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## China Success Finance Group Holdings Limited

中國金融發展(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 2020

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>For the six months ended 30 June</b>		
	<b>2020</b>	<b>2019</b>	
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>Change In %</b>
REVENUE	75,434	29,176	158.5%
OTHER REVENUE	7,192	9,900	-27.4%
LOSS BEFORE TAXATION	(2,713)	(19,922)	-86.4%
LOSS FOR THE PERIOD	(17,464)	(20,812)	-16.1%
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(17,124)	(21,408)	-20.0%
LOSS PER SHARE <i>(RMB PER SHARE)</i>	(0.03)	(0.04)	-25.0%
	<b>AT</b>	<b>AT</b>	
	<b>30 JUNE</b>	<b>31 DECEMBER</b>	
	<b>2020</b>	<b>2019</b>	
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>Change In %</b>
TOTAL ASSETS	1,708,471	2,151,341	-20.6%
TOTAL EQUITY	533,163	546,949	-2.5%

## **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 2020 together with comparative figures for the corresponding period in 2019. The interim financial information for the six months ended 30 June 2020 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 2020 — unaudited**  
*(Expressed in Renminbi)*

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Guarantee income		636,105	552,161
Less: guarantee service fee		(544,398)	(517,482)
Net guarantee fee income		<u>91,707</u>	<u>34,679</u>
Interest income		—	5,477
Less: interest expenses		(17,667)	(11,307)
Net interest expenses		<u>(17,667)</u>	<u>(5,830)</u>
Service fee from consulting services		<u>1,394</u>	<u>327</u>
Revenue	3	75,434	29,176
Other revenue	4	7,192	9,900
Impairment and provision charged	5(a)	(21,631)	(29,406)
Operating expenses		(37,150)	(24,952)
Share of losses of associates		(26,558)	(4,640)
<b>Loss before taxation</b>	6(b)	<b>(2,713)</b>	<b>(19,922)</b>
Income tax	6(a)	(14,751)	(890)
<b>Loss for the period</b>		<b><u>(17,464)</u></b>	<b><u>(20,812)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		(17,994)	(20,947)
Non-controlling interests		530	135
<b>Loss for the period</b>		<b><u>(17,464)</u></b>	<b><u>(20,812)</u></b>
<b>Loss per share (RMB per share)</b>			
Basic	7(a)	<u>(0.03)</u>	<u>(0.04)</u>
Diluted	7(b)	<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 2020 — unaudited**

*(Expressed in Renminbi)*

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Loss for the period</b>	<b>(17,464)</b>	<b>(20,812)</b>
<b>Other comprehensive loss for the period (after tax and reclassification adjustments)</b>		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the mainland China	<u>340</u>	<u>(596)</u>
<b>Total comprehensive loss for the period</b>	<b><u>(17,124)</u></b>	<b><u>(21,408)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(17,654)</b>	<b>(21,543)</b>
Non-controlling interests	<u>530</u>	<u>135</u>
<b>Total comprehensive loss for the period</b>	<b><u>(17,124)</u></b>	<b><u>(21,408)</u></b>

**Consolidated Statement of Financial Position**  
**at 30 June 2020 — unaudited**  
*(Expressed in Renminbi)*

	Note	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
<b>Assets</b>			
Cash and bank deposits	8	639,665	1,067,291
Pledged bank deposits		134,494	95,289
Trade and other receivables	9	639,287	705,669
Factoring receivables	10	54,945	59,112
Finance lease receivables	11	43,862	45,339
Interests in associates		41,983	68,541
Plant and equipment		8,563	1,217
Intangible assets		2	3
Goodwill		1,600	—
Other financial assets		68,753	43,753
Deferred tax assets	12(b)	75,317	65,127
<b>Total assets</b>		<b>1,708,471</b>	<b>2,151,341</b>
<b>Liabilities</b>			
Liabilities from guarantees	13	420,224	486,645
Pledged deposits received	14	487,531	766,997
Interest-bearing borrowings	15	59,600	38,555
Liability component of convertible bonds	16	72,308	66,771
Accruals and other payables		86,834	223,450
Current tax	12(a)	44,894	21,305
Lease liabilities		3,917	669
<b>Total liabilities</b>		<b>1,175,308</b>	<b>1,604,392</b>
<b>NET ASSETS</b>		<b>533,163</b>	<b>546,949</b>

**Consolidated Statement of Financial Position**  
**at 30 June 2020 — unaudited**  
*(Expressed in Renminbi)*

	Note	<b>At 30 June 2020</b> <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	17(b)	<b>4,187</b>	4,187
Reserves		<b>527,763</b>	542,079
<b>Total equity attributable to equity shareholders of the Company</b>		<b>531,950</b>	546,266
<b>Non-controlling interests</b>		<b>1,213</b>	683
<b>TOTAL EQUITY</b>		<b>533,163</b>	546,949

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 1.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

### **Amendments to HKFRS 3, *Definition of a Business***

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

### **Amendment to HKFRS 16, *Covid-19-Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

During the interim reporting period, the Group has no rent concessions.



### 3 REVENUE

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Guarantee fee income</b>		
— Income from financial guarantees	1,601	5,448
— Income from online financial guarantees	634,109	545,875
— Income from performance guarantees	376	810
— Income from litigation guarantees	19	28
	<hr/>	<hr/>
Gross guarantee fee income	636,105	552,161
Less: guarantee service fee	(544,398)	(517,482)
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<b>Net guarantee fee income</b>	<b>91,707</b>	34,679
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<b>Interest income/(expenses)</b>		
— Interest income from receivables	—	305
— Interest income from finance leasing	—	2,683
— Interest income from factoring	—	2,489
Less: interest expenses	(17,667)	(11,307)
	<hr/>	<hr/>
<b>Net interest expenses</b>	<b>(17,667)</b>	(5,830)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Service fee from consulting services	1,394	327
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total</b>	<b>75,434</b>	29,176
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During the six months ended 30 June 2020, the Group's largest single customer contributed 1.33% of the Group's revenue (six months ended 30 June 2019: 11.00%); while the percentage of the Group's top 5 customers' revenue was 2.21% (six months ended 30 June 2019: 24.06%).

During the six months ended 30 June 2020, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 63.70% (six months ended 30 June 2019: 41.38%) of the Group's revenue; while the percentage of the Group's top 5 cooperation third parties that referring customers to the Group have referred customers' revenue was 96.52% (six months ended 30 June 2019: 70.79%).

#### 4 OTHER REVENUE

	Note	Six months ended 30 June	
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fair value gain on modification of the terms of convertible bonds		—	4,197
Interest income from bank deposits		7,123	3,945
Interest income from related parties		—	940
Government grants	(a)	58	806
Others		11	12
		<u>7,192</u>	<u>9,900</u>
Total		<u>7,192</u>	<u>9,900</u>

- (a) Guangdong Success Finance Guarantee Company Limited (“Success Guarantee”) received funding support mainly from Foshan Municipal Bureau of Finance. The entitlement of the government grants was under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the six months ended 30 June 2020, a government grant amounted to RMB58,000 (six months ended 30 June 2019: RMB806,000) was rewarded to Success Guarantee.

#### 5 LOSS BEFORE TAXATION

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

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

	Note	Six months ended 30 June	
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Provision charged for guarantees issued	13(a)	10,032	1,121
Impairment allowances charged for:			
— receivables from guarantee payments	9(a)(ii)	5,877	3,286
— factoring receivables	10(b)	4,167	(334)
— finance lease receivables	11(b)	1,005	915
— trade and other receivables		550	18,700
Impairment of goodwill		—	5,718
		<u>21,631</u>	<u>29,406</u>
Total		<u>21,631</u>	<u>29,406</u>

(b) **Staff costs**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Salaries, wages and other benefits	<b>11,378</b>	9,663
Contributions to defined contribution retirement plan	<b>172</b>	267
Equity settled share-based payment expenses	<b>3,338</b>	—
	<hr/>	<hr/>
Total	<b><u>14,888</u></b>	<u>9,930</u>

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

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

On 18 May 2020, the Group granted 31,755,400 share options to directors and key personnel. These options will be exercisable at HKD0.84 per share and mature within 10 years.

(c) **Other items**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Depreciation charge	<b>688</b>	701
— right-of-use assets	<b>491</b>	406
— owned equipment	<b>197</b>	295
Amortisation	<b>73</b>	86
Operating lease charges in respect of leasing of properties	<b>102</b>	1,463
Auditors’ remuneration	<b>1,285</b>	1,310
— review services	<b>830</b>	680
— other services	<b>455</b>	630
Net foreign exchange loss/(gain)	<b>3,340</b>	(66)
	<hr/>	<hr/>

The operating lease charges above are exempted from HKFRS 16 since the remaining lease term ends within 12 months.

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the period	(30,856)	(36,187)
Tax filing differences	5,915	5,050
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	10,190	30,247
	<u>          </u>	<u>          </u>
Total	<u><u>(14,751)</u></u>	<u><u>(890)</u></u>

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	(2,713)	(19,922)
	<u>          </u>	<u>          </u>
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	678	4,981
Tax effect of unused tax losses not recognised	(20,632)	(5,758)
Tax effect of non-deductible expenses	(712)	(5,163)
Tax filing differences	5,915	5,050
	<u>          </u>	<u>          </u>
Actual tax expense	<u><u>(14,751)</u></u>	<u><u>(890)</u></u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the period.
- (iii) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.
- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group’s dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of the PRC subsidiaries amounted to RMB140,093,000 as at 30 June 2020 (31 December 2019: RMB139,972,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

## 7 LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB17,994,000 (loss for six months ended 30 June 2019: RMB 20,947,000) and the weighted average of 524,635,000 ordinary shares (six months ended 30 June 2019: 524,635,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2020	2019
	'000	'000
Issued ordinary shares at 1 January	524,635	524,635
Weighted average number of ordinary shares at 30 June	<u>524,635</u>	<u>524,635</u>

### (b) Diluted loss per share

The Group has convertible bonds as dilutive potential ordinary shares during the six months ended 30 June 2020.

As the Group's convertible bonds have an anti-dilutive effect to the basic loss per share calculation for the six months ended 30 June 2020, and, therefore, diluted loss per share are the same as the basic loss per share.

## 8 CASH AND CASH EQUIVALENTS

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Demand deposits and term deposits with banks with original maturity less than three months	85,401	193,765
Bank deposit with original maturity over three months	60,000	102,400
Restricted customer pledged deposits	77	71
Restricted third-party pledged deposits	487,454	766,926
Other restricted funds	6,600	4,057
Cash in hand	133	72
<b>Cash and bank deposits in the consolidated statement of financial position</b>	<b>639,665</b>	<b>1,067,291</b>
Bank deposit with original maturity over three months	(60,000)	(102,400)
Restricted customer pledged deposits	(77)	(71)
Restricted third-party pledged deposits	(487,454)	(766,926)
Other restricted funds	(6,600)	(4,057)
<b>Cash and cash equivalents in the consolidated cash flow statement</b>	<b>85,534</b>	<b>193,837</b>

As at 30 June, the restricted pledged deposits received were maintained as follows:

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Restricted third-party pledged deposits	487,454	766,926
Restricted customer pledged deposits:		
— designated custodian bank accounts	72	66
— the Group's bank accounts	5	5
Total	487,531	766,997

## 9 TRADE AND OTHER RECEIVABLES

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Receivables from guarantee payments	(a)(i)	239,839	245,197
Less: allowances for doubtful debts	(a)(ii)	<u>(187,494)</u>	<u>(181,617)</u>
		<u>52,345</u>	<u>63,580</u>
Trade debtors from consultancy services		329	369
Trade debtors from guarantees		<u>79,737</u>	<u>79,947</u>
		<u>80,066</u>	<u>80,316</u>
Trade receivables	(a)	<u>132,411</u>	<u>143,896</u>
Down payments for investments net of impairment allowances	(b)	24,307	24,857
Deposit and other receivables, net of impairment allowances	(c)	111,136	70,540
Amounts due from related parties	19(b)	<u>22,686</u>	<u>20,480</u>
		<u>290,540</u>	<u>259,773</u>
Deferred expenses of online financial guarantee business		288,558	425,580
Mortgage assets		3,106	3,199
Others		<u>57,083</u>	<u>17,117</u>
Total		<u>639,287</u>	<u>705,669</u>

(a) **Aging analysis of trade receivables**

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

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 month		62,925	66,275
Over 1 month but less than 3 months		—	3,233
Over 3 months but less than 1 year		15,397	12,464
More than 1 year		<u>241,583</u>	<u>243,541</u>
Total		319,905	325,513
Less: allowances for doubtful debts	(ii)	<u>(187,494)</u>	<u>(181,617)</u>
Total		<u><u>132,411</u></u>	<u><u>143,896</u></u>

(i) **Receivables from guarantee payments**

Receivables from guarantee payments represented payments 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 payments when due in accordance with the terms of the corresponding debt instruments. Receivables from guarantee payments were interest-bearing and the Group holds certain collaterals over certain customers.

During the six months ended 30 June 2020, the Group did not dispose of receivables from guarantee payments.



**(ii) Trade receivables that are impaired**

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.

At 30 June 2020, the Group's debtors of RMB319,905,000 (31 December 2019: RMB325,513,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 9(a). These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, allowances for the doubtful debts were recognised as follows:

	<b>2020</b> <b>Lifetime</b> <b>ECL credit-</b> <b>impaired</b> <b>RMB'000</b>
As at 31 December 2019	<b>181,617</b>
Net re-measurement of loss allowance	<u><b>5,877</b></u>
As at 30 June 2020	<u><u><b>187,494</b></u></u>
	<b>2019</b> <b>Lifetime</b> <b>ECL credit-</b> <b>impaired</b> <b>RMB'000</b>
As at 31 December 2018	14,432
Net re-measurement of loss allowance	<u>167,185</u>
As at 31 December 2019	<u><u>181,617</u></u>

(b) **Down payments for investments, net of impairment allowances**

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Down payments for investments	81,557	81,557
Less: allowances	<u>(57,250)</u>	<u>(56,700)</u>
Total	<u><u>24,307</u></u>	<u><u>24,857</u></u>

*Aging analysis*

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
More than 1 year	<u>24,307</u>	<u>24,857</u>
Total	<u><u>24,307</u></u>	<u><u>24,857</u></u>

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 30 June 2020, the Group's debtors had impairment allowances of RMB57,250,000 of down payments for investments (31 December 2019: RMB56,700,000). These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Down payments for investments were determined to be stage 3 lifetime ECL credit-impaired.

(c) **Deposit and other receivables, net of impairment allowances**

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Deposit and other receivables	179,497	138,901
Less: allowances for other receivables	<u>(68,361)</u>	<u>(68,361)</u>
Total	<u><u>111,136</u></u>	<u><u>70,540</u></u>

***Aging analysis***

	<b>At 30 June 2020 RMB'000</b>	At 31 December 2019 RMB'000
Less than 1 year	<b>52,567</b>	39,032
More than 1 year	<b>58,569</b>	31,508
Total	<b><u>111,136</u></b>	<b><u>70,540</u></b>

	<b>2020 Lifetime ECL credit- impaired RMB'000</b>
As at 31 December 2019	<b>68,361</b>
Net re-measurement of loss allowance	<u>—</u>
As at 30 June 2020	<b><u>68,361</u></b>

	2019 Lifetime ECL credit- impaired RMB'000
As at 31 December 2018	6,100
Net re-measurement of loss allowance	<u>62,261</u>
As at 31 December 2019	<b><u>68,361</u></b>

As at 30 June 2020, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB68,361,000, for which a full impairment allowance had been provided.

## 10 FACTORING RECEIVABLES

At 30 June 2020			
Notes	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Factoring receivables	56,559	26,950	83,509
Interest receivable from factoring receivables	105	4,987	5,092
Less: allowances for factoring receivables (a)/(b)	<u>(1,719)</u>	<u>(31,937)</u>	<u>(33,656)</u>
Carrying amount of factoring receivables	<u><u>54,945</u></u>	<u><u>—</u></u>	<u><u>54,945</u></u>
At 31 December 2019			
Notes	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Factoring receivables	56,559	26,950	83,509
Interest receivable from factoring receivables	196	4,896	5,092
Less: allowances for factoring receivables (a)/(b)	<u>(1,577)</u>	<u>(27,912)</u>	<u>(29,489)</u>
Carrying amount of factoring receivables	<u><u>55,178</u></u>	<u><u>3,934</u></u>	<u><u>59,112</u></u>

### (a) Aging analysis

As of the end of the reporting period, the aging analysis of factoring receivables, based on the maturity date in contracts, is as follows:

	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Within 1 month	—	105
Over 1 month but less than 3 months	—	—
Over 3 months but less than 1 year	56,665	36,560
More than 1 year	<u>31,936</u>	<u>51,936</u>
Total	<u>88,601</u>	88,601
Less: allowances for factoring receivables	<u>(33,656)</u>	<u>(29,489)</u>
Total	<u><u>54,945</u></u>	<u><u>59,112</u></u>

**(b) Impairment of factoring receivables**

Impairment losses in respect of factoring 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.

Consequently, an allowance of impairment losses for factoring receivables during the period /year was recognised as follows:

	2020		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 31 December 2019 and 1 January 2020</b>	<b>1,577</b>	<b>27,912</b>	<b>29,489</b>
Net re-measurement of loss allowance	<u>142</u>	<u>4,025</u>	<u>4,167</u>
<b>Balance at 30 June 2020</b>	<b><u>1,719</u></b>	<b><u>31,937</u></b>	<b><u>33,656</u></b>
	2019		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 31 December 2018 and 1 January 2019</b>	<b>1,569</b>	<b>1,474</b>	<b>3,043</b>
Net re-measurement of loss allowance	<u>8</u>	<u>26,438</u>	<u>26,446</u>
<b>Balance at 31 December 2019</b>	<b><u>1,577</u></b>	<b><u>27,912</u></b>	<b><u>29,489</u></b>

## 11 FINANCE LEASE RECEIVABLES

		At 30 June 2020		
		12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
	Notes			
Net amount of finance lease receivables		46,351	144,567	190,918
Less: allowances for finance lease receivables	(a)/(b)	<u>(2,489)</u>	<u>(144,567)</u>	<u>(147,056)</u>
Carrying amount of finance lease receivables		<u><b>43,862</b></u>	<u><b>—</b></u>	<u><b>43,862</b></u>
		At 31 December 2019		
		12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
	Notes			
Net amount of finance lease receivables		46,823	144,567	191,390
Less: allowances for finance lease receivables	(a)/(b)	<u>(1,484)</u>	<u>(144,567)</u>	<u>(146,051)</u>
Carrying amount of finance lease receivables		<u><b>45,339</b></u>	<u><b>—</b></u>	<u><b>45,339</b></u>

(a) The table below analyses the Group's finance lease receivables by relevant maturity grouping at the end of the reporting period:

	At 30 June 2020		At 31 December 2019	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Overdue	144,567	144,567	145,039	145,039
Within 1 year	46,351	50,898	46,351	50,898
Total	<u>190,918</u>	<u>195,465</u>	191,390	195,937
Less: allowances for finance lease receivables	<u>(147,056)</u>	<u>(147,056)</u>	<u>(146,051)</u>	<u>(146,051)</u>
Net investment in finance lease receivables	<u><b>43,862</b></u>	<u><b>48,409</b></u>	<u>45,339</u>	<u>49,886</u>

(b) Impairment allowances charged for finance lease receivables

	2020		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 31 December 2019 and 1 January 2020</b>	1,484	144,567	146,051
Net re-measurement of loss allowance	1,005	—	1,005
<b>Balance at 30 June 2020</b>	<u>2,489</u>	<u>144,567</u>	<u>147,056</u>
	2019		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 31 December 2018 and 1 January 2019</b>	1,389	4,191	5,580
Net re-measurement of loss allowance	95	140,376	140,471
<b>Balance at 31 December 2019</b>	<u>1,484</u>	<u>144,567</u>	<u>146,051</u>

(c) An analysis of the overdue finance lease receivables is as follows:

	At 30 June 2020				At 31 December 2019			
	Overdue within 3 months <i>RMB'000</i>	Overdue over 3 months but within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total <i>RMB'000</i>	Overdue within 3 months <i>RMB'000</i>	Overdue over 3 months but within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total <i>RMB'000</i>
Finance lease receivables	<u>38,733</u>	<u>95,610</u>	<u>10,224</u>	<u>144,567</u>	<u>38,985</u>	<u>95,830</u>	<u>10,224</u>	<u>145,039</u>

## 12 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents:

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
At 1 January		21,305	17,867
Provision for PRC income tax for the period/year	6(a)	24,941	25,768
PRC income tax paid		(1,352)	(22,330)
At 30 June/31 December		<u>44,894</u>	<u>21,305</u>

### (b) Deferred tax assets and liabilities recognised

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

	Deferred income RMB'000	Provision of financial guarantee losses RMB'000	Impairment allowances for trade and other receivables RMB'000	Accrued expenses RMB'000	Share of profit of an associate RMB'000	Government grants RMB'000	Interest receivables RMB'000	Long-term unamortised expenses RMB'000	Fair value change gains and losses RMB'000	Re- guarantee fee RMB'000	Total RMB'000
At 1 January 2019	30,255	(2,672)	8,753	939	(1,118)	(489)	(151)	(24,275)	(3,971)	(56)	7,215
Credited/(charged) to profit or loss	93,275	2,672	43,228	735	1,118	489	(434)	(82,087)	(1,084)	—	57,912
At 31 December 2019 and 1 January 2020	123,530	—	51,981	1,674	—	—	(585)	(106,362)	(5,055)	(56)	65,127
(Charged)/credited to profit or loss	(23,510)	(5,036)	2,512	302	—	—	(137)	36,003	—	56	10,190
At 30 June 2020	<u>100,020</u>	<u>(5,036)</u>	<u>54,493</u>	<u>1,976</u>	<u>—</u>	<u>—</u>	<u>(722)</u>	<u>(70,359)</u>	<u>(5,055)</u>	<u>—</u>	<u>75,317</u>

### (c) Reconciliation to the consolidated statement of financial position

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	<u>75,317</u>	<u>65,127</u>



**(d) Deferred tax assets not recognised**

The Group has not recognised deferred tax assets of RMB82,409,000 (31 December 2019: RMB80,570,000) in respect of cumulative tax losses of RMB363,718,000 (31 December 2019: RMB345,971,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The remaining unused tax losses were mainly from Success Financial Leasing (RMB141,259,000), Success Guarantee (RMB53,512,000), Success Equity Fund (RMB52,556,000) and will expire in five years under current tax legislation.

**(e) Deferred tax liabilities not recognised**

At 30 June 2020, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB140,093,000 (31 December 2019: RMB139,972,000). Deferred tax liabilities of RMB14,009,000 (31 December 2019: RMB13,997,000) 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)).

**13 LIABILITIES FROM GUARANTEES**

	Note	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Deferred income		400,081	476,534
Provision of guarantee losses	(a)	20,143	10,111
Total		<u>420,224</u>	<u>486,645</u>

**(a) Provision of guarantee losses**

	Note	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
At 1 January		10,111	7,166
Charged for the period/year	5(a)	10,032	2,945
At 30 June/31 December		<u>20,143</u>	<u>10,111</u>

**14 PLEDGED DEPOSITS RECEIVED**

Pledged deposits received represent deposits received from customers or third parties as collateral security for the online financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contract, these deposits are expected to be settled within one year.

## 15 INTEREST-BEARING BORROWINGS

	Note	At 30 June 2020 <i>RMB'000</i>	At 31 December 2019 <i>RMB'000</i>
Bank borrowings	(a)	50,000	—
Note payables	(b)	9,600	38,555
Total		<u>59,600</u>	<u>38,555</u>

### (a) Bank borrowings

The Group subsidiary obtained the bank borrowing of RMB15,000,000 in December 2019, with an interest rate of 4.5%, and the maturity date in December 2020.

The Group subsidiary obtained the bank borrowing of RMB 5,000,000 and RMB 30,000,000 in May 2020 and April 2020, respectively, with an interest rate of 4.4%, and the maturity date in April 2021.

### (b) Note payables

Note payables arose from the amendment deed regarding to the convertible bonds (note 16) on 11 January 2019. The fair value of Note payables was HKD46,057,000 on 11 January 2019. The maturity date of Note payables is 31 January 2020, upon which the Company can apply for one year extension subject to the Purchaser's approval. 31 January 2020, the Purchaser agrees to extend the maturity date to 31 July 2020. On 27 February 2020 and 28 May 2020, the Group redeemed the principal of Note payables of HKD20,000,000 and HKD20,000,000 respectively. As at 30 June 2020, the terms of Notes payables are being revised.

## 16 LIABILITY COMPONENT OF CONVERTIBLE BONDS

The movements of components of the CBs and the New CBs during the period are set out below:

	<b>Liability component</b> <i>RMB'000</i>	<b>Equity component</b> <i>RMB'000</i>
At the date of issue	93,660	29,695
Interest charge	16,224	—
Net increase in interest payable	(3,001)	—
Net increase in administrative fee paid in advance	112	—
Interest paid	(4,015)	—
Administrative fee paid	(1,238)	—
Exchange adjustment	8,898	—
	<hr/>	<hr/>
At 31 December 2018 and 1 January 2019	110,640	29,695
Interest charge	602	—
Net increase in interest payable	(245)	—
Net increase in administrative fee paid in advance	(41)	—
Exchange adjustment	2,068	—
	<hr/>	<hr/>
At 11 January 2019 before modification	113,024	29,695
Derecognition of the CBs	(113,024)	(29,695)
Recognition of the New CBs upon modification	59,878	12,596
Interest charge	11,277	—
Net increase in interest payable	(1,873)	—
Net increase in administrative fee paid in advance	(11)	—
Interest paid	(2,505)	—
Administrative fee paid	(752)	—
Exchange adjustment	757	—
	<hr/>	<hr/>
At 31 December 2019	<u>66,771</u>	<u>12,596</u>
Interest charge	6,844	—
Net decrease in interest payable	1,943	—
Net increase in administrative fee paid in advance	(385)	—
Interest paid	(2,541)	—
Administrative fee paid	(840)	—
Exchange adjustment	516	—
	<hr/>	<hr/>
At 30 June 2020	<u>72,308</u>	<u>12,596</u>

As at 30 June 2020, the Group has approximately RMB81,908,000 bond payables due to a Purchaser, which consisted of convertible bond of RMB72,308,000 (note 16) and Note payables of RMB9,600,000 (note 15) (collectively “the bond”).

Pursuant to the subscription agreement of the bond, there are financial covenants that the Group’s total net assets should be not less than RMB800,000,000 without taking into account the effect on the net assets caused by a change of fair value for the bond and the Group’s gearing ratio, as defined in the subscription agreement, should not be more than 40 percent. As at 30 June 2020, the Group’s total net assets was less than RMB800,000,000 and the Group’s gearing ratio is higher than 40 percent. Accordingly, the bond is subject to the bond Purchaser’s right of repayment on demand. Up to the date of approval of these financial statements, the Group has not received any demand notice from Purchaser of the bond for immediate repayment.

The Group is conducting capital management arrangements to manage the Group’s liquidity needs and to improve the Group’s financial position which include, but are not limited to, the following:

- the Group has repaid the Note payables including interest amounted of HKD21,326,000 and HKD21,870,000, as per the repayment schedule of the Note payables in February 2020 and May 2020, respectively.
- Mr. Zhang Tiewei, the chairman and executive director, would continue to provide personal guarantee and continue to deposit no less than 110,000,000 shares of Group in the Zhang Tiewei’s account set up under the bond Purchaser’s for the bond; and
- the Group is negotiating with the bond’s Purchaser for renewal of the financial covenants clauses, exemption from the previous year’s continuous profitability and financial covenants requirements for the Group and extension of the subscription agreement of the bond. The renewed agreement is still under processing by lawyers up to the date of these financial statements.

## 17 SHARE CAPITAL AND RESERVES

### (a) Dividends

The Company did not declare dividend through six months ended 30 June 2020 and the years ended 31 December 2019. Thus, there is no balance for dividend payable at 30 June 2020.

### (b) Share capital

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

	At 30 June 2020			At 31 December 2019		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
Authorised:						
Ordinary shares of HKD0.01 each	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>
Ordinary shares, issued and fully paid:						
At 1 January	<u>524,635</u>	<u>5,246</u>	<u>4,187</u>	<u>524,635</u>	<u>5,246</u>	<u>4,187</u>
Shares repurchased	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 30 June/31 December	<u>524,635</u>	<u>5,246</u>	<u>4,187</u>	<u>524,635</u>	<u>5,246</u>	<u>4,187</u>

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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.

## 18 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contracted for	<u>40,680</u>	<u>—</u>

## 19 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Related parties transactions

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Services fee expense	(107)	(993)
Net interest income	—	940
Entrusted collection and payment	456	3,780
Loan	—	20,480
	<hr/>	<hr/>
Total	<b>349</b>	<b>24,207</b>
	<hr/> <hr/>	<hr/> <hr/>

### (b) Balances with other related parties

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

Amounts due from related parties

	Note	At 30 June	At 31 December
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Success Credit	(i)	20,480	20,480
Shengshi Junen Enterprise Management		456	—
Success Data		1,750	—
Guangdong Mupai		13,739	13,739
		<hr/>	<hr/>
Total		<b>36,425</b>	<b>34,219</b>
		<hr/> <hr/>	<hr/> <hr/>

- (i) On 20 March 2014, the 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. On 30 June 2020, the balance on borrowings from Success Guarantee to Success Credit is RMB22,633,000, which includes a principal of RMB20,480,000 and an interest of RMB2,153,000. The interest rate of this borrowing is 12%. Based on the operating condition of Success Credit, impairment has been made for both dividend and interest receivables.

## 20 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include: further assessing the quality of trade and other receivables and factoring and finance lease receivables, continuously monitoring the operations of clients and enhancing the collection, reassessing the Group's working capital based on the banking and other facilities, etc. The Group will keep the contingency measures under review as the situation evolves.

As for the business of the Group, as of the date of this report, no significant adverse impact of the COVID-19 outbreak has been identified that would affect the going concern assumption of the Group. The actual impacts may differ from these estimates as situation continues to evolve and further information may become available.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Steadily Developing Traditional Businesses**

In the first half of 2020, the epidemic brought an unprecedented onslaught to both economic and social development. The Chinese government implemented measures to contain the spread of epidemic and to safeguard the economic and social development, the epidemic situation witnessed a continuous improvement and steady recovery in economic operation. Amidst severe challenges brought by the pandemic, complexity and unpredictability in domestic and global markets, the Group adopted prudent and steady business strategies, resulting in a slowdown in business development. While implementing epidemic prevention measures, the Group built a solid foundation for its main businesses. Actively responding to national economic policies and changes in market environment, the Group gave full play to its own advantages and harnessed the power of technology, in order to provide customers with more professional and efficient comprehensive financial services, while assisting customers to overcome hardships during the epidemic.

In terms of guarantee business, during the first half of 2020, guiding by customer demand, the Group continued its intensive efforts in the field of financial technology, explored new service models through the application of technology, in hopes of satisfying customers' demand on personalized financial services. Meanwhile, leveraging the opportunities brought by the government's increasing financial support to micro, small and medium sized enterprises during the epidemic and the establishment of Foshan Financing Guarantee Fund, the Group continued to develop its traditional guarantee business, strengthened interaction with financial institutions and identified new business collaboration opportunities. On February 23, 2020, Success Guarantee successfully obtained the business license of financing guarantee business approved and renewed under new standards by Guangdong Local Financial Supervision and Administration Bureau, further enhancing its competitiveness in the market.

Regarding financial leasing, factoring and asset management businesses, the Group adhered to the operating principle of “doing what should be done while leaving others alone” in the first half of 2020 to conduct business with caution.

#### **Developing Integrated Services for the Greater Bay Area**

Along with the implementation of “Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area”, “Opinions Concerning Financial Support for the Establishment of Greater Bay Area” and “Implementation Plan for Financial Support for the Establishment of Greater Bay Area”, the Group capitalized on the government's favorable Greater Bay Area policy and seized market opportunities, while making good use of the Group's resources to explore opportunities in providing integrated financial services in and thus contributing to the construction of the Greater Bay Area.



## **Expanding and Reinforcing Cooperation Channels**

In the first half of 2020, facing opportunities and challenges arising from the epidemic, the Group continued to devise plans in the field of financial technology, actively unlocked opportunities to partner in diversified aspects with financial institutions and financial technology companies and explore diversified cooperation models together, in order to provide customers with comprehensive, more efficient integrated financial services.

## **Strengthening through Investments, Mergers and Acquisitions**

In the first half of 2020, according to transformation plan, the Group managed to propel construction work in Success Science and Technology Innovation Park Project, which is one of the benchmarking projects of “Three Olds Redevelopment” in Shunde District.

## **FINANCIAL REVIEW**

### **Revenue**

For the six months period ended 30 June 2020, the Group’s revenue was approximately RMB82.6 million (six months period ended 30 June 2019: approximately RMB39.1 million), representing an increase of approximately 111.3%. Detailed analysis of the Group’s revenue is as follows:

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

Revenue from the Group’s financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the six months period ended 30 June 2020, the Group’s net revenue generated from financial guarantee services was approximately RMB91.3 million (six months period ended 30 June 2019: approximately RMB34.0 million), representing an increase of approximately 168.5%.

In the first half of 2020, the Group adopted a prudent strategy, continued to deepen its presence in the field of financial technology, and improved its service efficiency and quality by harnessing the power of technology. For the first half of 2020, net revenue from financial guarantee services increased significantly as compared to the same period of last year, which was due to the fact that deferred income arising from the significant growth of platform-based services in 2019 was recognized on an accrual basis in the first half of 2020.

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

Revenue from the Group’s non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the six months period ended 30 June 2020, the Group’s revenue generated from non-financial guarantee services decreased by approximately 50.0% to approximately RMB0.4 million (six months period ended 30 June 2019: approximately RMB0.8 million).

The decrease in revenue from non-financial guarantee business for the first half of 2020 as compared to the same period of last year was due to the fact that the Group adjusted its product structure to focus its efforts on new business, resulting in changes in the performance and revenue of performance guarantee business and the litigation guarantee business.

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

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the six months period ended 30 June 2020, the Group's revenue generated from financial consultancy services was approximately RMB1.4 million (six months period ended 30 June 2019: approximately RMB0.3 million).

The slight increase in revenue from financial consultancy services in the first half of 2020 as compared to the same period of last year was mainly attributable to the increase in financing needs of small and medium sized enterprises in the first half of 2020, and the Group continued to provide financial consultancy services to small and medium sized enterprises.

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

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the six months period ended 30 June 2020, the Group did not receive any income from financial leasing services (six months period ended 30 June 2019: approximately RMB2.7 million).

For the six months period ended 30 June 2020, the Group did not receive any income from factoring business (six months period ended 30 June 2019: approximately RMB2.5 million).

The Group did not record any revenue from its financial leasing and factoring services in the first half of 2020, which was mainly because (i) most of the original business had expired; and (ii) the Group adopted a prudent development strategy and conducted business on a prudent basis in view of the macro-economic environment and increased market uncertainties in the first half of the year.

### **Other Revenue**

The Group's other revenue comprised fair value gain on modification of the terms of convertible bonds, interest income from bank deposits, interest income from related parties, government grants and others. For the six months period ended 30 June 2019 and 2020, the Group's other revenue was approximately RMB9.9 million and RMB7.2 million, respectively, representing a decrease of approximately 27.3%.

The decrease in other revenue as compared to the same period of last year was due to the one-off gain arising from completing by the Group's amendments to the terms and conditions of the convertible bonds in the first half of 2019.

### **Impairment and Provision (Charged)/Written Back**

Impairment and provision mainly represents the provision charged/(written back) for guarantees issued and the impairment provision for receivables from guarantee payments, factoring receivable and finance lease receivable, trade and other receivables where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was 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 months period ended 30 June 2020, the Group's operating expenses was approximately RMB37.2 million (six months period ended 30 June 2019: approximately RMB25.0 million), increased by approximately RMB12.2 million or approximately 48.8% when compared with the corresponding period of the last year. The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

The salaries of the Group was approximately RMB14.9 million for the six months ended 30 June 2020, representing an increase of approximately 50.5% as compared to that of approximately RMB9.9 million in the same period of the last year. The main reason for the increase in salaries as compared with the corresponding period of last year is the expenses arising from the share options granted by the Group to the directors and employees of the Group on 18 May 2020.

For the six months period ended 30 June 2020, other operating expenses of the Group was approximately RMB22.3 million (six months period ended 30 June 2019: approximately RMB15.0 million). Among which, rentals and intermediary consulting expenses were approximately RMB0.1 million and RMB6.3 million respectively, representing a decrease of approximately 93.0% and 13.5% respectively; office expenses, entertainment expenses and exchange gains and losses were approximately RMB1.3 million, RMB6.0 million and RMB3.3 million respectively, representing an increase of approximately 148.0%, 435.9% and 5,160.6% respectively. In the first half of 2020, the Group's entertainment expenses increased significantly as compared with the same period of last year, mainly due to the increase in the expenses of the Group for business development.

## **Share of Losses of Associates**

The share of losses of associates amounted to a loss of approximately RMB26.6 million for the six months period ended 30 June 2020, representing an increase of approximately RMB22.0 million from a loss of approximately RMB4.6 million for the six months period ended 30 June 2019. The increase in share of net losses of associates was mainly due to the increase in the impairment provision of Success Credit, an associate of the Group.

## **Loss Before Taxation**

Loss before taxation decreased by approximately RMB17.2 million, or approximately 86.4%, from a loss of approximately RMB19.9 million for the six months period ended 30 June 2019 to a loss of approximately RMB2.7 million for the six months period ended 30 June 2020.

The loss was mainly attributable to: (i) the significant net loss recorded by Success Credit, an associate of the Group, for the Interim Period as a result of the increase in its impairment provision; (ii) the increase in operating expenses of the Group for the Interim Period as compared to the same period last year; and (iii) the significant impairment and provision charges of the Group for the Interim Period.

## **Income Tax**

For the six months period ended 30 June 2020, the Group's income tax amounted to approximately RMB14.8 million, representing an increase of approximately 1,544.4% from approximately RMB0.9 million in the corresponding period of 2019. The increase in income tax was mainly due to the decrease in deferred income tax assets as the decrease in deferred income of the Group's platform-based services were affected by the outbreak of the COVID-19 pandemic in the first half of the year.

## **Trade and Other Receivables — Receivables from Guarantee Payments**

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of the customer. The Group will then subsequently request repayment from the customer or take possession of the counter-guarantee assets provided by such customer to recover the outstanding balance. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments decrease from approximately RMB63.6 million as at 31 December 2019 to approximately RMB52.3 million as at 30 June 2020.

## **LIQUIDITY AND CAPITAL RESOURCES**

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

In order to utilise the Group's financial resources for obtaining a better return for the shareholders effectively, the Group's general approach is to seek some alternative investment opportunities which could provide a better return with limited risk exposure.

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

As at 30 June 2020, the current pledged bank deposits amounted to approximately RMB134.5 million (as at 31 December 2019: approximately RMB95.3 million), representing an increase of approximately RMB39.2 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB639.7 million (31 December 2019: approximately RMB1,067.3 million), representing an a decrease of approximately RMB427.6 million, as compared to the end of last year. The decrease in cash and bank deposits was mainly due to the decrease in pledged deposits placed by third parties as a result of the requirements for the business between the Group and its customers.

### **Interest Rate Risk and Foreign Exchange Risk**

As at 30 June 2020, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the six months period ended 30 June 2020 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group, and currently the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

### **Gearing Ratio**

The Group's gearing ratio (total liabilities divided by total equity) decreased from approximately 293.3% as at 31 December 2019 to approximately 220.4% as at 30 June 2020, which was mainly attributable to the decrease in total liabilities. The decrease in total liabilities was mainly due to the decreases in guarantee liabilities (deferred income), pledged deposits payable to cooperative companies and accruals and other payables.

## **PROSPECTS AND OUTLOOK**

### **Macro Perspective**

Looking forward to the second half of 2020, the epidemic is expected to remain unpredictable, while the macro economy will continue to suffer from uncertainties and the recovery remains shaky on a rough ride.

In the second half of 2020, in the face of the sustained influence of the epidemic, the Group will continuously adopt prudent and steady business strategies. While developing its traditional business, the Group will explore more opportunities to enhance its competitiveness through investments, mergers and acquisitions, meanwhile ensuring steady business growth of the Group.

### **Steadily Developing Traditional Businesses**

The Group will seize the occasions where the government increases its financial support to micro, small and medium sized enterprises, to steadily develop traditional businesses, whilst exploring more cooperation opportunities to enhance the comprehensive strength of the Group.

For guarantee business, the Group will continue to deepen the exploration in financial technology. Through grasping the opportunities arising from the introduction of new measures for the administration of the online lending by commercial banks, the Group will strengthen its partnership with financial institutions and technology companies by establishing more in-depth and wide-ranging collaboration chances, thereby innovating specialized and integrated financial services and products. Meanwhile, riding on the government's policy and policy support for cooperation between banks and guarantee institutions, the Group will continue to enrich its traditional guarantee business. With micro, small and medium sized enterprises as target clients, the Group will make constant improvements in its risk management system through harnessing the power of technology, thus offering more effective and comprehensive financing services to them.

Besides, in view of the macro environment and policy guidance, the Group will prudently provide customers with professional and specialized financial services namely financial leasing, factoring and asset management, on the demand for the development of the Greater Bay Area.

### **Propelling Integrated Services for the Greater Bay Area**

The Group will continue to grasp the development opportunities in the Greater Bay Area. Through seeking for opportunities in the area of integrated financial services for the Greater Bay Area, the Group will provide specialized financial services and supports to regional enterprises, thereby participating in propelling the construction and development of the Greater Bay Area.

## **Strengthening through Investments, Mergers and Acquisitions**

With regards to market opportunities and its long-term development strategy, the Group will continue to explore new investment opportunities in agricultural projects by investments, equity purchases and acquisitions. The Group will begin with one single project prior to the provision of a variety of comprehensive financial services to its upstream and downstream customers. As a pilot project, the Group cooperated with the whole industrial chain, further researching and developing the financial products in the industrial chain, and will duplicate the success afterwards. The Group will enhance its comprehensive competitiveness by striving to provide comprehensive financial services to the industrial chain.

In addition, taking future business development into consideration, the Group purchased the newly built office property in Xincheng District, Foshan as owner-occupied property.

## **OTHER INFORMATION**

### **Dividends**

The Board has resolved not to declare an interim dividend by the Company for the six months period ended 30 June 2020.

### **Corporate Governance**

Save as disclosed below, the Company has adopted and complied with the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the six months period ended 30 June 2020.

In respect of code provision A.6.7 of the CG Code, all directors including Non-executive and Independent Nonexecutive Directors participated in the annual general meeting held on 21 May 2020. 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 Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding the Directors’ transactions of the listed securities of the Company.

In response to the specific enquiry made by the Company, all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and there are no non-compliance with the required standard set out in the Model Code for the six months period ended 30 June 2020.

## **Audit Committee**

The audit committee of the Company (the “**Audit Committee**”) has been established since 18 October 2013 and has formulated its written terms of reference in accordance with the prevailing provisions of the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures and risk management of the Company. The existing members of the Audit Committee include Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan, all of whom are independent non-executive Directors. Mr. Tsang Hung Kei is the chairman of the Audit Committee.

This interim announcement had been reviewed by the Audit Committee and the auditor of the Company, KPMG.

## **Purchase, Sale or Redemption of Listed Securities**

Our Company has granted options to subscribe for an aggregate of 10,000,000 shares (the “**Pre-IPO Share Options**”) pursuant to the Pre-IPO share option scheme. During the six months period ended 30 June 2020, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 20,000 shares were lapsed. As at 30 June 2020, the Pre-IPO Share Options to subscribe for 6,473,000 shares remained outstanding.

Our Company has actually granted options to subscribe for an aggregate of 31,755,400 shares (the “**Post-IPO Share Options**”) pursuant to the Post-IPO share option scheme. None of the Post-IPO Share Options have been exercised, cancelled or lapsed during the six months period ended 30 June 2020. As at 30 June 2020, the Post-IPO Share Options to subscribe for 31,755,400 shares remained outstanding.

Save as disclosed above, during the six months period ended 30 June 2020, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities.

## **ISSUANCE OF CONVERTIBLE BONDS ON 1 FEBRUARY 2018**

On 1 February 2020, pursuant to the terms and conditions of the convertible bonds and notes, the Purchaser confirmed, agreed and acknowledged that the remaining convertible bonds have been extended to 1 February 2021. The remaining notes will be redeemed in tranches during the year based on the new schedule agreed with the Purchaser. The company has completed the issuance of the convertible bonds on February 1, 2018 and completed the changes of the terms and conditions of the convertible bonds on January 11, 2019. For details of the convertible bonds, please refer to the announcement of the company dated 25 January 2018, 1 February 2018, 27 December 2018, 31 December 2018 and 11 January 2019 in relation to the convertible bonds.

As of 28 August 2020, the Company has redeemed from the Purchaser all the principal of the notes (i.e. HK\$60,000,000) and the related interest.



## **Competition and Conflict of Interests**

Except for the interests in the Group, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the period under review.

## **Public Float**

The Company has maintained the public float as required by the HK Listing Rules up to the date of this announcement.

## **Events After the Reporting Period**

On 16 July 2020, Success Guarantee has entered into the provisional agreement with Foshan Shengshi Junen Enterprise Management Company Limited (“**the Vendor**”) pursuant to which the Vendor has conditionally agreed to sell, and Success Guarantee has conditionally agreed to acquire a new office property in Foshan New City, Shunde District, Foshan City, Guangdong Province as a self-use property at a maximum consideration of RMB32,966,880 (equivalent to approximately HK\$36,556,973). Please refer to the announcement of the company dated 16 July 2020 in relation to acquisition of a property for details.

## **Publication of the Interim Report**

The interim report of the Company for the six months period ended 30 June 2020 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 (<http://www.chinasuccessfinance.com>) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) in due course.

## **Appreciation**

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

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

Hong Kong, 28 August 2020

*As at the date of this announcement, the Board comprises (i) five executive directors, namely, Mr. Zhang Tiewei, Mr. Li Bin, Ms. Dai Jing, Mr. Xu Kaiying and Mr. Pang Haoquan, (ii) one non-executive director, namely, Mr. He Darong, and (iii) four independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur, Mr. Xu Yan and Mr. Zhou Xiaojiang.*