015
— unaudited

(Expressed in Renminbi)

| | <i>Note</i> | Six months ended 30 June | |
|--------------------------------------|-------------|---------------------------------|----------------|
| | | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Guarantee Income | | 13,473 | 21,867 |
| Less: re-guarantee fee | | <u>(1,469)</u> | <u>(1,200)</u> |
| Net guarantee fee income | | <u>12,004</u> | <u>20,667</u> |
| Interest income from leasing | | 10,179 | — |
| Less: interest expenses | | <u>(374)</u> | <u>—</u> |
| Net interest income | | <u>9,805</u> | <u>—</u> |
| Service fee from consulting services | | <u>17,019</u> | <u>4,627</u> |
| Revenue | 3 | 38,828 | 25,294 |
| Other revenue | 4 | 3,196 | 4,129 |
| Impairment and provision charged | 5(a) | (5,687) | (700) |
| Operating expenses | | (18,152) | (18,877) |
| Share of profits of an associate | 10 | <u>3,003</u> | <u>3,248</u> |
| Profit before taxation | 5 | 21,188 | 13,094 |
| Income tax | 6(a) | <u>(5,161)</u> | <u>(6,200)</u> |
| Profit for the period | | <u>16,027</u> | <u>6,894</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | | 15,890 | 6,782 |
| Non-controlling interests | | <u>137</u> | <u>112</u> |
| Profit for the period | | <u>16,027</u> | <u>6,894</u> |
| Earnings per share (RMB per share) | | | |
| Basic | 7 | <u>0.04</u> | <u>0.02</u> |
| Diluted | 7 | <u>0.04</u> | <u>0.02</u> |

Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 — unaudited

(Expressed in Renminbi)

| | Six months ended 30 June | |
|---|---------------------------------|----------------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the period | 16,027 | 6,894 |
| Other comprehensive income for the period 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") | <u>575</u> | <u>3,206</u> |
| Total comprehensive income for the period | <u><u>16,602</u></u> | <u><u>10,100</u></u> |
| Attributable to: | | |
| Equity shareholders of the Company | 16,465 | 9,988 |
| Non-controlling interests | <u>137</u> | <u>112</u> |
| Total comprehensive income for the period | <u><u>16,602</u></u> | <u><u>10,100</u></u> |

Consolidated statement of financial position at 30 June 2015 - unaudited

(Expressed in Renminbi)

| | <i>Note</i> | At 30 June 2015 | At 31 December 2014 |
|--|-------------|----------------------------|--------------------------------|
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(unaudited)</i> | <i>(audited)</i> |
| Non-current assets | | | |
| Equipment | 8 | 1,581 | 1,947 |
| Intangible assets | | 26 | 29 |
| Interest in an associate | 10 | 79,508 | 76,505 |
| Other non-current assets | 11 | 141,913 | 97,841 |
| Pledged bank deposits | 12 | <u>152,105</u> | <u>131,050</u> |
| | | 375,133 | 307,372 |
| | | ----- | ----- |
| Current assets | | | |
| Pledged bank deposits | 12 | 46,625 | 53,105 |
| Trade and other receivables | 13 | 177,125 | 115,447 |
| Available-for-sale financial assets | 14 | 18,900 | — |
| Cash and bank deposits | 15 | <u>248,388</u> | <u>257,697</u> |
| | | 491,038 | 426,249 |
| | | ----- | ----- |
| Current liabilities | | | |
| Receipts in advance | 16 | 2,271 | 385 |
| Accruals and other payables | 17 | 9,386 | 5,097 |
| Customer pledged deposits received | 18 | 919 | 915 |
| Current tax liabilities | | 5,850 | 8,400 |
| Liabilities from guarantees | 21 | <u>14,504</u> | <u>19,732</u> |
| | | 32,930 | 34,529 |
| | | ===== | ===== |
| Net current assets | | <u>458,108</u> | <u>391,720</u> |
| Total assets less current liabilities | | <u>833,241</u> | <u>699,092</u> |
| | | ----- | ----- |

| | <i>Note</i> | At 30 June 2015 <i>RMB'000</i> <i>(unaudited)</i> | At 31 December 2014 <i>RMB'000</i> <i>(audited)</i> |
|--|-------------|--|--|
| Non-current liabilities | | | |
| Liabilities from guarantees | 21 | 1,056 | 1,897 |
| Deferred tax liabilities | 20(a) | <u>3,227</u> | <u>5,783</u> |
| | | <u>4,283</u> | <u>7,680</u> |
| NET ASSETS | | <u>828,958</u> | <u>691,412</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 22(b) | 3,755 | 3,276 |
| Reserves | 22 | <u>820,585</u> | <u>683,655</u> |
| Total equity attributable to equity shareholders of the Company | | 824,340 | 686,931 |
| Non-controlling interests | | <u>4,618</u> | <u>4,481</u> |
| TOTAL EQUITY | | <u>828,958</u> | <u>691,412</u> |

Notes to the unaudited interim financial report (Expressed in Renminbi unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 31 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report comprises the Company and its subsidiaries (together referred to as the “Group”). This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 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.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements.

2 Changes in accounting policies

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

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented. The group has not applied any new standard of interpretation that is not yet effective for the current accounting period.

3 Revenue

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

| | <i>Note</i> | Six months ended 30 June | |
|--------------------------------------|-------------|---------------------------------|----------------------|
| | | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Guarantee fee income | | | |
| Income from financial guarantees | | 12,567 | 19,996 |
| Income from litigation guarantees | | 637 | 1,387 |
| Income from performance guarantees | | 269 | 484 |
| Less: re-guarantee fee | (a) | <u>(1,469)</u> | <u>(1,200)</u> |
| Net guarantee fee income | | 12,004 | 20,667 |
| Interest income from leasing | | 10,179 | — |
| Less: Interest expenses | (b) | <u>(374)</u> | <u>—</u> |
| Net interest income | | 9,805 | — |
| Service fee from consulting services | | <u>17,019</u> | <u>4,627</u> |
| Total | | <u><u>38,828</u></u> | <u><u>25,294</u></u> |

In 2015, the percentage of the Group's largest single customer's revenue was 21.06% (2014: 6.51%); while the percentage of the Group's top 5 customers' revenue was 48.78% (2014: 15.09%).

- (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 the guarantee issued with an amount not more than RMB10,000,000 and 10% for the guarantee issued with an amount more than RMB10,000,000 but less than or equal to 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.

- (b) Success Leasing borrowed a loan of RMB15 million through Guangdong Jiayou Network Technology Co., Ltd. (“Jiayou Network”), with a term of 3 months and an interest rate of 9% per year. The total expense for this loan is RMB374,000, out of which RMB338,000 is interest and RMB36,000 is service fee.

4 Other revenue

| | <i>Note</i> | Six months ended | |
|------------------------------------|-------------|-------------------------|----------------|
| | | 30 June | |
| | | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Government grants | (a) | 554 | 200 |
| Interest income from bank deposits | | 2,642 | 3,925 |
| Others | | <u>—</u> | <u>4</u> |
| Total | | <u>3,196</u> | <u>4,129</u> |

- (a) Success Guarantee received funding supporting mainly from Ministry of Finance 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 2015, RMB 554,000 (six months ended 30 June 2014: RMB 200,000) of the government grants were rewarded to the group for guarantee expense.

5 Profit before taxation

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

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

| | <i>Note</i> | Six months ended | |
|--|-------------|-------------------------|----------------|
| | | 30 June | |
| | | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Provision (written back) / charged for guarantees issued | 21 | (1,794) | 700 |
| Impairment provision charged for | | | |
| - other non-current assets | 11 | 347 | — |
| - trade receivables | 13(b)(i) | <u>7,134</u> | <u>—</u> |
| Total | | <u>5,687</u> | <u>700</u> |

(b) *Staff costs*

| | | Six months ended | |
|---|-------------|-------------------------|----------------|
| | | 30 June | |
| | <i>Note</i> | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, wages and other benefits | | 6,772 | 4,328 |
| Contributions to defined contribution retirement plan | | 338 | 176 |
| Equity-settled share-based payment expenses | 19 | <u>1,147</u> | <u>5,240</u> |
| | | <u>8,257</u> | <u>9,744</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*

| | | Six months ended | |
|---|-------------|-------------------------|----------------|
| | | 30 June | |
| | <i>Note</i> | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Depreciation | | 319 | 208 |
| Operating lease charges in respect of leasing of properties | | 2,709 | 467 |
| Net foreign exchange Loss | (i) | <u>63</u> | <u>3,741</u> |

(i) The net foreign exchange loss recognized for the six months ended 30 June 2015 resulted 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 2015.

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

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

| | Six months ended | |
|---|-------------------------|---------------------|
| | 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current tax | | |
| Provision for PRC income tax for the period | 7,717 | 7,224 |
| Deferred tax | | |
| Origination and reversal of temporary differences | <u>(2,556)</u> | <u>(1,024)</u> |
| Total | <u><u>5,161</u></u> | <u><u>6,200</u></u> |

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

| | Six months ended | |
|---|-------------------------|---------------------|
| | 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit before taxation | <u>21,188</u> | <u>13,094</u> |
| Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned | 5,450 | 4,350 |
| Effect of non-taxable income | — | (683) |
| Effect of non-deductible expenses | 387 | 1,632 |
| (Over) / under-provision in respect of prior years | <u>(676)</u> | <u>901</u> |
| Actual tax expense | <u><u>5,161</u></u> | <u><u>6,200</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 RMB90,707,000 as at 30 June 2015 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 RMB 15,890,000 (six months ended 30 June 2014: RMB6,782,000) and the weighted average of 419,364,000 ordinary shares (six months ended 30 June 2014: 414,044,000 shares, after adjusting for the capitalisation issue in 2015).

(i) *Weighted average number of ordinary shares*

| | Six months ended | |
|---|-------------------------|-----------------------|
| | 30 June | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Issued ordinary shares at 1 January | 414,044 | 414,044 |
| Effect of shares issued by share Offering | 5,304 | — |
| Effect of shares issued by Share option exercised | <u>16</u> | <u>—</u> |
| Weighted average number of ordinary shares at 30 June /31 December | <u><u>419,364</u></u> | <u><u>414,044</u></u> |

(b) *Diluted earnings per share*

During the period ended 30 June 2015, 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 dilutive effect about 2,448,000 shares in the period.

8 Equipment

(a) Acquisitions and disposals

During the six months ended 30 June 2015, the Group acquired items of plant and machinery with a cost of RMB 90,000 (six months ended 30 June 2014: RMB30,000). No item of equipment was disposed of during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

(b) Impairment losses

During the six months ended 30 June 2015, no impairment loss of equipment was recognized (six months ended 30 June 2014: nil).

9 Investment in a subsidiary

| | <i>Note</i> | The Company | |
|---|-------------|--------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <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 | 19 | <u>8,656</u> | <u>7,511</u> |
| Total | | <u>8,763</u> | <u>7,618</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 fully paid up capital | Group's effective interest | Proportion of ownership interest | | Principal activities |
|---|---|--|---|---|---------------------------------|---------------------------------|
| | | | | Held by the Company | Held by a subsidiary | |
| Double Chance Developments Limited ("Double Chance") | BVI 8 February 2012 | 1 share of USD1 each | 100% | 100% | — | Investment holding |
| China Success Finance Holdings Limited ("Success Finance") | Hong Kong 18 November 2011 | 10,000 shares of HKD1 each | 100% | — | 100% | Investment holding |

| Name of company | Place and date of incorporation/ establishment | Authorised or registered capital/issued and fully paid up capital | Group's effective interest | Proportion of ownership interest | | Principal activities |
|--|--|---|----------------------------|----------------------------------|----------------------|--|
| | | | | Held by the Company | Held by a subsidiary | |
| Guangdong Success Asset Management Company Limited ("Success Asset") | The PRC 23 June 2004 | RMB125,270,000 | 99% | — | 99% | Investment holding |
| Guangdong Success Finance Guarantee Company Limited ("Success Guarantee") | The PRC 26 December 1996 | RMB330,000,000 | 99% | — | 100% | Provision of financial guarantee services in the PRC |
| Shenzhen Success Financial Leasing Company Limited ("Success Financial Leasing") | The PRC 6 June 2014 | USD28,000,000 | 100% | — | 100% | Provision of financial leasing services in the PRC |
| Shenzhen Success Equity Investment Fund Management Limited ("Success Equity Fund") | The PRC 6 September 2014 | RMB3,300,000 | 100% | — | 100% | Equity investment in the PRC |
| Shenzhen Success No.1 Equity Fund ("No.1 Fund") | The PRC 14 January 2015 | RMB30,000,000 | 100% | — | 100% | Equity investment in the PRC |

10 Interest in an associate

| | The Group | |
|---------------------|--------------------------------------|------------------------------------|
| | At 30 June 2015 | At 31 December 2014 |
| | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Share of net assets | 75,276 | 72,273 |
| Goodwill | <u>4,232</u> | <u>4,232</u> |
| Total | <u><u>79,508</u></u> | <u><u>76,505</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 | |
| Foshan 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 | RMB 250,000,000 | 27.01% | 27.28% | 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 2015 | At 31 December 2014 |
|--|--------------------------------|------------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> |
| <i>Gross amounts of the associate</i> | | |
| Current assets | 442,297 | 440,634 |
| Non-current assets | 42,036 | 40,913 |
| Current liabilities | <u>(208,395)</u> | <u>(216,616)</u> |
| Equity | <u>275,938</u> | <u>264,931</u> |
| Six months ended 30 June | | |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Revenue | 38,749 | 35,989 |
| Expenses | <u>(27,742)</u> | <u>(18,976)</u> |
| Total comprehensive income | 11,007 | 17,013 |
| | At 30 June 2015 | At 31 December 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> |
| <i>Reconciled to the Group's interests in the associate</i> | | |
| Gross amounts of net assets of the associate | 275,938 | 264,931 |
| Group's effective interest | 27.01% | 27.01% |
| Group's share of net assets of the associate | 74,531 | 71,550 |
| Non-controlling interests in the net assets of the associate | 745 | 723 |
| Goodwill | <u>4,232</u> | <u>4,232</u> |
| Carrying amount in the consolidated financial statements | <u>79,508</u> | <u>76,505</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 RMB9,508,000 and RMB11,884,000, respectively. The transfer of stock right had been approved by Foshan Municipal People's Government Finance Bureau on 8 July 2014. As at 30 June 2015, the proportion of ownership interest in the associate held by Success Guarantee was 27.28%.

11 Other non-current assets

| | <i>Note</i> | The Group | |
|--|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Prepayments to a related party | (a) | — | 6,107 |
| Deferred expenses | | 4,312 | 2,741 |
| Refund of re-guarantee handling fees | 3(a) | — | 84 |
| Prepayments and deposits | | 2,018 | 1,208 |
| Long-term receivables from finance leases | (b) | <u>185,032</u> | <u>150,898</u> |
| Total | | 191,362 | 161,038 |
| Less: within one year of long-term receivables | | | |
| from finance lease | 13 | (47,513) | (61,608) |
| Less: Impairment allowance | (b)(i) | <u>(1,936)</u> | <u>(1,589)</u> |
| Total | | <u><u>141,913</u></u> | <u><u>97,841</u></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. The building was expected to be completed in March 2016 and be capitalized then, the prepayment was reclassified to other receivables.

(b) *Long-term receivables from finance lease*

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

(i) Impairment provision charged for long-term receivables from finance lease

| | | The Group | |
|--------------------------|-------------|--------------------|--------------------|
| | | At | At |
| | | 30 June | 31 December |
| | <i>Note</i> | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(unaudited)</i> | <i>(audited)</i> |
| At 1 January | | 1,589 | — |
| Charged | 5(a) | <u>347</u> | <u>1,589</u> |
| At 30 June / 31 December | | <u>1,936</u> | <u>1,589</u> |

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

| | The Group | |
|-------------------------------|--------------------|--------------------|
| | At | At |
| | 30 June | 31 December |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> |
| Amount due from lessees | 206,005 | 175,134 |
| Less: unearned finance income | <u>(20,973)</u> | <u>(24,236)</u> |
| Finance leases | <u>185,032</u> | <u>150,898</u> |

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

| | The Group | | | |
|---|---------------------|---------------------------|-----------------|-----------------|
| | 30 June 2015 | 31 December 2014 | | |
| | Present | Present | | |
| | value of the | Total value of the | | Total |
| | minimum | minimum | minimum | 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 | 47,513 | 60,274 | 61,608 | 76,757 |
| After 1 year but within 5 years | <u>137,519</u> | <u>145,731</u> | <u>89,290</u> | <u>98,377</u> |
| Total | 185,032 | 206,005 | 150,898 | 175,134 |
| Impairment allowances: | | | | |
| - collectively assessed | <u>(1,936)</u> | <u>(1,936)</u> | <u>(1,589)</u> | <u>(1,589)</u> |
| Net investment in finance leases receivable | <u>183,096</u> | <u>204,069</u> | <u>149,309</u> | <u>173,545</u> |

12 Pledged bank deposits

| | The Group | |
|-------------|--------------------|--------------------|
| | At | At |
| | 30 June | 31 December |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> |
| Non-current | 152,105 | 131,050 |
| Current | <u>46,625</u> | <u>53,105</u> |
| | <u>198,730</u> | <u>184,155</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> | The Group | |
|---|-----------------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Trade debtors | (i) | 233 | 1,320 |
| Trade debtors from consultancy services | | 2,598 | 477 |
| Payments on behalf of customers | (ii) | <u>125,571</u> | <u>53,294</u> |
| | | 128,402 | 55,091 |
| Less: allowance for doubtful debts | (b)(i) | <u>(15,783)</u> | <u>(8,649)</u> |
| Trade receivables | | 112,619 | 46,442 |
| Long-term receivables from finance leases with maturity of one year | 11 | 47,513 | 61,608 |
| Amounts due from related parties | 11(a)/ 26(f)(i)(a) | 8,837 | 2,730 |
| Other receivables (Net of impairment provision) | (b)(ii) | <u>3,654</u> | <u>3,040</u> |
| Receivables | | 172,623 | 113,820 |
| Prepayments for re-guarantee fees | 3(a) | 375 | 901 |
| Other prepayments | (iii) | 3,361 | 12 |
| Deferred expenses | | <u>766</u> | <u>714</u> |
| Total | (iv) | <u>177,125</u> | <u>115,447</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) The Group prepaid RMB3,000,000 for an investment project with 佛山市南海輝煌塑料有限公司. The Group received the prepayment in July 2015 for the project termination.
- (iv) All of the trade and other receivables (including the amount due from a subsidiary) except the payments on behalf of customers, 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, based on receivables recognition date or advance payment date, is as follows:

| | <i>Note</i> | The Group | |
|-------------------------------------|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Within 1 month | | 13,354 | 19,526 |
| Over 1 month but less than 3 months | | 31,265 | 3,798 |
| Over 3 months but less than 1 year | | 58,176 | 17,516 |
| More than 1 year | | <u>25,607</u> | <u>14,251</u> |
| | | 128,402 | 55,091 |
| Less: allowance for doubtful debts | (b)(i) | <u>(15,783)</u> | <u>(8,649)</u> |
| Total | | <u>112,619</u> | <u>46,442</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) The movement in the allowance for trade receivables during the period is as follows:

| | <i>Note</i> | The Group | |
|--------------------------|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| At 1 January | | 8,649 | 7,330 |
| Charged | 5(a) | <u>7,134</u> | <u>1,319</u> |
| At 30 June / 31 December | | <u>15,783</u> | <u>8,649</u> |

At 30 June 2015, the Group's debtors of RMB31,905,000 (31 December 2014: RMB13,234,000) 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.

(ii) At 30 June 2015 and 31 December 2014, 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 2015, there were no changes in the allowance for other receivables during the six months ended 30 June 2015.

(c) *Trade receivables that are not impaired*

The ageing analysis of trade debtors and payments on behalf of customers that are neither individually nor collectively considered to be impaired are as follows:

| | The Group | |
|---|--------------------|--------------------|
| | At | At |
| | 30 June | 31 December |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> |
| Neither past due nor impaired | 2,830 | 1,796 |
| Less than 3 months past due | 41,789 | 17,729 |
| More than 3 months but less than 12 months past due | 33,602 | 15,410 |
| More than 12 months | <u>18,276</u> | <u>6,922</u> |
| | <u>96,497</u> | <u>41,857</u> |

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 Available-for-sale financial assets

| | <i>Note</i> | The Group | |
|------------------------------|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Unlisted available-for-sale | | | |
| - Wealth management products | 23(a) | 2,900 | — |
| - Structured deposits | 23(a) | <u>16,000</u> | <u>—</u> |
| | | <u>18,900</u> | <u>—</u> |

15 Cash and bank deposits

| | <i>Note</i> | The Group | |
|---|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Demand deposits and term deposits with banks | | 247,374 | 256,539 |
| Restricted customer pledged deposits | 18 | 919 | 915 |
| Cash in hand | | <u>95</u> | <u>243</u> |
| Cash and bank deposits in the consolidated statement of financial position | | 248,388 | 257,697 |
| Restricted customer pledged deposits | | <u>(919)</u> | <u>(915)</u> |
| Cash and cash equivalents in the consolidated cash flow statement | | <u>247,469</u> | <u>256,782</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 2015 and 31 December 2014, customer pledged deposits of RMB919,000 and RMB915,000 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.

16 Receipts in advance

Receipts in advance of below balances' contracts that have not been effective, as at the reporting date are analyzed as follows:

| | The Group | |
|-----------------------|--|--|
| | At 30 June 2015 RMB'000 (unaudited) | At 31 December 2014 RMB'000 (audited) |
| Guarantee customers | 618 | 385 |
| Consultancy customers | <u>1,653</u> | <u>—</u> |
| Total | <u><u>2,271</u></u> | <u><u>385</u></u> |

17 Accruals and other payables

| | <i>Note</i> | The Group | |
|-----------------------------|-------------|--|--|
| | | At 30 June 2015 RMB'000 (unaudited) | At 31 December 2014 RMB'000 (audited) |
| Dividends payables | 22(a) | 4,721 | — |
| Other accruals and payables | (i) | <u>4,665</u> | <u>5,097</u> |
| Total | | <u><u>9,386</u></u> | <u><u>5,097</u></u> |

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

18 Customer pledged deposits received

Customer pledged deposits received represent deposits received from customers as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers upon expiry of the corresponding guarantee contracts. According to the contract, these deposits were expiry with one year.

19 Equity settled share-based transactions

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

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

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

| | 30 June 2015 | | 2014 | |
|--|----------------|---------------------------|----------------|---------------------------|
| | Exercise price | Number of options '000 | Exercise price | Number of options '000 |
| Granted and outstanding at the beginning of the year | HKD1.90 | 9,810 | HKD1.90 | 10,000 |
| Forfeited during the period/ year | HKD1.90 | (15) | HKD1.90 | (190) |
| Exercised during the period/ year | <u>HKD1.90</u> | <u>(742)</u> | <u>HKD1.90</u> | <u>—</u> |
| Granted and outstanding at the end of the period/ year | <u>HKD1.90</u> | <u>9,053</u> | <u>HKD1.90</u> | <u>9,810</u> |
| Exercisable at the end of the period/ year | <u>HKD1.90</u> | <u>4,258</u> | <u>HKD1.90</u> | <u>5,000</u> |

Notes: The options outstanding at 30 June 2015 had an exercise price of HKD1.90 and a weighted average remaining contractual life of 8.36 years.

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

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

Fair value of share options and assumptions

| | |
|--|-----------------|
| Date granted | 6 November 2013 |
| Expiry date | 5 November 2023 |
| Fair value (weighted average) per share option at measurement date | HKD1.60 |
| Share price | HKD2.68 |
| Exercise price | HKD1.90 |
| Expected volatility rate | 64.861% |
| Option life | 10 years |
| Expected dividends | 0% |
| Risk-free interest rate (based on Exchange Fund Notes) | 1.874% |

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

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

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

20 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 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2014 | 5,598 | (6,223) | 3,358 | 154 | (356) | (9,060) | (273) | (399) | (7,201) |
| (Charged)/credit to profit or loss | <u>(2,205)</u> | <u>1,595</u> | <u>727</u> | <u>515</u> | <u>(1,124)</u> | <u>1,806</u> | <u>(45)</u> | <u>149</u> | <u>1,418</u> |
| At 31 December 2014 and 1 January 2015 | 3,393 | (4,628) | 4,085 | 669 | (1,480) | (7,254) | (318) | (250) | (5,783) |
| (Charged)/credit to profit or loss | <u>(806)</u> | <u>2,382</u> | <u>1,870</u> | <u>(282)</u> | <u>(751)</u> | <u>—</u> | <u>99</u> | <u>44</u> | <u>2,556</u> |
| At 30 June 2015 | <u>2,587</u> | <u>(2,246)</u> | <u>5,955</u> | <u>387</u> | <u>(2,231)</u> | <u>(7,254)</u> | <u>(219)</u> | <u>(206)</u> | <u>(3,227)</u> |

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

| The Group | |
|--------------|------------------|
| At | At |
| 30 June 2015 | 31 December 2014 |
| RMB'000 | RMB'000 |
| (unaudited) | (audited) |

Net deferred tax liabilities recognised in the consolidated statement of financial position (3,227) (5,783)

(c) *Deferred tax assets not recognised*

The Group has not recognised deferred tax assets of RMB132,000 (2014: RMB617,000) in respect of cumulative tax losses of RMB791,000 (2014: RMB3,736,000) 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 2015, unused tax losses of Success Fund of RMB2,000, RMB2,000 (2014: RMB2,000) will expire by 31 December 2019, and 2020 (2014: 2019), respectively. The remaining unused tax losses were all from Success Finance and do not expire under current tax legislation.

(d) *Deferred tax liabilities not recognised*

At 30 June 2015, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB90,707,000 (2014: RMB80,264,000). Deferred tax liabilities of RMB9,071,000 (2014: RMB8,026,000) 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)).

21 **Liabilities from guarantees**

| | | The Group | |
|---------------------------------|-------------|--------------------|--------------------|
| | | At | At |
| | | 30 June | 31 December |
| | <i>Note</i> | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(unaudited)</i> | <i>(audited)</i> |
| Current liabilities | | | |
| - Deferred income | | 9,290 | 12,724 |
| - Provision of guarantee losses | (a) | <u>5,214</u> | <u>7,008</u> |
| | | 14,504 | 19,732 |
| Non-current liabilities | | | |
| - Deferred income | | <u>1,056</u> | <u>1,897</u> |
| | | <u>15,560</u> | <u>21,629</u> |

(a) *Provision of guarantee losses*

| | | The Group | |
|---------------------------------------|-------------|--------------------|--------------------|
| | | At | At |
| | | 30 June | 31 December |
| | <i>Note</i> | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(unaudited)</i> | <i>(audited)</i> |
| At the beginning of the year / period | | 7,008 | 7,107 |
| Written back for the year / period | 5(a) | <u>(1,794)</u> | <u>(99)</u> |
| At the end of the year / period | | <u>5,214</u> | <u>7,008</u> |

22 Capital, reserves and dividends

(a) Dividends

The company declared a final dividend of HKD 0.02 per ordinary share at 21 April 2015. There were a total of 414,044,000 ordinary shares outstanding at the date of announcement, giving a total final dividend amount of HKD 8,281,000. On 30 June 2015, an amount of HKD2,294,000 was paid, leaving dividend payable to be HKD5,987,000, or RMB4,721,000 as at 30 June 2015 (2014: Nil).

(b) Share capital

(i) Authorised and issued share capital

| | Note | At 30 June 2015 | | | At 31 December 2014 | | |
|--|-------|-----------------|---------------|---------------|---------------------|---------------|---------------|
| | | No. of shares | Share capital | Share capital | No. of shares | Share capital | Share capital |
| | | '000 | HKD'000 | RMB'000 | '000 | HKD'000 | RMB'000 |
| Authorised: | | | | | | | |
| Ordinary shares of HKD0.01 each | | 800,000 | 8,000 | 6,512 | 800,000 | 8,000 | 6,512 |
| Ordinary shares, issued and fully paid: | | | | | | | |
| At 1 January | | 414,044 | 4,140 | 3,276 | 414,044 | 4,140 | 3,276 |
| Issuance of shares by share offering | (ii) | 60,000 | 600 | 473 | — | — | — |
| Shares issued under share option scheme | (iii) | 742 | 7 | 6 | — | — | — |
| At 30 June 2015 | | <u>474,786</u> | <u>4,747</u> | <u>3,755</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 15 June 2015, the Company issued 60,000,000 additional ordinary shares of HKD0.01 each at the placing price of HKD2.68 per share. After offsetting the placing cost of HKD1,596,000, net proceeds from the share placing amounted to HKD159,204,000 (RMB125,216,000 equivalently), out of which HKD600,000 (RMB473,000 equivalently) and HKD158,604,000 (RMB124,743,000 equivalently) were recorded in share capital and share premium, respectively.

(iii) Shares issued under share option scheme

742,000 units of share option were exercised during the six months ended 30 June 2015 at the exercise price of HKD1.90. Further details of these options are set out in Note 19 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.

The increasing of the share premium is due to the issuing addition shares and the exercise of share option.

(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. The fluctuation of the capital reserve is due to the expense recognized and the release for the share option exercising.

(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 on 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant

government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the detail implementation guidance No. 149 issued by the People's Government of Guangdong Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guangdong Province.

(g) ***Exchange reserve***

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(h) ***Reserves available for distribution***

As at 30 June 2015, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB341,127,000 (31 December 2014: RMB220,885,000). Details of dividends payable to equity shareholders of the Company refer to note (a).

(i) ***Capital management***

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

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

During the period ended 30 June 2015, there were no changes in the Group's approach to capital management from 2014.

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 2015 and 31 December 2014, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee are as follows:

| | <i>Note</i> | The Group | |
|---|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Outstanding guarantees | | 905,619 | 1,166,842 |
| Net assets of Success Guarantee | (i) | 434,873 | 425,230 |
| Registered / paid-in capital of Success Guarantee | (i) | <u>330,000</u> | <u>330,000</u> |
| Multiples of | | | |
| - net assets | | <u>2.08</u> | <u>2.74</u> |
| - paid-in capital | | <u>2.74</u> | <u>3.54</u> |

(i) The amounts of net assets and registered/paid-in capital as at 31 December 2014 and as at 30 June 2015 are extracted from the unaudited PRC management accounts of Success Guarantee.

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

23 Fair value measurement of financial instruments

(a) *Financial assets and liabilities measured at fair value*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

| | Fair value measurements as at 30 June 2015 categorised into | | | Fair value measurements as at 31 December 2014 categorised into | | | | |
|---|--|---------|---------|--|--------------------------------------|---------|---------|---------|
| | Fair value at 30 June 2015 | Level 1 | Level 2 | Level 3 | Fair value at 31 December 2014 | Level 1 | Level 2 | Level 3 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Assets: | | | | | | | | |
| Unlisted available-for-sale financial assets | | | | | | | | |
| - Wealth management products | 2,900 | — | 2,900 | — | — | — | — | — |
| - Structured deposits | 16,000 | — | 16,000 | — | — | — | — | — |

During the six months ended 30 June 2015, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3 (2014: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The description of valuation techniques and inputs for the fair value measurements are set out in note 23(c).

(b) *Fair value of financial assets and liabilities carried at other than financial 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 2015 and at 31 December 2014. 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 23(c).

(c) *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 1.74% to 3.21% as at 30 June 2015 (30 June 2014: 3.72% to 4.00%).

(iv) *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of wealth management products issued by the bank and structured deposits are determined base on the valuation results provided by its issuer, which are determined based on a valuation technique for which all significant inputs are observable market data. The valuation techniques include forward pricing and swap models, using present value calculations.

24 Commitments

(a) *Operating leases commitments*

As at 30 June 2015 and 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | The Group | |
|------------------------------------|---|---|
| | At 30 June 2015 RMB'000 (unaudited) | At 31 December 2014 RMB'000 (audited) |
| Within 1 year | 4,053 | 3,784 |
| After 1 year but less than 5 years | 8,791 | 6,656 |
| More than 5 years | <u>7,353</u> | <u>10,038</u> |
| Total | <u>20,197</u> | <u>20,478</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.

25 Guarantees issued

As at 30 June 2015 and 31 December 2014, the total maximum guarantees issued are as follows:

| | <i>Note</i> | The Group | |
|----------------------------------|-------------|--------------------------------------|------------------------------------|
| | | At 30 June 2015 | At 31 December 2014 |
| | | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> <i>(audited)</i> |
| Financial guarantees | (i) | 725,542 | 1,024,209 |
| Litigation guarantees | | 140,585 | 145,614 |
| Performance guarantees | | <u>84,868</u> | <u>107,014</u> |
| Gross guarantee amount | | 950,995 | 1,276,837 |
| Proportional re-guarantee amount | 3(a) | <u>(45,376)</u> | <u>(109,995)</u> |
| Total maximum guarantees issued | (ii) | <u>905,619</u> | <u>1,166,842</u> |

- (i) 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.

The guarantees provided by the Group through Jiayou Network as at 30 June 2015 were RMB 108,230,000 (31 December 2014: RMB154,000,000). Guarantee fee income received from the customers for guarantee services provided through Jiayou Network during period ended 2015 and 2014 were RMB2,575,000 and RMB649,000, respectively.

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

26 Material related party transactions

(a) *Name and relationship with related parties*

During the relevant periods, transactions with the following parties are considered as related parties:

| Name of related party | Relationship |
|---|---|
| Mr. Zhang Tiewei | A substantial shareholder, chairman and executive director |
| Mr. Chen Hui | Executive director |
| Mr. Li Bin | 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. Tsang Hung Kei | Independence non-executive directors |
| Mr. Au Tien Chee Arthur | Independence non-executive directors |
| Mr. Xu Yan | Independence non-executive directors |
| 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 |
| Guangdong Jiayou Network Technology Co., Ltd.* ("Jiayou Network") (廣東嘉友網絡科技有限公司) | 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:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Salaries allowances and other benefits | 2,571 | 799 |
| Contributions to defined contribution retirement plan | 76 | 89 |
| Equity compensation benefits | <u>374</u> | <u>2,144</u> |
| | <u><u>3,021</u></u> | <u><u>3,032</u></u> |

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

(c) *Related parties transactions*

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------|--------------------|
| | | 2015 | 2014 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| | | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Guarantee fee income from Shunde Jiayou (佛山市順德嘉友天旨投資有限公司) | | — | 11 |
| Service fee paid to Jiayou Network | 3(b) | <u>36</u> | <u>—</u> |
| | | <u><u>36</u></u> | <u><u>11</u></u> |

(d) *Guarantees provided to related parties*

During the relevant periods, the Group did not issue guarantees to entities owned by the substantial shareholders.

(e) *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:

| | Six months ended 30 June | |
|----------------|---------------------------------|----------------|
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Success Credit | — | 4,144 |

(f) *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*

| | The Group | |
|----------------|--------------------|--------------------|
| | At | At |
| | 30 June | 31 December |
| | 2015 | 2014 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>(unaudited)</i> | <i>(audited)</i> |
| Foshan Finance | 6,107 | 6,107 |
| Success Credit | (a) <u>2,730</u> | <u>2,730</u> |
| Total | <u>8,837</u> | <u>8,837</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 RMB2,730,000.

(b) 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 2015, PRC's GDP grew by 7.0% on a year-on-year basis, which is a new low in recent years. The continual slowdown in the macro-economy posted challenges to the general market environment. Leveraging its established competitive advantages over the years, the Group has actively faced the challenges and opportunities and overcome the difficulties in its operation, and achieved steady development in its overall businesses.

During the reporting period, the Group recorded total revenue of approximately RMB 42.0 million, representing an increase of 42.9% compared to the corresponding period of last year. The percentage of the revenue from the financial leasing business and financial consultancy service to the total revenue increased dramatically, reflecting the remarkable results of structural adjustments.

Four major core businesses

Financial guarantee business

As at 30 June 2015, the total maximum financial guarantees issued were approximately RMB725.5 million (six-month period ended 30 June 2014: approximately RMB1,315.2 million). For the six months period ended 30 June 2015, revenue from financial guarantee was approximately RMB12.6 million, which accounted for 30.0% of the Group's total revenue, representing a decrease of approximately 37.0% when compared with approximately RMB20.0 million for the six-month period ended 30 June 2014.

During the whole year of 2014, a surge in closures of guarantee companies emerged in PRC's guarantee industry. Success Finance Guarantee (集成融資擔保), due to its effective risk warning and management mechanism, survived the market crash and stood out as one of the top ten regional guarantee companies. This year, Success Finance Guarantee (集成融資擔保) entered into a critical period of business transformation, introduced strategic business partners to its business, actively expanded market areas, successfully developed new products, and created new business growth points.

During the reporting period, Success Finance Guarantee (集成融資擔保) launched the "fixed investment bonds (定投債)" products jointly with Guangdong Financing Re-Guarantee Company Limited and Guangzhou Financial Assets Exchange. The product features provision of guarantees to bondholders by Success Guarantee

(集成擔保), provision of credit enhancements by Guangdong Financing Re-Guarantee Company Limited, and issuance of bonds to raise funds by Guangzhou Financial Assets Exchange. The product not only broadened financing channels for enterprises, but also represented a new way of access to financing.

Non-financial guarantee business

As of six-month period ended 30 June 2015, outstanding balance of non-financial guarantee was approximately RMB225.5 million (six-month period ended 30 June 2014: approximately RMB223.4 million). For the six-month period ended 30 June 2015, revenue from non-financial guarantee was approximately RMB0.9 million, which accounted for 2.1% of the Group's total revenue, representing a decrease of 52.6% when compared with approximately RMB1.9 million for the six-month period ended 30 June 2014.

Non-financial guarantee business of the Group mainly involved the provision of litigation guarantee and performance guarantee.

(1) Litigation guarantee business

For the six-month period ended 30 June 2015, revenue from litigation guarantee was approximately RMB0.6 million (for the six months period ended 30 June 2014: approximately RMB1.4 million).

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

(2) Performance guarantee business

For the six-month period ended 30 June 2015, revenue from performance guarantee was approximately RMB0.3 million (six-month period ended 30 June 2014: approximately RMB0.5 million).

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 counterparties.

Financial consultancy service

For the six-month period ended 30 June 2015, the revenue from financial consultancy service amounted to approximately RMB17.0 million, representing an increase of 269.6% as compared to approximately RMB4.6 million for the six-month period ended 30 June 2014 and accounting for 40.5% of the Group's total revenue.

The Group's financial consultancy team is equipped with professional and extensive industry knowledge, able to provide rich and flexible financial products and supported by a variety of market resources. The team also provides customers with professional intelligence enhancement and credit enhancement services such as management consulting, product design and liquidity management to fulfill the needs of customers in respect of investment and financing, asset management mergers and acquisition and enterprise diagnosis. We are confident that, with the gradual refinement of the industry chain of the Group's integrated financial services, the Group will further increase its revenue from asset-light business in the future and expand the scale of intermediate business, as a result of which financial consultancy service will become a powerful tool contributing to the increase in revenue of the Group as a whole and enhance the Group's customer loyalty.

Financial leasing business

For the six months ended 30 June 2015, revenue from financial leasing was approximately RMB10.2 million, approximately 24.3% of the Group's total revenue in the first half of 2015.

Success Financial Leasing further consolidates the financial business base of Success Finance, improves its financial business chain and enhances its financial service and innovation ability. Success Financial Leasing has formally commenced independent operation since July 2014. Following its outstanding performance in the second half of 2014, Success Financial Leasing kept up the growth momentum and accelerated the pace of development. As a result, it achieved important progress in business positioning, scale expansion and product innovation. It also conducted special business expansion targeting to the customers in the home furnishing industry, the elevator industry, the construction industry and the road construction industry. While constantly improving its business management and procedures, Success Financial Leasing successfully established its Guangzhou Branch, which has provided a new base for conducting cross-regional business.

During the reporting period, Success Financial Leasing and domestic Internet financial platform jointly launched “Leasing Usufruct (租賃收益權)” product to sell leasing assets to customers who have investment demands through the platform. The product helps Success Financial Leasing optimize resource allocation and diversify risks reasonably. Over one year after its establishment, Success Financial Leasing was well-established in the Group’s debt business line and became a new growth point of the Group.

PLACING OF NEW SHARES UNDER GENERAL MANDATE (THE “PLACING”)

On 2 June 2015, the Company and Ping An Securities Limited (the “**Placing Agent**”) entered into a placing agreement whereby the Company agreed to place through the Placing Agent, on a best effort basis, to not less than six placees, who are institutional, professional and/or private investors and whose ultimate beneficial owners are independent and not connected with any directors, chief executive or substantial shareholder (if any) of the Company or its subsidiaries and their respective associates, 60,000,000 new shares of the Company (the “**Share(s)**”) at the placing price of HK\$2.68 per Share under the Placing. On 15 June 2015, the completion of the Placing took place.

The aggregate maximum net proceeds from the Placing are approximately HK\$158,712,000, which will be used as general working capital of the Group and for development of the existing and future projects of the Group. The Placing represents a good opportunity to raise additional capital and strengthen the cash flow for the Company as well as broadening the shareholder base and capital base of the Company.

For details of the Placing, please refer to the announcement in respect of the Placing dated 3 June 2015, the clarification announcement in respect of the Placing dated 3 June 2015 and the announcement in respect of the completion of the Placing dated 15 June 2015, published by the Company, respectively.

SOCIAL ENTERPRISE

While serving the local economic development, Success Finance is also extensively engaged in social welfare activities and actively performs its social responsibilities, thereby building a good social image. Every year, Success Charity Foundation (集成愛心基金), voluntarily established by shareholders and employees of the Company, gives help and support to employees in need within the Company, provides timely support and assistance to families of employees who have suffered serious illnesses or accidental injury, and goes through difficult times with the employees and their families.

On 5 March 2015, Success Finance joined “Foshan Charity Alliance (佛山公益慈善聯盟)” sponsored by the Foshan Charity (佛山市慈善會), and was to donate RMB100,000 to Foshan Fukang Social Center (佛山福康社工中心) for provision of financial assistance to “Love Brightens Women’s Flowers (愛亮女人花), a cross-border service project for Foshan’s female cancer patients. Based in Nanhai Maternity and Child Healthcare Hospital (佛山市婦幼保健院), the project also targets at all female cancer patients in need in Foshan’s municipal hospitals, providing them with rehabilitation and care services in all aspects including the body, the mind as well as the social and spiritual aspects.

Success Finance continuously pays attention to education and talent development, and actively explores the possibility of school-enterprise cooperation. It reached consensus on the intention to cooperate with Guangdong University of Finance (廣東金融學院) in June 2015, and has planned to establish special scholarships with a total amount of RMB 1,000,000 and select outstanding students for joint school-enterprise training.

FINANCIAL REVIEW

REVENUE

For the six-month period ended 30 June 2015, the Group’s revenue was approximately RMB42.0 million (six-month period ended 30 June 2014: approximately RMB29.4 million), representing an increase of approximately 42.9%. Detailed analysis of revenue is as follows:

1. Financial guarantee services

Revenue from the Group’s financial guarantee services was mainly generated from the service fees charged for our financial guarantee service. For the six-month period ended 30 June 2015, the Group’s revenue generated from financial guarantee services was approximately RMB12.6 million (six-month period ended 30 June 2014: approximately RMB20.0 million), representing a decrease of approximately 37.0% and accounting for approximately 30.0% (six-month period ended 30 June 2014: approximately 68.0%) of the Group’s total revenue.

In 2015, as the PRC macroeconomics is still subject to adjustments, the credit scale was restricted and the financial guarantee services industry experienced an overall downturn. However, the Group maintained the industry-leading position in terms of financial guarantee services and continued to maintain a stable guarantee maturity structure under the tightening regime of risk control.

2. Non-financial guarantee services

Revenue from the Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the six-month period ended 30 June 2015, the Group's revenue generated from non-financial guarantee services decreased 52.6% to approximately RMB0.9 million (six-month period ended 30 June 2014: approximately RMB1.9 million), accounting for approximately 2.1% (six-month period ended 30 June 2014: approximately 6.5%) of the Group's total revenue in the first half-year of 2015, respectively.

3. Financial consultancy services

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the six-month period ended 30 June 2015, the Group's revenue generated from financial consultancy services was approximately RMB17.0 million (six-month period ended 30 June 2014: approximately RMB4.6 million), representing approximately 40.5% of the Group's total revenue for the first half of 2015 (six-month period ended 30 June 2014: approximately 15.6%), respectively. The financial consultancy service business is a new revenue growth point for the Group, and is also a business model which the Group will devote great efforts and focus to develop in future. This business segment is closely related to factors such as financing channels of the financial market and financing costs. The Board believes its expansion will enhance the Group's influence in the financial market.

4. 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 30 June 2015, revenue from the Group's financial leasing was approximately RMB10.2 million, representing approximately 24.3 % of the Group's total revenue in the first half of 2015. The financial leasing service business is another business model which has grown rapidly since the second half of 2014 and contributed significant revenue for the Group.

Other revenue

The Group's other revenue was comprised of government grants and interest income. For the half-years ended 30 June 2014 and 2015, the Group's other revenue was

approximately RMB4.1 million and RMB3.2 million, respectively, representing a decrease of approximately 22.0%. It was mainly attributable to the decrease in our interest income by approximately 33.3% from approximately RMB3.9 million for the six-month period ended 30 June 2014 to approximately RMB2.6 million for the six-month period ended 30, June 2015, due to the decrease 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 it is likely that the customers or other parties are in financial difficulties and the recoverability is considered to be remote. In the event of any impairment and provision made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered.

Operating expenses

For the six-month period ended 30 June 2015, the Group's operating expenses was approximately RMB18.2 million (six-month period ended 30 June 2014: approximately RMB18.9 million), accounting for approximately 43.3% (six-month period ended 30 June 2014: approximately 64.3%) of the Group's revenue.

Share of profit of an associate

The share of profits of an associate amounted to approximately RMB3.0 million for the six-month period ended 30 June 2015, representing a decrease of approximately RMB0.2 million from approximately RMB3.2 million for six-month period ended 30 June 2014, the decrease in the share of profits of an associate was in our acceptable range.

Profit before taxation

As the total revenue of the Group has significantly increased and the profit before tax increase by approximately RMB8.1 million, or approximately 61.8%, from approximately RMB13.1 million for the six-month period ended 30 June 2014 to approximately RMB21.2 million for the six-month period ended 30 June 2015 (refer to Note 5 to the financial statement on pages 8 to 9 of this announcement).

Income tax

For the six months ended 30 June 2015, the Group's income tax amounted to approximately RMB5.2 million, representing a decrease of approximately 16.1% to approximately RMB6.2 million in the corresponding period of 2014.

Trade and other receivables - Payments on behalf of customers

Payments on behalf of customers mainly represents default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of our customers. The Group will then subsequently request repayment from our customers or take procession of the counter-guarantee assets provided by such customers to recover the outstanding balance. Payments on behalf of customers were interest bearing and the Group holds certain collaterals over certain customers. The net book value of payments on behalf of customers increased from approximately RMB44.6 million as at 31 December 2014 to approximately RMB109.8 million as at 30 June 2015.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to more effectively utilize the Group's financial resources for obtaining a better return for the shareholders, it had been the 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 2015, the current pledged bank deposits amounted to approximately RMB46.6 million (31 December 2014: approximately RMB53.1 million), representing an decrease of approximately RMB6.5 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB248.4 million (31 December 2014: approximately RMB257.7 million), representing a decrease of approximately RMB9.3 million, as compared to the end of last year.

Interest Rate Risk Foreign Exchange Risk and charges on group asset

As at 30 June 2015, the Group had no borrowings and charges on group asset. The Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the six-month period ended 30 June 2015 were principally conducted in RMB, while most of the 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 the Group's result. Although foreign currency exposure does not pose significant risk on the Group and currently, the Group do not have hedging measures against such exchange risks, we will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Current ratio

The Group's current ratio increased from approximately 1,234.5% as at 31 December 2014 to approximately 1,491.2% as at 30 June 2015, which was mainly attributable to the increase in current assets as a result of the increase in trade and other receivables as well as the decrease in current liabilities due to the decrease in liabilities from guarantees.

Gearing ratio

The Group's gearing ratio decreased from 6.1% as at 31 December 2014 to approximately 4.5% as at 30 June 2015, which was mainly attributable to increased accumulated equity and the decrease in liabilities.

HUMAN RESOURCES AND REMUNERATION POLICIES

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

As at 30 June 2015, the Group has 67 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonus, contributions to social insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB8.3 million for the six months ended 30 June 2015.

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

PROSPECTS AND OUTLOOK

Strategic upgrade in line with market trend

The financial deregulation, the tendency of financial market steering towards diversification, mobile Internet, big data together with other emerging technologies have provided a foothold for our strategies. The implementation of strategic upgrade will keep the Group in line with the market trend and the ever-changing financial environment.

Strategic upgrade I: “Success +” platform strategy to realize brand output

Leveraging its good reputation in the industry, increasingly matured management model and increasingly improved risk control system, the Group will accelerate its “Success +” strategy where, with Success Guarantee as the pioneer, the Group will output its model and philosophy through drawing on leading entities in the industry in different regions to rapidly expand its scale, expand its market share and improve its operating efficiency for a rapid layout in the whole country.

Strategic upgrade II: “Internet +” product strategy to realize business model of multi-financial instruments

Adhering to the development of the financial industry, the Group will actively seek cooperation with all parties and strive to obtain related licenses for emerging financial products such as crowd-funding and Internet financing. In future, the Group will build a full industry chain for integrated financial services covering various business types and product models, including but not limited to small-scale loans, guarantees, financial leasing, factoring, asset management, peer-to-peer, private equity funds, exchanges, convertible bonds, direct investment and crowd-funding to realize the inter-connection from debt end to equity end. Deploying the Internet and other sophisticated data processing techniques, the Group will fully connect with funding providers and assets providers to form an integration-centric and inclusive financial services platform with growth potential and high values.

Strategic upgrade III: “Focus on wealth” funding strategy to realize a self-organized financial ecosystem

The Group will continue to focus on wealth and explore models of cooperation with trusts, securities, futures, funds and banks for enlarged leverage and rapid expansion of funding channels. Internally, the Group will gradually enrich marketing channels, achieve rational allocation of resources, establish a competitive customer-manager management mechanism, and instill the development strategies into all members of the Group.

Regarding business models, the Group intends that guarantee will be mainly in the form of credit enhancement in professional field, and will maintain the strong development momentum of financial leasing while excelling in professional financial consultancy to realize organic growth upgrade of traditional businesses. For new businesses, we will strive to expand the two major businesses of debt and equity and cohere major energy to build a financial ecosystem focusing on specific market tiers.

Strategic upgrade IV: “Product + channels” funding strategy to realize strategic cooperation with banks and other parties and channels

The Group will strengthen cooperation with major banks at group level in future, striving to reach long-term strategic cooperation with banks or fund providers with the Group’s iconic products as the core of cooperation. Through the strong resources integration ability and professional financing services of our own platform, the Group will develop the financing market of small and medium enterprises (“SMEs”) and work with major banks to achieve maximum value of product financing and supply chain financing, so as to meet the financing needs of more SMEs.

Looking ahead, the Group will continue to nurture customer network and maintain customer loyalty by way of including but not limited to mergers and acquisitions, introduction of strategic investors and establishment of operating companies to accelerate the process of strategic cooperation, so as to achieve sharing of risks and revenues.

Strategic upgrade V: “Business partnership” talent strategy to realize common growth with elite talents

In respect of the management, the Company has explored the possibility of establishing a common growth mechanism with elite talents. The Company intends to implement a series of policies to provide appropriate motivations including the introduction of business partnership for the management on elite talents and to establish a close relationship of “sharing value, risks and profits” between the elite talents and the Group, so that our team can be motivated to realize their own values and the rapid growth of the Group’s business can be promoted.

OTHER INFORMATION

Dividends

The Board has resolved not to declare an interim dividend by the Company for the six-month period ended 30 June 2015.

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 (“**Listing Proceeds**”).

Pursuant to the announcement of the Company dated 24 March 2015, the Board has decided to change the intended use of the unutilised Listing Proceeds. For further information, please refer to the announcement dated 24 March 2015.

Net proceeds from the Listing

(HK\$ million)

| | Available to utilise | Utilised as at 30 June 2015 | Unutilised as at 30 June 2015 |
|---|-------------------------|-----------------------------------|-------------------------------------|
| Use to increase our net asset value, registered capital and/or paid up capital of other Group’s companies or entities | 34.5 | 31.7 | 2.8 |
| Use for working capital of the Group | 7.5 | 7.2 | 0.3 |
| Total | 42.0 | 38.9 | 3.1 |

The balance of net proceeds have been deposited on short term basis in licensed financial institutes in Hong Kong and PRC 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 June 2015. 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.

The Group has made specific enquiry to all Directors and each Director has confirmed that he has complied with the standard set out in the Model Code for the six months ended 30 June 2015.

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 2015 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 2015, 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 2015 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) and the designated website of the Stock Exchange (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, 31 August 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.