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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 2016

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		Change In
	2016 (RMB'000)	2015 (RMB'000)	
REVENUE	<b>54,564</b>	40,671	34.2%
OTHER REVENUE	<b>1,317</b>	3,196	-58.8%
PROFIT BEFORE TAXATION	<b>18,701</b>	21,188	-11.7%
PROFIT FOR THE PERIOD	<b>13,072</b>	16,027	-18.4%
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>13,974</b>	16,602	-15.8%
EARNING PER SHARE (RMB PER SHARE)	<b>0.03</b>	0.04	-25.0%
	<b>AS AT 30 JUNE 2016</b>	<b>AS AT 31 DECEMBER 2015</b>	
TOTAL ASSETS	<b>888,528</b>	878,939	1.1%
TOTAL EQUITY	<b>849,732</b>	842,827	0.8%

### 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 2016 together with comparative figures for the corresponding period in 2015. The interim financial information for the six months ended 30 June 2016 has not been audited, but has been reviewed by the audit committee (the “**Audit Committee**”) of the Company and the external auditor.

**Consolidated statement of profit or loss for the six months ended 30 June 2016**  
**— unaudited**

*(Expressed in Renminbi)*

		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Guarantee income		6,418	13,473
Less:re-guarantee fee		<u>(260)</u>	<u>(1,469)</u>
<b>Net guarantee fee income</b>		<u>6,158</u>	<u>12,004</u>
Interest income		39,069	10,179
Less:interest expenses		<u>—</u>	<u>(374)</u>
<b>Net interest income</b>		<u>39,069</u>	<u>9,805</u>
Service fee from consulting services		<u>9,077</u>	<u>17,019</u>
Revenue	3	54,304	38,828
Other revenue	4	1,317	3,196
Impairment and provision charged	5(a)	(10,718)	(5,687)
Operating expenses		(24,255)	(18,152)
Share of (losses)/profits of associates	10	<u>(1,947)</u>	<u>3,003</u>
Profit before taxation	5	18,701	21,188
Income tax	6(a)	<u>(5,629)</u>	<u>(5,161)</u>
Profit for the period		<u>13,072</u>	<u>16,027</u>
Attributable to:			
Equity shareholders of the Company		12,787	15,890
Non-controlling interests		<u>285</u>	<u>137</u>
Profit for the period		<u>13,072</u>	<u>16,027</u>
Earnings per share (RMB per share)			
Basic	7	<u>0.03</u>	<u>0.04</u>
Diluted	7	<u>0.03</u>	<u>0.04</u>

**Consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016 — unaudited**

*(Expressed in Renminbi)*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the period</b>	13,072	16,027
<b>Other comprehensive income for the period that may be reclassified subsequently to profit or loss (after tax: Nil)</b>		
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")	<u>902</u>	<u>575</u>
<b>Total comprehensive income for the period</b>	<u><u>13,974</u></u>	<u><u>16,602</u></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	13,689	16,465
Non-controlling interests	<u>285</u>	<u>137</u>
<b>Total comprehensive income for the period</b>	<u><u>13,974</u></u>	<u><u>16,602</u></u>

**Consolidated statement of financial position at 30 June 2016 - unaudited**

*(Expressed in Renminbi)*

	<i>Note</i>	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
<b>Non-current assets</b>			
Equipment	8	2,204	2,308
Intangible assets		31	23
Interest in associates	10	102,964	101,712
Other non-current assets	11	39,190	89,258
Pledged bank deposits	12	39,260	112,075
Deferred tax assets	19	<u>993</u>	<u>1,488</u>
		184,642	306,864
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<b>Current assets</b>			
Pledged bank deposits	12	108,180	23,899
Trade and other receivables	13	539,815	365,468
Cash and bank deposits	14	<u>55,891</u>	<u>182,708</u>
		703,886	572,075
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<b>Current liabilities</b>			
Receipts in advance	15	2,542	2,671
Accruals and other payables	16	17,393	12,052
Customer pledged deposits received	17	67	72
Current tax liabilities		8,498	5,708
Liabilities from guarantees	20	<u>6,637</u>	<u>8,891</u>
		35,137	29,394
		-----	-----
<b>Net current assets</b>		<u>668,749</u>	<u>542,681</u>
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<b>Total assets less current liabilities</b>		853,391	849,545
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	<i>Note</i>	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
<b>Non-current liabilities</b>			
Liabilities from guarantees	20	1,532	779
Deferred tax liabilities	19	<u>2,127</u>	<u>5,939</u>
		<u>3,659</u>	<u>6,718</u>
<b>NET ASSETS</b>		<u><u>849,732</u></u>	<u><u>842,827</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	21(b)	3,756	3,755
Reserves	21	<u>841,524</u>	<u>834,905</u>
<b>Total equity attributable to equity shareholders of the Company</b>		845,280	838,660
<b>Non-controlling interests</b>		<u>4,452</u>	<u>4,167</u>
<b>TOTAL EQUITY</b>		<u><u>849,732</u></u>	<u><u>842,827</u></u>

## Notes

*(Expressed in Renminbi unless otherwise indicated)*

### 1 Basis of preparation

This interim financial information 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 2016.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information 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 information comprises the Company and its subsidiaries (together referred to as the “Group”). This interim financial information 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 2015 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 information 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 2015 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS1, Presentation of financial statements: Disclosure initiative

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>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Guarantee fee income</b>			
Income from financial guarantees		5,929	12,567
Income from performance guarantees		362	269
Income from litigation guarantees		127	637
Less:re-guarantee fee		<u>(260)</u>	<u>(1,469)</u>
<b>Net guarantee fee income</b>		<u>6,158</u>	<u>12,004</u>
<b>Interest income</b>			
Interest income from payments on behalf of customers	(a)	25,472	—
Interest income from finance leasing		8,753	10,179
Interest income from down payments for investments		2,913	—
Interest income from factoring		1,931	—
Less:interest expenses		<u>—</u>	<u>(374)</u>
<b>Net interest income</b>		<u>39,069</u>	<u>9,805</u>
Service fee from consulting services		<u>9,077</u>	<u>17,019</u>
<b>Total</b>		<u><u>54,304</u></u>	<u><u>38,828</u></u>

During the six months ended 30 June 2016, the percentage of the Group's largest single customer's revenue was 43.6% of the Group's revenue (six months ended 30 June 2015: 21.06%); while the percentage of the Group's top 5 customers' revenue was 75.49% (six months ended 30 June 2015: 48.78%).

- (a) Pursuant to the agreements signed by the Group and default guarantee customers, an aggregate interest income amounted to RMB25,472,000 was charged as interests of payments on behalf of guarantee customers. On 17 August 2016, the Group received the interests.

#### 4 Other revenue

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income from bank deposits		1,312	2,642
Government grants	(a)	—	554
Others		<u>5</u>	<u>—</u>
Total		<u><u>1,317</u></u>	<u><u>3,196</u></u>

- (a) Guangdong Success Finance Guarantee Company Limited (“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 2016, none (six months ended 30 June 2015: RMB554,000) 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>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Provision written back for guarantees issued	20	(923)	(1,794)
Impairment provision charged for			
- other non-current assets	11	8	347
- payments on behalf of customers	13(b)(ii)	11,278	7,134
- trade debtors from factoring services	13(b)(i)	<u>355</u>	<u>—</u>
Total		<u><u>10,718</u></u>	<u><u>5,687</u></u>

- (b) *Staff costs*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits		9,636	6,772
Contributions to defined contribution retirement plan		476	338
Equity-settled share-based payment expenses	18	<u>939</u>	<u>1,147</u>
Total		<u><u>11,051</u></u>	<u><u>8,257</u></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 or other post-retirement benefits of employees other than the contributions described above.

(c) *Other items*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation	326	319
Operating lease charges in respect of leasing of properties	3,790	2,709
Auditors’ remuneration	698	700
Net foreign exchange loss	<u>469</u>	<u>63</u>

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

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the period	8,946	7,717
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(3,317)</u>	<u>(2,556)</u>
Total	<u>5,629</u>	<u>5,161</u>

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>18,701</u>	<u>21,188</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	6,327	5,450
Effect of using the deductible losses for which no deferred tax asset was recognised in prior years	(102)	—
Effect of non-deductible expenses	360	387
Over-provision in respect of prior years	<u>(956)</u>	<u>(676)</u>
Actual tax expense	<u>5,629</u>	<u>5,161</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 RMB148,868,000 as at 30 June 2016 (as at 31 December 2015: RMB113,418,000) 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 RMB12,787,000 (six months ended 30 June 2015: RMB15,890,000) and the weighted average of 474,915,000 ordinary shares (six months ended 30 June 2015: 419,364,000 shares).

(i) Weighted average number of ordinary shares

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Issued ordinary shares at 1 January	474,914	414,044
Effect of shares issued by share offering	—	5,304
Effect of shares issued by share option exercised	<u>1</u>	<u>16</u>
Weighted average number of ordinary shares at 30 June	<u>474,915</u>	<u>419,364</u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB12,787,000 (six months ended 30 June 2015: RMB15,890,000) and the weighted of 476,050,000 ordinary shares (six months ended 30 June 2015: 421,812,000), calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Weighted average number of ordinary shares at 30 June	474,915	419,364
Effect of deemed issue of shares under the Group's share option scheme (note 18)	<u>1,135</u>	<u>2,448</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>476,050</u>	<u>421,812</u>

8 **Equipment**

(a) *Acquisitions and disposals*

During the six months ended 30 June 2016, the Group acquired items of office equipment with a cost of RMB224,000 (six months ended 30 June 2015: RMB90,000). Items of office equipment with a net book value of RMB659 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

(b) *Impairment losses*

During the six months ended 30 June 2016, no impairment loss of equipment was recognized (six months ended 30 June 2015: nil).

## 9 Investment in subsidiaries

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

Name of company	Place and date of incorporation/ establishment	Fully paid up capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
<i>Double Chance Developments Limited</i> (“ <i>Double Chance</i> ”)	BVI 8 February 2012	1 share of USD1 each	100%	100%	—	Investment holding
<i>Yes Success Limited</i> (“ <i>Yes Success</i> ”)	BVI 3 June 2015	1 share of USD1 each	100%	100%	—	Investment holding
<i>China Success Capital Limited</i> (“ <i>Success Capital</i> ”)	BVI 29 June 2016	1 share of USD1 each	100%	100%	—	Investment holding
<i>China Success Finance Holdings Limited</i> (“ <i>Success Finance</i> ”)	Hong Kong 18 November 2011	10,000 shares of HKD1 each	100%	—	100%	Investment holding
<i>Guangdong Success Asset Management Company Limited</i> (“ <i>Success Asset</i> ”)	The PRC 23 June 2004	RMB125,270,000	99%	—	99%	Provision of asset management and financial consultancy services in the PRC
<i>Guangdong Success Finance Guarantee Company Limited</i> (“ <i>Success Guarantee</i> ”)	The PRC 26 December 1996	RMB330,000,000	99%	—	100%	Provision of financial guarantee services in the PRC
<i>Shenzhen Success Financial Leasing Company Limited</i> (“ <i>Success Financial Leasing</i> ”)	The PRC 6 June 2014	RMB172,351,800	100%	—	100%	Provision of financial leasing and factoring services in the PRC
<i>Shenzhen Success Equity Investment Fund Management Limited</i> (“ <i>Success Equity Fund</i> ”)	The PRC 6 September 2014	RMB15,000,000	100%	—	100%	Equity investment in the PRC
<i>Shenzhen Success Number One Equity Investment Fund</i> (“ <i>Success Fund</i> ”)	The PRC 14 January 2015	RMB129,000,000	100%	—	100%	Equity investment in the PRC
<i>Shenzhen Qianhai Success Housing Wealth Management Company Limited</i> (“ <i>Qianhai Housing</i> ”)	The PRC 8 July 2015	RMB41,000,000	100%	—	100%	Provision of real estate financial services in the PRC
<i>Foshan Success Financial Services Outsourcing Limited</i> (“ <i>Success Financial Services</i> ”)	The PRC 15 October 2015	RMB30,000,000	60%	—	60%	Provision of real estate financial services in the PRC

## 10 Interest in associates

The following list contains the particulars of the associates which are unlisted corporate entities whose quoted market price are not available:

Name of associates	Form of business structure	Place of incorporation and operation	Fully paid up capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by a subsidiary	
Foshan Chancheng Success Micro Credit Co., Ltd. 佛山市禪城集成小額貸款有限公司* (“Success Credit”)	Incorporated	The PRC	RMB250,000,000	27.01%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd. 廣州恒晟基金管理有限公司* (“Guangzhou Hengsheng”)	Incorporated	The PRC	RMB20,000,000	40% (Note 1)	40%	Equity fund management
Guangzhou Chenghuijin Investment Management Partnership 廣州成匯金投資管理合夥企業* (“Guangzhou Chenghuijin”)	Partnership	The PRC	RMB10,000,000	32%	32%	Investment management (Note 2)

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

Note 1 Together with the other two entities, Success Fund established Guangzhou Hengsheng on 23 November 2015. Success Fund had fully paid up its subscribed capital of RMB20,000,000, accounted for 40% of the total subscribed capital of three shareholders.

Note 2 Together with the other three partners, Success Fund as a general partner entered into a partnership agreement and established Guangzhou Chenghuijin on 1 February 2016. Investment in Guangzhou Chenghuijin enables the Group to have exposure to electronic commerce platform on bulk commodity.

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

- (a) Summarised financial information of Success Credit, as a material associate adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Gross amounts of the associate</i>		
Current assets	415,867	417,511
Non-current assets	43,445	42,433
Current liabilities	(180,070)	(175,927)
Equity	279,242	284,017
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	23,920	38,749
Expenses	(28,695)	(27,742)
Total comprehensive income	<u>(4,775)</u>	<u>11,007</u>
	<b>At 30 June</b>	<b>At 31 December</b>
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Reconciled to the Group's interests in the associate</i>		
Gross amounts of net assets of the associate	279,242	284,017
Group's effective interest	27.01%	27.01%
Group's share of net assets of the associate	75,415	76,705
Non-controlling interests in the net assets of the associate	762	775
Goodwill	<u>4,232</u>	<u>4,232</u>
Carrying amount in the consolidated financial statements	<u>80,409</u>	<u>81,712</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.

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 8 July 2014, Foshan Municipal People's Government Finance Bureau approved the transfer of 3.64% and 4.55% of the equity interests in Success Credit from Ms. Feng and Guangdong Xinmingzhu to Success Guarantee for a consideration of RMB9,507,500 and RMB11,884,400, respectively.

As at 30 June 2016 and 31 December 2015, the proportion of ownership interest in Success Credit held by Success Guarantee was 27.28%. Success Guarantee has significant influence in Success Credit by appointing 3 of 9 representatives in the board of directors.

(b) Aggregate information of associates that are not individually material

	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	22,555	20,000
	<b>At 30 June 2016</b>	<b>At 30 June 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate amounts of the Group's share of those associates		
Loss from operations	(645)	—
Other comprehensive income	—	—
Total comprehensive income	(645)	—

## 11 Other non-current assets

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June</b>	<b>At 31 December</b>
		<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to a related party	(a)	6,107	6,107
Deferred expenses		5,970	5,295
Prepayments and deposits		1,797	1,028
Mortgage assets		452	412
Others		250	570
Long-term receivables from finance leases	(b)	<u>171,714</u>	<u>171,060</u>
Sub-total		186,290	184,472
Less: long-term receivables from finance leases			
with maturity within one year	13	(145,063)	(93,185)
Less: impairment allowances	(b)(i)	<u>(2,037)</u>	<u>(2,029)</u>
Total		<u>39,190</u>	<u>89,258</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. 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, 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 prepayments of RMB6,107,000 will be fully refundable from Foshan Finance together with a default interest payment of 10% per annum.

In December 2015, Success Guarantee entered into a supplementary memorandum with Foshan Finance. Pursuant to the supplementary memorandum, Success Guarantee agreed to delay the expected date of the transfer of the premises, as the construction progress was delayed by the changes of municipal planning of Foshan in 2015. Success Guarantee reserved the rights of revoking the agreements as a result of Foshan Finance’s failure or further delay in the transfer of the premises, and the prepayments of RMB6,107,000 will be fully refundable from Foshan Finance together with a default interest payment of 10% per annum.



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

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

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

		<b>The Group</b>	
	<i>Note</i>	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
At 1 January		2,029	1,589
Charged	5(a)	<u>8</u>	<u>440</u>
At 30 June/31 December		<u><u>2,037</u></u>	<u><u>2,029</u></u>

(ii) An analysis of the above long-term receivables from finance leases is as follows:

	<b>The Group</b>	
	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Amounts due from lessees	183,928	187,047
Less: unearned finance income	<u>(12,214)</u>	<u>(15,987)</u>
Finance leases	<u><u>171,714</u></u>	<u><u>171,060</u></u>

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

	<b>The Group</b>			
	<b>30 June 2016</b>	<b>31 December 2015</b>		
	<b>Present</b>	<b>Present</b>		
	<b>value of the</b>	<b>Total</b>	<b>value of the</b>	<b>Total</b>
	<b>minimum</b>	<b>value of the</b>	<b>minimum</b>	<b>value of the</b>
	<b>lease</b>	<b>minimum</b>	<b>lease</b>	<b>minimum</b>
	<b>payments</b>	<b>lease</b>	<b>payments</b>	<b>lease</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	145,063	155,634	93,185	105,091
After 1 year but within 5 years	<u>26,651</u>	<u>28,294</u>	<u>77,875</u>	<u>81,956</u>
Total	171,714	183,928	171,060	187,047
Impairment allowances: collectively assessed	<u>(2,037)</u>	<u>(2,037)</u>	<u>(2,029)</u>	<u>(2,029)</u>
Net investment in finance leases receivable	<u>169,677</u>	<u>181,891</u>	<u>169,031</u>	<u>185,018</u>

## 12 Pledged bank deposits

	<b>The Group</b>	
	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current	39,260	112,075
Current	<u>108,180</u>	<u>23,899</u>
	<u>147,440</u>	<u>135,974</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

		<b>The Group</b>	
	<i>Note</i>	<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Payments on behalf of customers	(i)	246,567	177,925
Less: allowances for doubtful debts		<u>(24,075)</u>	<u>(12,797)</u>
		222,492	165,128
		-----	-----
Trade debtors from factoring services	(ii)	49,950	20,000
Less: allowances for factoring services		<u>(592)</u>	<u>(237)</u>
		49,358	19,763
		-----	-----
Trade debtors from consultancy services		3,461	3,427
Trade debtors from guarantees		64	42
Interest receivable from payments on behalf of customers	3(a)	27,000	—
Interest receivable from down payments for investments		3,000	—
Interest receivable from factoring		<u>256</u>	<u>125</u>
<b>Trade receivables</b>		<u>305,631</u>	<u>188,485</u>
		-----	-----
Long-term receivables from finance leases with maturity within one year	11	145,063	93,185
Amounts due from related parties	25(e)	2,730	2,730
Other receivables (Net of impairment provision)	(b)(iii)	<u>3,582</u>	<u>5,010</u>
<b>Receivables</b>		<u>457,006</u>	<u>289,410</u>
		-----	-----
Down payments for investments	(iii)	79,850	74,300
Deferred expenses		1,088	689
Prepayments for re-guarantee fees		544	245
Other prepayments		<u>1,327</u>	<u>824</u>
Total	(iv)	<u>539,815</u>	<u>365,468</u>
		-----	-----

- (i) 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.
- (ii) Trade debtors from factoring services represented the receivables from factoring business that the Group began in December 2015.

- (iii) Down payments for investments represented the down payments for the acquisition projects that the Group is conducting.
- (iv) All of the trade and other receivables, 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>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month		92,609	30,795
Over 1 month but less than 3 months		2,396	9,050
Over 3 months but less than 1 year		85,589	114,930
More than 1 year		<u>149,704</u>	<u>46,744</u>
		330,298	201,519
Less: allowance for factoring services	(b)(i)	(592)	(237)
Less: allowance for doubtful debts	(b)(ii)	<u>(24,075)</u>	<u>(12,797)</u>
Total		<u><u>305,631</u></u>	<u><u>188,485</u></u>

(b) *Impairment of trade and other receivables*

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

- (i) The movement in the allowance for trade debtors from factoring services during the period is as follows:

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
At 1 January		237	—
Charged	5(a)	<u>355</u>	<u>237</u>
At 30 June/31 December		<u><u>592</u></u>	<u><u>237</u></u>

At 30 June 2016, the Group's debtors of RMB49,950,000 (31 December 2015: RMB20,000,000) of trade debtors from factoring services were collectively determined to be impaired.

- (ii) The movement in the allowance for payments on behalf of customers during the period is as follows:

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
At 1 January		12,797	8,649
Charged	5(a)	11,278	6,794
Written back		—	(695)
Written off		—	(1,951)
At 30 June/31 December		<u>24,075</u>	<u>12,797</u>

At 30 June 2016, the Group's debtors of RMB55,773,000 (31 December 2015: RMB25,664,000) were individually determined to be impaired. The individually impaired receivables were 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.

- (iii) The movement in the allowances for other receivables during the period is as follows:

At 30 June 2016 and 31 December 2015, 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 2016, there were no changes in the allowance for other receivables during the six months ended 30 June 2016.

(c) ***Trade receivables that are not impaired***

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers of whom the Group has continuously monitored their credit status. Based on the credit assessment, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are pledged by certain assets of these customers. Therefore, the balances are still considered fully recoverable.

## 14 Cash and bank deposits

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits and term deposits with banks		49,622	182,439
Restricted funds for dividends payables	16 / (i)	6,076	—
Restricted customer pledged deposits	17 / (ii)	67	72
Cash in hand		<u>126</u>	<u>197</u>
Cash and bank deposits in the consolidated statement of financial position		55,891	182,708
Restricted customer pledged deposits		(67)	(72)
Restricted funds for dividends payables		<u>(6,076)</u>	<u>—</u>
Cash and cash equivalents in the consolidated cash flow statement		<u>49,748</u>	<u>182,636</u>

- (i) After the Company declared dividend per ordinary share of the Company in respect of the financial year ended 31 December 2015, the Company was required to have funds of dividends declared into a designated account and funds in such account is only for paying to the shareholders as dividends declared. For the purpose of the consolidated cash flow statements, the restricted funds for dividends payables have been excluded from cash and cash equivalents and cash flow from operating activities.
- (ii) 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 2016 and 31 December 2015, customer pledged deposits of RMB62,000 and RMB68,000 respectively were deposited into a designated bank account under two tripartite custodian arrangements. For those guarantee services without

setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts. For the purpose of the consolidated cash flow statements, the restricted customer pledged deposits received by the Group have been excluded from cash and cash equivalents and cash flow from operating activities.

#### 15 Receipts in advance

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

	<b>The Group</b>	
	<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Guarantee customers	322	396
Consultancy customers	<u>2,220</u>	<u>2,275</u>
Total	<u><u>2,542</u></u>	<u><u>2,671</u></u>

#### 16 Accruals and other payables

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016 RMB'000</b>	<b>At 31 December 2015 RMB'000</b>
Dividends payable	21(a)	6,076	2,099
Other accruals and payables	(i)	<u>11,317</u>	<u>9,953</u>
Total		<u><u>17,393</u></u>	<u><u>12,052</u></u>

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

#### 17 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 will expire with one year.

## 18 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 2016		2015	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Granted and outstanding at the beginning of the period/year	HKD1.90	8,705	HKD1.90	9,810
Forfeited during the period/year	HKD1.90	(40)	HKD1.90	(35)
Exercised during the period/year	HKD1.90	<u>(4)</u>	HKD1.90	<u>(1,070)</u>
Granted and outstanding at the end of the period/year	HKD1.90	<u>8,661</u>	HKD1.90	<u>8,705</u>
Exercisable at the end of the period/ year	HKD1.90	<u>6,767</u>	HKD1.90	<u>3,930</u>

*Notes:* The options outstanding at 30 June 2016 had an exercise price of HKD1.90 and a weighted average remaining contractual life of 7.35 years (31 December 2015: 7.8 years).



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

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

*Fair value of share options and assumptions*

Date granted	6 November 2013
Expiry date	5 November 2023
Fair value (weighted average) per share option at measurement date	HKD1.60
Share price	HKD2.68
Exercise price	HKD1.90
Expected volatility rate	64.861%
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.

**19 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:

Deferred tax arising from:	Deferred income	Impairment		Accrued expenses	Share of profit of an associate	Government grants	Interest receivables	Re-guarantee fee	Total
		Provision of financial guarantee losses	Provision for trade and other receivables						
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	3,393	(4,628)	4,085	669	(1,480)	(7,254)	(318)	(250)	(5,783)
(Charged)/credited to profit or loss	(1,610)	1,471	1,421	295	(1,302)	795	68	194	1,332
At 31 December 2015 and 1 January 2016	1,783	(3,157)	5,506	964	(2,782)	(6,459)	(250)	(56)	(4,451)
(Charged)/credited to profit or loss	(145)	918	2,695	(491)	326	—	39	(25)	3,317
At 30 June 2016	<u>1,638</u>	<u>(2,239)</u>	<u>8,201</u>	<u>473</u>	<u>(2,456)</u>	<u>(6,459)</u>	<u>(211)</u>	<u>(81)</u>	<u>(1,134)</u>

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

	<b>The Group</b>	
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	993	1,488
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>(2,127)</u>	<u>(5,939)</u>
Total	<u><u>(1,134)</u></u>	<u><u>(4,451)</u></u>

(c) *Deferred tax assets not recognised*

The Group has not recognised deferred tax assets of RMB569,000 (31 December 2015: RMB 472,000) in respect of cumulative tax losses of RMB2,282,000 (31 December 2015: RMB1,892,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

(d) *Deferred tax liabilities not recognised*

At 30 June 2016, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB148,868,000 (31 December 2015: RMB113,418,000). Deferred tax liabilities of RMB14,887,000 (31 December 2015: RMB11,342,000) 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)).

## 20 Liabilities from guarantees

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
- Deferred income		5,023	6,354
- Provision of guarantee losses	(a)	<u>1,614</u>	<u>2,537</u>
		6,637	8,891
Non-current liability			
- Deferred income		<u>1,532</u>	<u>779</u>
		<u>8,169</u>	<u>9,670</u>

### (a) *Provision of guarantee losses*

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period		2,537	7,008
Written back for the year/period	5(a)	<u>(923)</u>	<u>(4,471)</u>
At the end of the year/period		<u>1,614</u>	<u>2,537</u>

## 21 Capital, reserves and dividends

### (a) *Dividends*

The Company declared a final dividend of HKD0.02 per ordinary share of the Company in respect of the financial year ended 31 December 2015 and of the financial year ended 31 December 2014, respectively. There were a total of 474,914,000 ordinary shares outstanding at the end of 2015 (at the end of 2014: 414,044,000), giving a total final dividend amount of HKD9,498,000 (2015: HKD8,281,000).

(b) *Share capital*

(i) *Authorised and issued share capital*

	<i>Note</i>	At 30 June 2016			At 31 December 2015		
		No. of	Share	Share	No. of	Share	Share
		shares	capital	capital	shares	capital	capital
		'000	HKD'000	RMB'000	'000	HKD'000	RMB'000
<b>Authorised:</b>							
Ordinary shares of HKD0.01 each		800,000	8,000	6,512	800,000	8,000	6,512
<b>Ordinary shares, issued and fully paid:</b>							
At 1 January		474,914	4,749	3,755	414,044	4,140	3,276
Issuance of shares by share offering	(ii)	—	—	—	60,000	600	473
Share issued under share option scheme	(iii)	4	1	1	1,070	11	8
Shares repurchased	(iv)	—	—	—	(200)	(2)	(2)
At 30 June/31 December		<u>474,918</u>	<u>4,750</u>	<u>3,756</u>	<u>474,914</u>	<u>4,749</u>	<u>3,755</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*

4,000 units of share option were exercised during the six months ended 30 June 2016 at the exercise price of HKD1.90. Further details of these options are set out in Note 18 to the financial statements.

(iv) *Shares repurchased*

In 2015, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

<b>Month/Year</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share</b>	<b>Lowest price paid per share</b>	<b>Aggregate price paid HKD' 000</b>
August 2015	200,000	HKD3.00	HKD2.97	599

On 25 August 2015, the Company repurchased 200,000 ordinary shares of the Company (the “Share Repurchase”) with fund from internal resources of the Company on the Stock Exchange of Hong Kong Limited.

(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 completed on 17 September 2012; 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 excising.

(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) ***Distribution of reserves***

As at 30 June 2016, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB336,009,000 (31 December 2015: RMB344,718,000). 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 2016, there were no changes in the Group’s approach to capital management from 2015.

Pursuant to the Interim Measures and the Implementing Rules, the outstanding financial guarantee amount provided 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 2016 and 31 December 2015, multiples of the total outstanding guarantees in relation to net assets and paid-in capital of Success Guarantee are as follows:

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Outstanding guarantees		766,237	665,795
Net assets of Success Guarantee	(i)	424,872	432,408
Registered/paid-in capital of Success Guarantee	(i)	<u>330,000</u>	<u>330,000</u>
Multiples of			
- net assets		<u>1.80</u>	<u>1.54</u>
- paid-in capital		<u>2.32</u>	<u>2.02</u>

- (i) The amounts of net assets and registered/paid-in capital as at 30 June 2016 and 31 December 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.

## 22 Fair value measurement of financial instruments

### (a) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2016 and at 31 December 2015.

### (b) Estimation of fair value

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

(i) *Trade and other receivables*

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

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

(ii) *Guarantees issued*

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

(iii) *Interest rates used for determining fair value*

The market interest rates adopted for determining the fair value of trade and other receivables are ranging from 2.39% to 2.69% as at 30 June 2016 (31 December 2015: 2.32% to 2.73%).

## 23 Commitments

(a) *Operating leases commitments*

As at 30 June 2016 and 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>The Group</b>	
	<b>At</b>	<b>At</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	5,736	4,681
After 1 year but less than 5 years	17,617	10,757
More than 5 years	<u>8,272</u>	<u>10,312</u>
Total	<u>31,625</u>	<u>25,750</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.



## 24 Guarantees issued

As at 30 June 2016 and 31 December 2015, the total maximum guarantees issued are as follows:

	<i>Note</i>	<b>The Group</b>	
		<b>At 30 June 2016</b>	<b>At 31 December 2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Financial guarantees	(i)	333,378	537,767
Performance guarantees		310,874	16,470
Litigation guarantees		<u>122,485</u>	<u>120,258</u>
Gross guarantee amount		766,737	674,495
Proportional re-guarantee amount		<u>(500)</u>	<u>(8,700)</u>
Total maximum guarantees issued	(ii)	<u><u>766,237</u></u>	<u><u>665,795</u></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 2016 were RMB71,290,000 (31 December 2015: RMB111,650,000). Guarantee fee income received from the customers for guarantee services provided through Jiayou Network during the period ended 30 June 2016 and 2015 were RMB1,047,000 and RMB2,575,000, respectively.

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

## 25 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:

<b>Name of related party</b>	<b>Relationship</b>
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. Chen Guoxian	A substantial shareholder
Mr. Tsang Hung Kei	Independent non-executive director
Mr. Au Tien Chee Arthur	Independent non-executive director
Mr. Xu Yan	Independent non-executive director
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 Technologies 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, Mr. Xu Kaiying and Mr. Pang Haoquan

\* 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:

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and other benefits		3,631	2,571
Contributions to defined contribution retirement plan		110	76
Equity compensation benefits	18	<u>400</u>	<u>374</u>
Total		<u><u>4,141</u></u>	<u><u>3,021</u></u>

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

(c) **Related parties transactions**

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Service fee paid to Jiayou Network		<u>—</u>	<u>36</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) **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**

		<b>The Group</b>	
		<b>At</b>	<b>At</b>
		<b>30 June</b>	<b>31 December</b>
	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Foshan Finance	11(a)	6,107	6,107
Success Credit	(a)	<u>2,730</u>	<u>2,730</u>
Total		<u><u>8,837</u></u>	<u><u>8,837</u></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 2016, the PRC's GDP grew by 6.7% on a year-on-year basis, reflecting a slowdown in the general economic downward trend and stabilization of the overall situation with initial success of the national structural reforms and the initiatives to “destock”, however, consumption will continue to be a main driving force for stimulating domestic demands.

In June 2016, M2 and M1 (a major component of M1 is corporate demand deposits) grew by 11.8% and 24.6% on a year-on-year basis, respectively, which hit a record high. A large number of currencies could not find suitable investment directions and the overall investment was weak, causing continuous distress to the overall economy and also bringing business development opportunities for the Group.

Facing the complex economic situation in the first half year, the Group's overall performance was better than the industry average level and there was an initial success in its up-front business transformation, verifying the forward-looking of its strategic disposition. Over the same period, the Group analyzed the situation and accelerated its pace of transformation, and strived to realize a complementation of advantages in its three major segments, i.e. inclusive finance, consumer finance and industrial finance, in the process of structural transformation of the economy, to ensure a steady growth in the Group's business. During the reporting period, the Group recorded total revenue of approximately RMB55.6 million, representing an increase of approximately 32.4% compared to the corresponding period of last year.

#### **Initiate risk compression and adjust business structure**

Non-financial guarantee business of the Group mainly involves litigation guarantee business and performance guarantee business. 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. The purpose of performance guarantees is to provide guarantee to, among others, the performance of payment obligations under the agreements entered into between our customers and their counterparties. As at 30 June 2016, the total maximum financial guarantees issued were approximately RMB333.4 million (31 December 2015: approximately RMB537.8 million); the outstanding balance of non-financial guarantees was approximately RMB433.4 million (31 December 2015:

approximately RMB136.7 million), of which the outstanding balance of litigation guarantee business was approximately RMB122.5 million (31 December 2015: approximately RMB120.3 million) and the outstanding balance of performance guarantee business was approximately RMB310.9 million (31 December 2015: approximately RMB16.5 million).

During the reporting period, facing the general depressed environment of the guarantee industry, to maintain stable operation, Success Guarantee verified its overall business, compressed the finance guarantee business and strived to adjust the structure of its guarantee business for the purpose of “de-risking”. Non-financial guarantee business, as a main development of Success Guarantee during the reporting period, played a key role in the overall business restructuring of Success Guarantee for the purpose of “de-risking”.

### **Strengthen channel cooperation and maintain revenue growth**

As at 30 June 2016, the outstanding balance of financial leasing and factoring business was approximately RMB221.7 million (31 December 2015: approximately RMB191.1 million).

With respect to financial leasing business, Shenzhen Success Financial Leasing Company Limited (“Success Financial Leasing”) continued to conduct business expansion in the construction financing industry in the first half of 2016. In addition to continuing its focus on the municipal construction in Foshan, Success Financial Leasing gradually expanded its customer resources to better serve the real economy and SMEs. Success Financial Leasing was still a mainstay for the Group’s business development.

With a saturating market, Success Financial Leasing has successfully explored a new business channel, given the fact that its factoring qualification was filed on 20 January 2016. As of 30 June 2016, Success Financial Leasing carried out the factoring financing business where a new business model was tried, which broke away from the single equipment financial leasing-oriented business model, thus offering a new business channel for financing. The factoring financing business will also become a normal business model for the Group thereafter.

## **Exploit consumer finance and reinforce business transformation**

For the six-month period ended 30 June 2016, Foshan Success Financial Services Outsourcing Limited (“Success Financial Services”) completed services of near 300 cases, of which mortgage service accounted for 255 cases and funding business accounted for 39 cases. Through professional and meticulous risk control and digital credit risk control technology, Success Financial Services provided a series of consultancy services to customers, including asset allocation, asset appreciation, asset financing, wealth management and immovable property investment and financing.

## **Make voluntary provision and actively address market risk**

In the first half of 2016, SMEs were still the solid customer group of the Group. However, along with the continuous downward pressure of mainland China economy, risk of default may increase. Integrated the changes of economic condition and the industry, the Group has applied cautious accounting estimation principle, accrual rate of impairment loss of assets increased comparing with the end of the last year. This was mainly caused by impairment accruals for advance to customers.

## **SOCIAL ENTERPRISE**

While serving the local economic development, the Group 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 Group, 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.

## **FINANCIAL REVIEW**

### **REVENUE**

For the six-month period ended 30 June 2016, the Group’s revenue was approximately RMB55.6 million (six-month period ended 30 June 2015: approximately RMB42.0 million), representing an increase of approximately 32.4%. Detailed analysis of the Group’s revenue is as follows:

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

Revenue from the Group’s financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the six-month period ended 30 June 2016, the Group’s revenue generated from

financial guarantee services was approximately RMB5.9 million (six-month period ended 30 June 2015: approximately RMB12.6 million), representing a decrease of approximately 53.2% and accounting for approximately 10.6% of the Group's total revenue (six-month period ended 30 June 2015: approximately 30.0%).

In the first half of 2016, the Group received interest income of approximately RMB25.5 million from payments on behalf of customers for their due debts, representing approximately 45.9% of the Group's total revenue for the six-month period ended 30 June 2016.

In the first half of 2016, financial guarantee income dropped when compared with the corresponding period of last year, mainly due to further deepening in the economy downward pressure in the PRC, decrease in subjective financing demand of SMEs and decrease in outstanding balance as the Group adjusted its business structure in order to actively shrink the traditional financing guarantee business with higher risk.

## **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 2016, the Group's revenue generated from non-financial guarantee services decreased approximately 44.4% to approximately RMB0.5 million (six-month period ended 30 June 2015: approximately RMB0.9 million), accounting for approximately 0.9% of the Group's total revenue in the first half of 2016 (six-month period ended 30 June 2015: approximately 2.1%).

Outstanding balance of performance guarantee business increased by approximately 1,784.2% from approximately RMB16.5 million as at 31 December 2015 to approximately RMB310.9 million, in respect of which the income only increased by approximately RMB0.1 million when compared with the corresponding period of last year. The contract term of performance guarantee business is relatively long, and the new performance guarantee businesses mainly concentrated after March 2016, and the guarantee fee shall be allocated during the guarantee period according to the accounting principle of income recognition. The combined result of the above reasons resulted in the unnoticeable increase in income of performance guarantee in the first half of 2016.

### **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 2016, the Group's revenue generated from financial consultancy services was approximately RMB9.1 million (six-month period ended 30 June 2015: approximately RMB17.0 million), representing approximately 16.4% of the Group's total revenue for the first half of 2016 (six-month period ended 30 June 2015: approximately 40.5%). Financial consultancy services remained as the business model that the Group shall concentrate its efforts to develop in 2016, in addition to being an effective instrument which would expand our influence in the financial market. However, revenue from the Group's financial consultancy services decreased due to a decrease in customers' demand for the Group to offer financing assistance to them as a result of the tightened credit policies of commercial banks.

### **4. Financial leasing and factoring services**

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the six-month period ended 30 June 2016, revenue from the Group's financial leasing was approximately RMB8.8 million, representing approximately 15.8% of the Group's total revenue in the first half of 2016 and decreased by approximately 13.7% from approximately RMB10.2 million in the corresponding period in 2015. The decrease was mainly due to the decline in interest income from leasing as a result of the gradual maturity of existing businesses in the first half of the year and the concentration of new projects in June.

In the first half of 2016, China witnessed a sustained downward running of its economy and weak solvency on the side of micro, small and medium-sized enterprises, thereby increasing their rate of default risks. Given that, the Group carried out strict risk controls and enhanced management of collaterals for charge or pledge with respect to its existing financial leasing business. As for incremental leasing business, it increased admission criteria by carefully selecting customers to maximize its prevention and addressing of risks.

More recently, the factoring business has shown a great potential in China and was becoming a new profit driver for financial innovation. The Group is very optimistic about the prospects of the factoring business. It had an active try in developing new business models based on its current financial leasing business, where many businesses were carried out after it having secured relevant



factoring qualification. For the six-month period ended 30 June 2016, the revenue from the factoring business was approximately RMB1.9 million, representing approximately 3.4% of the Group's total revenue in the first half of 2016.

#### **5. Interest on down payments**

The Group's interest on down payments was mainly generated from interest of prepayments for acquisition of projects. For the six-month period ended 30 June 2016, the revenue from the Group's interest on down payments was approximately RMB 2.9 million, representing approximately 5.2% of the Group's total revenue in the first half of 2016.

#### **Other revenue**

The Group's other revenue comprised government grants and interest income. For the six-month period ended 30 June 2015 and 2016, the Group's other revenue was approximately RMB3.2 million and RMB1.3 million, respectively, representing a decrease of approximately 59.4%. It was mainly attributable to the decrease in interest as a result of decreased bank deposits and absence of government grants.

#### **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 2016, the Group's operating expenses was approximately RMB24.3 million (six-month period ended 30 June 2015: approximately RMB18.2 million), increased by approximately RMB6.1 million or approximately 33.5% when compared with the corresponding period of the last year, accounting for approximately 43.7% of the Group's revenue (six-month period ended 30 June 2015: approximately 43.3%). Generally, the Group strictly adheres to cost control principle, however, the Group's operating expenses increased due to increase in staff costs and operating lease charges as we set up a new company in the second half of 2015.

## **Share of profits of an associate**

The share of profits of an associate amounted to approximately -RMB1.9 million for the six-month period ended 30 June 2016, representing a decrease of approximately RMB4.9 million from approximately RMB3.0 million for the six-month period ended 30 June 2015, mainly because the People's Bank of China reduced the benchmark interest rate for loans for five times since 2015, which had a significant impact on the interest rates for certain large loans of Success Credit, our associate, and Success Credit actively contracted its micro loan business in response to the downward domestic economy and the declined financing needs of SMEs.

## **Profit before taxation**

As the total revenue of the Group increased and its subsequent impairment loss of assets also increased, the profit before taxation decreased by approximately RMB2.5 million, or approximately 11.8%, from approximately RMB21.2 million for the six-month period ended 30 June 2015 to approximately RMB18.7 million for the six-month period ended 30 June 2016.

## **Income tax**

For the six-month period ended 30 June 2016, the Group's income tax amounted to approximately RMB5.6 million, representing an increase of approximately 7.7% from approximately RMB5.2 million in the corresponding period of 2015.

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

Payments on behalf of customers mainly represent default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of our customers. The Group will then subsequently request repayment from our customers or take possession 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 RMB165.1 million as at 31 December 2015 to approximately RMB222.5 million as at 30 June 2016.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

In order to more effectively utilise the Group's financial resources for obtaining a better return for the shareholders, it has been the Group's general approach that our management will seek 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 2016, the current pledged bank deposits amounted to approximately RMB108.2 million (31 December 2015: approximately RMB23.9 million), representing an increase of approximately RMB84.3 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB55.9 million (31 December 2015: approximately RMB182.7 million), representing a decrease of approximately RMB126.8 million, as compared to the end of last year.

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

As at 30 June 2016, 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 2016 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 results. Although foreign currency exposure does not pose significant risk on the Group and currently, the Group does not have hedging measures against such exchange risk. The Group 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 1,946.2% as at 31 December 2015 to approximately 2,003.3% as at 30 June 2016, which was mainly attributable to the increase in current pledged deposits and trade and other receivables.

### **Gearing ratio**

The Group's gearing ratio increased from approximately 4.3% as at 31 December 2015 to approximately 4.6% as at 30 June 2016, which was mainly attributable to increase in dividend payable when compared with the end of 2015 as the declaration of dividend in May 2016. As of 30 June 2016, the payment of dividend was still undergoing.

## **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 2016, the Group had 106 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 RMB11.1 million for the six-month period ended 30 June 2016.

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 transformation in response to challenges**

Despite the challenges faced in economic development in the first half of 2016, overall economy remained stable. The second half of the year will be a crucial period for China's economic transformation and upgrading. It is expected that it will be especially evident that economic development structure will continue to be improved, investment structure to be optimised and consumer finance model will continue to be updated. In the future, the Government of Mainland China will continue to deepen the reform of the supply side, and to maintain overall economic growth at a reasonable range. Export, investment and consumption will remain driving forces for the economic growth. The proportion of contribution to the growth from consumption sector will be increasing, and will become a main growth driving force. Meanwhile, large-scale infrastructure investment funded by the state-owned capital will also stimulate the overall economic growth accordingly.

Overall, the Group will continue the strategic plan of the year of 2015, proactively respond to opportunities and challenges brought about by various reforms. Meanwhile, in order to diversify its funding channels, the Group intends to set up a professional team in Hong Kong with aims to reasonably use of the Group's resources and giving full play to the advantages of its listing in Hong Kong, and striving to promote shifting development of the Group to the integrated "Funds + Assets" dual-driven model.

### **Inclusive finance - change in market demand and ongoing restructuring**

With continuation of the 2015 strategic transformation plan, in the first half of 2016, the Group progressively promoted the implementation of various strategies, adjusted overall business structure based on the actual situation, and mapped out the detailed implementation program of its strategies based on the traditional financial model, to satisfy the strategic deployment while being in line with domestic economic development trends, meeting the needs from financial markets and our customers.

The Group plans to restructure its inclusive finance segment by gradually and stably promoting business model optimisation, actively narrowing the financing guarantee business and putting more efforts to develop its low-risk, non-financing guarantee business on the premise that revenue base will not be materially impacted, to ensure being inclined to non-financing guarantee business while maintaining the stable transition of guarantee segment in the circle of economic downturn.

Success Financial Leasing will further develop the factoring business, which will gradually become a normal business model. Success Financial Leasing will continue to develop innovative business models on the basis of the existing business model, to lock its risks, consolidate its underlying assets, strengthen its customer maintenance and development, and constantly explore other business forms, expand and diversify investment and financing resources.

In respect of overall development of inclusive finance, the Group will make endeavor in seeking cooperation with all parties to design products through continuous innovation and carrying out multi-mode, low-risk, multi-faceted development, promoting its growth under the difficult situations in the turn of the market demand and striving to further consolidate overall financial services infrastructure.

### **Consumer finance - Real Estate Circle + instalment, jointly enter into the consumer finance**

2016 is a rapid growing year for consumer finance. Consumption, as the main driver of the current economy, strongly boosts domestic demand. In this regard, it was noted in the Mainland China government work report earlier in 2015. Afterwards, with the approval by the State Council, the People's Bank of China and the China Banking Regulatory Commission (the "CBRC") issued the "Guidance on Increased Financial Support for New Consumption Sector 《關於加大對新消費領域金融支持的指導意見》" in March 2016, which clearly supports the development of specialised consumer finance organisations. From this point, the Group's 2015 strategic deployment was forward-looking and clear-sighted, and laid a solid foundation for the development of the consumer finance industry in 2016.

The Group will further consolidate its industry's leading advantage, for the development of consumer finance segment. The Group will take two steps: firstly, subdivide regional real estate consumer finance services business to quickly penetrate and dominate market share; and secondly, seek the development opportunities of installment consumer finance to develop innovative financial services models.

- **Real estate consumer finance services**

In respect of market services, the Group will continue to focus on vertical real estate consumer finance services, and seamlessly penetrate into funding needs for the used property cash transactions in the Mainland China. In respect of "real estate circle" business, the Group plans to select financial services for the funding needs on property transactions as a key development direction, actively

develop business in the Pearl River Delta region while gradually tapping into and dominating used property transaction market in Guangzhou and Foshan, hoping to become a leading used property finance service provider in Foshan in the end of the year.

In connection with customer maintenance, the Group selected a large number of high-quality customer base based on previous customer transactions and record of cooperation. With its professional, sophisticated operational risk management and targeted credit risk management system, the Group will carry out multi-level search on customers to gain its customers' multi-dimensional integrated needs for financial services, in order to achieve the result that customer resources are sourced from and utilised by the Group, and to targetedly offer financial services for the purpose of optimising the customer base, and ultimately enhance high-quality customer loyalty, create internal circulation mode of client resources.

Integrated financial services industry for the property transactions has gradually standardised. The Group will continually learn and adjust operating procedures in accordance with the regulatory policy in the future, to occupy the market share through rigorous and compliant standard operations, and establish strong presence in the changing market.

- **Installment consumer finance services**

With the economy entering into a new norm, consumption upgrading and optimisation of the economic structure will become a new driving force for the national economic growth. According to the data from the central bank of the Mainland China, total personal consumption in 2013 was RMB 142 trillion, reached RMB 171 trillion in 2014, and closed to RMB 300 trillion in 2015, while consumer loans also grew at more than 20% per year. Currently, there are many problems for private banks and other traditional financial institutions in supporting personal consumer finance, such as complex procedures, low efficiency and timeliness and lack of flexibility, thus it is difficult to cover heavy demand for personal finance. With increasing maturity of convenient Internet financial products, it can be expected that massive customer demand will gradually shift from traditional financial institutions, thus promoting consumer finance institutions to quickly take shape.

To respond to the huge market opportunity, the Group will take full advantage of its extensive experience in customer classification risk control management, sophisticated operation capacities and strong funds balance management capabilities, seek opportunity to cooperate with pioneers in installment consumer finance industry beyond the traditional financial institutions

limitations, and adopt a “Success +” model, form a strategic structure of all resources sharing and integration with partners on a win-win basis, expanding integrated installment consumer finance services for sharing reform benefit, and create a new profit growth point for the Group.

Looking forward, in order to meet massive customer demands in the market, the Group will play an active pioneering advantage of the market by nurturing and developing consumer finance management system, applying risk control in the whole process of product design and business management to develop strict and effective consumer credit management model, and provide efficient and professional integrated consumer finance services in consumption sector with massive customer base.

### **Industrial finance - vertically satisfy demand for municipal works and serve the private enterprises in Guangzhou and Foshan**

In the first half of 2016, the growth rate of Chinese private investment continues to decline. According to the data from the National Bureau of Statistics, the cumulative growth rate of private investment in fixed assets fell to 2.8% in the first half of year. The Government of Mainland China issued an urgent signal that it wishes the private capital to participate in government work projects to play a key role for investment in steady economic growth. Meanwhile, the Government permitted Guangdong province as a pilot on government works projects construction, seeking active capital operation through government-led “Fund +” model, to provide a more liquid return on investment approach to attract private capital.

At this stage, there are three aspects of the status quo of municipal works construction investment. Firstly, the return from municipal works construction investment to private enterprises normally takes three to five years and working capital of the enterprises is occupied for a long term. In order to start using cash flows of the enterprises, the private enterprises are willing to cooperate with financial institutions to achieve transferring of creditor’s rights. Secondly, the banks have sufficient cash flow at this stage, but lack quality assets in the market for investment. Thirdly, the construction companies undertaking municipal works are difficult to obtain bank financing support due to policy restrictions.

In view of the foregoing market conditions, following the policy benefit, the Group will pioneer in actively mobilising all resources in the second half of the year by innovating business model of cooperation and adopting the structure of “Success + Government + Bank” to fill the current vacancy in the municipal works project investment. Leveraging its years of experience in municipal works services, the Group will lead and coordinate the cooperation of “Government + Bank”, while



taking rational use of tripartite advantages of “identity of Success Finance as financial service provider for municipal works + Government credit + low-cost funds of bank” to form a tripartite funded Build-Transfer (“**BT**”) industrial fund, which earmarked for repurchase of the incurred BT debt, to provide liquidity for the private enterprises and support the sustainable development of private enterprises. Through the above model of cooperation, the Group will assist the Government, as a project provider, in establishing municipal works investment mechanism to enrich its project investment channels and achieve reasonable revenue growth, while providing the banks robust and safe high-quality assets secured by government credit guarantee.

The above models can also develop a robust capital investment channel for the Group, and become a milestone for the Group in its business restructuring. It is expected that the Group will transform to funds provider and manager from the traditional fund provider and risk taker, which will effectively diversify its risks and maximise profits under stringent risk control.

Throughout the Group’s future overall strategy, inclusive finance will continue to play the role of a solid business foundation, while focusing on deploying consumer finance and industrial finance. The Group will gradually alleviate its risks by carrying out strong alliance between large financial institutions, leveraging larger capital operation to ultimately achieve mutual help and win-win situation. The stability of inclusive finance is able to provide solid support for the innovation of consumer finance and industrial finance, while the development of consumer finance and industrial finance will also be able to bring customers for inclusive finance and long-term promotion for the business growth. The three business segments will be complementary and collaborative, which is the organic growing financial ecology the Group is committed to creating in the future.

## **OTHER INFORMATION**

### **Dividends**

The Board has resolved not to declare an interim dividend by the Company for the six-month period ended 30 June 2016.

### **Corporate Governance**

Save as disclosed below, the Company has adopted and complied with the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the six-month period ended 30 June 2016. In respect of code provision A.6.7 of the CG Code, an independent non-executive Director was not able to attend the annual general meeting of the

Company held on 19 May 2016 (“**2016 AGM**”) due to other commitment. In respect of code provision E.1.2 of the CG Code, the Chairman of the Board, Mr. Zhang Tiewei, was not able to attend the 2016 AGM due to other business commitment. Mr. Chen Hui, Chief Executive Officer and executive Director, was chosen pursuant to the Company’s amended and restated articles of association to chair the 2016 AGM and answer the questions raised thereat. 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-month period ended 30 June 2016.

### **Audit Committee**

The Audit Committee has been established since 18 October 2013 and has formulated its written terms of reference in accordance with the prevailing provisions of the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures and risk management of the Company. The existing members of the Audit Committee 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 2016 has been reviewed by the Audit Committee and the external auditor, KPMG.

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

During the six-month ended 30 June 2016, neither the Company nor any of its subsidiaries 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 2016 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Company ([www.gdjcrzdb.cn](http://www.gdjcrzdb.cn)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

## **Appreciation**

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

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

Hong Kong, 31 August 2016

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