



中國金融發展(控股)有限公司
CHINA SUCCESS FINANCE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3623

INTERIM
REPORT **2020**

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Corporate Information

EXECUTIVE DIRECTORS

Mr. ZHANG Tiewei (*Chairman*)
Mr. LI Bin (*Chief Executive Officer*)
Ms. DAI Jing
Mr. XU Kaiying
Mr. PANG Haoquan

NON-EXECUTIVE DIRECTOR

Mr. HE Darong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSANG Hung Kei
Mr. AU Tien Chee Arthur
Mr. XU Yan
Mr. ZHOU Xiaojiang

AUTHORISED REPRESENTATIVE

Mr. LI Bin
Mr. PANG Chung Fai Benny

AUDIT COMMITTEE

Mr. TSANG Hung Kei (*Chairman*)
Mr. AU Tien Chee Arthur
Mr. XU Yan

REMUNERATION COMMITTEE

Mr. XU Yan (*Chairman*)
Mr. ZHANG Tiewei
Mr. TSANG Hung Kei

NOMINATION COMMITTEE

Mr. ZHANG Tiewei (*Chairman*)
Mr. TSANG Hung Kei
Mr. XU Yan

COMPANY SECRETARY

Mr. PANG Chung Fai Benny

LEGAL ADVISERS

As to Hong Kong law

Benny Pang & Co. in association with
F. Zimmern & Co.

AUDITORS

KPMG
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

REGISTERED OFFICE

Fourth Floor, One Capital Place
P.O. Box 847, Grand Cayman
KY1-1103
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

604
6th Floor
Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank Co., Ltd., Foshan Branch
Foshan Rural Commercial Bank Co. Ltd., Jinlan Branch

COMPANY WEBSITE ADDRESS

<http://www.chinasuccessfinance.com>

STOCK CODE

3623

Highlights

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change In %
	2020 (RMB'000)	2019 (RMB'000)	
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 ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	(17,654)	(21,543)	-18.1%
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(17,124)	(21,408)	-20.0%
LOSS PER SHARE (RMB PER SHARE)*	(0.03)	(0.04)	-25.0%

	AS AT	AS AT	Change In %
	30 JUNE 2020 (RMB'000)	31 DECEMBER 2019 (RMB'000)	
TOTAL ASSETS	1,708,471	2,151,341	-20.6%
TOTAL EQUITY	533,163	546,949	-2.5%

* Loss per share for the six-month period ended 30 June 2019 and 2020 was calculated based on the loss attributable to ordinary equity holders of the Company and number of issued shares of the Company for the corresponding period. For the six-month period ended 30 June 2019 and 2020, the number of issued shares of the Company were 524,635,000 and 524,635,000 ordinary shares, respectively.

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of China Success Finance Group Holdings Limited (the "**Company**" or "**China Success Finance**"), I am pleased to present the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020.

In the first half of 2020, the Coronavirus Disease 2019 ("COVID-19") broke out in a large scale around the world, whilst implementation of lockdown measures across countries led to suspension of operation and production in various industries. Sharp decline in consumption and investment dragged the global economy into a serious depression. Many companies were burdened with heavy debt due to the epidemic, the economic recovery remains shaky on a rough ride before effective and proven vaccines and treatments are ready. At the same time, the geopolitical volatility and China-U.S. trade deadlock continued to bring uncertainties to the market amidst global turmoil, leading to a sluggish business environment, thereby further weakening investor confidence and bringing unprecedented shocks to the global economy.

Fortunately, the Chinese government promptly implemented measures to contain the spread of epidemic and stimulate the economic and social development after the outbreak. Meanwhile, new business models such as remote office and robot delivery have been developed in Mainland China, effectively accelerating the epidemic control and allowing life to return to normal. After logging the first negative GDP growth on record in the first quarter, the GDP rebounded in the second quarter and witnessed a year-on-year growth of 3.2%, whilst investment, consumption and exports improved, indicating that Mainland China's positive long-term economic fundamentals remained unchanged. In Hong Kong, the recurrent epidemic posed an enormous threat to the local market. The meager exports and sharp drop in tourist arrivals brought a chilly winter to industries in Hong Kong. Unemployment rate surged as businesses struggled to make ends meet and have closed down. In the second quarter, the GDP and private consumption expenditure were worse than expectation with declines of 9.0% and 14.5% year-on-year in real terms respectively, reflecting that the epidemic severely damaged Hong Kong's economy.

During the reporting period, faced with the unprecedented onslaught to both economic and social development, the Group, focusing on the prevention and control of epidemic and risk control, strived to develop its businesses, in order to provide customers with comprehensive, professional and efficient financial services, while assisting customers to overcome hardships during the epidemic.

In terms of guarantee business, the Group continued to develop its traditional business steadily and actively invested its intensive efforts in financial technology. With innovation and technology as its focus, the Group explored new service models to satisfy customers' demand on personalized financial services. Meanwhile, capitalizing on the opportunities brought by the government's increasing financial support to micro, small and medium sized enterprises and the establishment of Foshan Financing Guarantee Fund, the Group further optimized its guarantee business, thereby enhancing market competitiveness of its guarantee business. During the reporting period, the Group's guarantee income recorded a substantial increase.

Chairman's Statement

Regarding financial leasing, factoring and asset management businesses, the epidemic and external economic environment increased market uncertainty. The Group paid close attention to the market trend and continued to review its businesses in a prudent manner and pragmatic principle, in order to reduce cost and improve efficiency. Meanwhile, capitalizing on the government's favorable policies, the Group continued to explore opportunities in integrated financial services in the Greater Bay Area by making good use of its available resources. The Group continued to devise plans in the field of financial technology, strengthen its communication and join hands with financial institutions and financial technology companies to explore diversified cooperation models and provide customers with comprehensive, efficient integrated financial services.

In the first half of 2020, a provision for impairment loss was recognized in the reporting period. Additionally, since the Group's investment in associated enterprises recorded losses and operating expenses increased, a net loss was reported despite a substantial revenue growth in the Group's major operations.

Looking forward to the second half of 2020, the epidemic is expected to remain unpredictable, while the global economy will continue to suffer from uncertainties and show a slow recovery. According to the World Economic Outlook published by International Monetary Fund in June 2020, global economy is expected to shrink 4.9%, as against the previous forecast of -3% growth in April. The economic outlook and business environment are expected to remain gloomy in the second half of the year.

Despite that Mainland China's economy manifested its strong resilience during the epidemic, the downward pressure on domestic economy is expected to increase due to the suppressed demand in domestic market, leading to a lengthy economic recovery. Looking forward to the second half of 2020, the Chinese government will continue to maintain its monetary easing policy, bolster domestic demand, stabilize its production and supply, alleviate difficulties and challenges, as well as continuously support the stable operation of micro, small and medium sized enterprises.

On February 23, 2020, by passing the new standards, business license for financing guarantee business of Guangdong Success Finance Guarantee Company Limited ("**Success Guarantee**") was renewed by Guangdong Local Financial Supervision and Administration Bureau, further affirming its strength. While the government has shown greater support to micro, small and medium sized enterprises, the Group will seize the occasion to steadily develop its traditional businesses, while promoting the development of its financial technology business. Besides, 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, and establish comprehensive financial service business through duplicating its successful experience, in hopes of creating a new profit growth point.

Last but not least, on behalf of the Board, I would like to express my sincerest gratitude to all shareholders, clients and business partners. Facing uncertain economic prospects, management and all employees of the Group will strive for better business development and performance, thus maximizing returns for investors and shareholders.

Zhang Tiewei

Chairman and Executive Director

28 August 2020

OVERVIEW

In the first half of 2020, the serious global outbreak of Coronavirus Disease 2019 (“COVID-19”) overtook the global economy into a severe recession. Supply chain disruption and suppressed demand, coupled with suspension of global economic activities caused by COVID-19 lockdown measures across countries, worsened the global economic meltdown. Major developed economies and emerging economies experienced shrinkage to different extents, while the global economy was enduring the most difficult time since the great depression. Easing monetary policies were re-deployed globally, which boosted economic growth and increased financial risks. Facing the conjuncture of continuous spread of the epidemic, counter-globalization, unilateralism promoted by the U.S. government, geopolitics in the Middle East, trade frictions and debt risks, the global economic outlook becomes gloomy with greater fluctuations.

In Mainland China and Hong Kong, the epidemic brought an unprecedented onslaught to both economic and social development. Fortunately, 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. Enterprises resumed operation and production, while people gradually resumed their normal lives. During the first half of 2020, the Mainland China's economy rebounded in the second quarter and recorded a 3.2% GDP growth, exceeding market expectations and reversing the 6.8% contraction in the first quarter. Key indicators showed some pick-up in growth and steady recovery in economic operation. However, domestic economy will take some time to recoup amid the pandemic, while external risks and challenges obviously escalated, the economic damage created by COVID-19 will continue to grow. The continued tensions between China and the U.S. have brought pressure on China's economic recovery. In Hong Kong, although the government actively launched relief and employment protection measures, the epidemic threats continued to depress the market, leading to weak internal and external demands. Hong Kong's economy experienced a negative GDP growth for two consecutive quarters, while the unemployment rate rose to 6.2% in the second quarter, reaching a 15-year high.

Amidst severe challenges brought by the pandemic, complexity and unpredictability in domestic and global markets, the Group adopted prudent and steady development strategies in the first half of 2020. While coordinating with the epidemic caution and risk prevention, the Group continued to focus on developing its traditional business and strengthening cooperation, in order to provide customers with comprehensive, professional and efficient financial services, in hopes of coping with the negative impact of the macro environment.

BUSINESS REVIEW

Steadily Developing Traditional Businesses

In the first half of 2020, impacted by the macro environment, the Group adopted prudent and steady business strategies, resulting in a slowdown in business development, but the epidemic did not cause a substantial impact. 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.

Management Discussion and Analysis

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 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.

In view of the changes in the macro-economy and the industry, the Company had terminated the potential project under discussion in relation to the proposed formation of a joint venture as at 30 June 2020, and a provision for impairment of the deposit for the project was made in 2019. For details of the proposed formation of the joint venture, please refer to relevant announcements published by the Company during 28 December 2015 to 31 December 2019.

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.

Management Discussion and Analysis

USE OF PROCEEDS

On 1 February 2018, the Company issued convertible bonds in an aggregate principal amount of HKD154 million under general mandate. The net proceeds, after deducting the administration fee of HKD1,540,010, were HKD152,459,990, and had been fully used as at 31 August 2019. An analysis of the planned amount utilized up to 30 June 2020 is set out below:

Intended use of the placing proceeds	Planned allocation (HK\$ in million)	Actual utilization (HK\$ in million)	Actual utilization up to 31 December 2018 (HK\$ in million)			Unutilized placing proceeds as at 31 December 2018 (HK\$ in million)		Actual utilization up to 30 June 2019 (HK\$ in million)		Unutilized placing proceeds as at 30 June 2019 (HK\$ in million)		Expected timeline for the placing proceeds
			December 2018	December 2018	December 2018	June 2019	June 2019	June 2019	June 2019	June 2019	June 2019	
Pursuing suitable acquisition and partnership opportunities	7.6	5.5	5.5 (note 1)	—	—	—	—	—	—	—	—	N/A
Utilized as additional net assets value, register capital and/or paid-in capital	68.6	73.2	73.2 (note 2)	—	—	—	—	—	—	—	—	N/A
Repayment of principal and interest of convertible bonds and handling charges	15.1	25.1 (note 6)	15.0 (note 3)	10.1	5.8 (note 4)	4.3	4.3 (note 5)	—	—	—	—	N/A
Utilized as general working capital of the Group	61.2	48.7	31.6	17.1	14.0	3.1	3.1	—	—	—	—	N/A
Total	152.5	152.5	125.3	27.2	19.8	7.4	7.4	—	—	—	—	

Management Discussion and Analysis

Notes:

1. the HK\$5.5 million utilized for the acquisition of T. M. Management Limited (the “**TM Management**”), a licensed financial institution having relevant license for the Type 9 regulated activities under the Securities & Futures Commission of Hong Kong. The Group acquired all ordinary shares of the TM Management to further extend the existing business scope of the Group.
2. the HK\$73.2 million utilized for increasing the registered capital of Success Guarantee, a wholly owned subsidiary of the Group. The purpose of this use of proceeds is to enrich the Company’s capital strength base to facilitate the active exploration of new business in the market with the use of new financial technologies in the favourable environment of increased financial compliance requirements. Success Guarantee will be able to undertake a larger scale of guarantee business through this capital increase.
3. the HK\$15.0 million utilized comprised HK\$5.0 million for repayment of interest payment of convertible bonds and HK\$10.0 million for repayment of principal of convertible bonds.
4. the HK\$5.8 million utilized for repayment of interest payment of convertible bonds and handling charges.
5. the HK\$4.3 million utilized for repayment of interest payment of convertible bonds.
6. the 66.2 percent increase of the actual utilization in comparison with the initial planned allocation is from the decision of the management of the Company to repay the principal of the convertible bonds. The management of the Company has confidence that repayment of principal in advance would improve the fund use efficiency of the Group.

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%.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits talents from the open market. The Group offers competitive remuneration packages to qualified employees, including salaries, bonuses, food and regular health examinations and various benefits. The Group places a high importance on staff development and provides training to our staff on a regular basis to enhance their knowledge of the financial products in the market, the applicable laws and regulations and professional skills in relation to the industry in which the Group operates. The Group offers substantially support to employees with its diverse resources to boost their self-esteem and leading to their personal development.

The Group maintained stable relationship with its employees. As at 30 June 2020, the Group had 52 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to five social insurance and one housing fund, employer's liability insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB14.9 million for the six months period ended 30 June 2020.

The Group has adopted a Pre-IPO Share Option Scheme and a Post-IPO Share Option Scheme as incentives to the Directors and eligible employees. on 18 May 2020, the Group has actually granted 31,755,400 share options under the Post-IPO Share Option Scheme adopted by the Company on 18 October 2013.

PROSPECTS AND OUTLOOK

Macro Perspective

Looking forward to the second half of 2020, as the epidemic continues to spread globally, the economic recovery remains shaky on a rough ride. The prolonged easing monetary policies are expected in developed economies, while the emerging economies will become increasingly vulnerable internally and externally. The risk of the recurrent epidemic upticks increases market volatility and hinders the economic recovery. The escalating uncertainties from global and regional political and economic frictions and conflicts are set to add greater pressure on the global economic downturn.

Mainland China's economy has gradually overcome the adverse effects of the epidemic, and the economic operation has steadily revived and shown a recovery growth, manifesting the strong resilience and potential of the domestic economy. However, great downward pressure and uncertainties remain. Looking forward, the Chinese government will strive to fulfill its annual economic and social development goals by maintaining its monetary easing policy, bolstering domestic demand, giving synergistic boost to investment and consumption, and endeavoring to ensure "six stabilities" and "six assurances". Meanwhile, Hong Kong saw an uptick in COVID-19 cases in July, therefore the economy will probably continue its negative growth during the second half of the year.

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.

Management Discussion and Analysis

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.

Review Report of Interim Financial Information

Review report to the board of directors of China Success Finance Group Holdings Limited (Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 18 to 66 which comprises the consolidated statement of financial position of China Success Finance Group Holdings Limited (the “Company”) as of 30 June 2020 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

28 August 2020

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		91,707	34,679
Interest income		—	5,477
Less: interest expenses		(17,667)	(11,307)
Net interest expenses		(17,667)	(5,830)
Service fee from consulting services		1,394	327
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)
Loss before taxation	6(b)	(2,713)	(19,922)
Income tax	6(a)	(14,751)	(890)
Loss for the period		(17,464)	(20,812)
Attributable to:			
Equity shareholders of the Company		(17,994)	(20,947)
Non-controlling interests		530	135
Loss for the period		(17,464)	(20,812)
Loss per share (RMB per share)			
Basic	7(a)	(0.03)	(0.04)
Diluted	7(b)	(0.03)	(0.04)

The notes on pages 25 to 66 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 26(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

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

The notes on pages 25 to 66 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2020 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Assets			
Cash and bank deposits	8	639,665	1,067,291
Pledged bank deposits	9	134,494	95,289
Trade and other receivables	10	639,287	705,669
Factoring receivables	11	54,945	59,112
Finance lease receivables	12	43,862	45,339
Interests in associates	14	41,983	68,541
Plant and equipment	15	8,563	1,217
Intangible assets		2	3
Goodwill	18	1,600	—
Other financial assets	16	68,753	43,753
Deferred tax assets	17(b)	75,317	65,127
Total assets		1,708,471	2,151,341
Liabilities			
Liabilities from guarantees	19	420,224	486,645
Pledged deposits received	20	487,531	766,997
Interest-bearing borrowings	21	59,600	38,555
Liability component of convertible bonds	22	72,308	66,771
Accruals and other payables	23	86,834	223,450
Current tax	17(a)	44,894	21,305
Lease liabilities	24	3,917	669
Total liabilities		1,175,308	1,604,392
NET ASSETS		533,163	546,949

The notes on pages 25 to 66 form part of this interim financial report.

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

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
CAPITAL AND RESERVES			
Share capital	26(b)	4,187	4,187
Reserves		527,763	542,079
Total equity attributable to equity shareholders of the Company		531,950	546,266
Non-controlling interests		1,213	683
TOTAL EQUITY		533,163	546,949

Approved and authorised for issue by the board of directors on 28 August 2020.

張鐵偉
Zhang Tiewei
Director

李斌
Li Bin
Director

The notes on pages 25 to 66 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

Attributable to equity shareholders of the Company											
Note	Share	Share	Capital	Surplus	Regulatory	Exchange	Retained	Total	Non-	Total	
	capital	premium	reserve	reserve	reserve	reserve	earnings/ (accumulated losses)		controlling		equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000		RMB'000
	Note 26(b)	Note 26(c)	Note 26(d)	Note 26(e)	Note 26(f)	Note 26(g)					
Balance at 1 January 2019	4,187	442,174	334,697	56,997	30,988	9,828	97,495	976,366	1,871	978,237	
Changes in equity for the six months ended											
30 June 2019:											
Loss for the period	—	—	—	—	—	—	(20,947)	(20,947)	135	(20,812)	
Exchange differences on translation of financial statements of operations outside the mainland China	—	—	—	—	—	(596)	—	(596)	—	(596)	
Total comprehensive loss	—	—	—	—	—	(596)	(20,947)	(21,543)	135	(21,408)	
Regulatory reserve appropriation	—	—	—	—	14,763	—	(14,763)	—	—	—	
Surplus reserve appropriation	—	—	—	(2)	—	—	2	—	—	—	
Convertible bonds capital reserve	—	—	(17,099)	—	—	—	17,099	—	—	—	
Balance at 30 June 2019 and 1 July 2019	4,187	442,174	317,598	56,995	45,751	9,232	78,886	954,823	2,006	956,829	
Changes in equity for the six months ended											
31 December 2019:											
Loss for the period	—	—	—	—	—	—	(409,114)	(409,114)	(1,323)	(410,437)	
Exchange differences on translation of financial statements of operations outside the mainland China	—	—	—	—	—	(1,332)	—	(1,332)	—	(1,332)	
Total comprehensive loss	—	—	—	—	—	(1,332)	(409,114)	(410,446)	(1,323)	(411,769)	
Contribution from shareholder	26(d)	—	—	1,889	—	—	—	1,889	—	1,889	
Regulatory reserve appropriation	26(f)	—	—	—	(14,763)	—	14,763	—	—	—	
Surplus reserve appropriation	—	—	—	2	—	—	(2)	—	—	—	
Balance at 31 December 2019	4,187	442,174	319,487	56,997	30,988	7,900	(315,467)	546,266	683	546,949	

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020 – unaudited
(Expressed in Renminbi)

Attributable to equity shareholders of the Company										
Note	Share capital RMB'000 Note 26(b)	Share premium RMB'000 Note 26(c)	Capital reserve RMB'000 Note 26(d)	Surplus reserve RMB'000 Note 26(e)	Regulatory reserve RMB'000 Note 26(f)	Exchange reserve RMB'000 Note 26(g)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2020	4,187	442,174	319,487	56,997	30,988	7,900	(315,467)	546,266	683	546,949
Changes in equity for the six months ended 30 June 2020:										
Loss for the period	—	—	—	—	—	—	(17,994)	(17,994)	530	(17,464)
Exchange differences on translation of financial statements of operations outside the mainland China	—	—	—	—	—	340	—	340	—	340
Total comprehensive loss	—	—	—	—	—	340	(17,994)	(17,654)	530	(17,124)
Shares issued under share option scheme	26(c)&(d)	2,612	726	—	—	—	—	3,338	—	3,338
Balance at 30 June 2020	4,187	444,786	320,213	56,997	30,988	8,240	(333,461)	531,950	1,213	533,163

The notes on pages 25 to 66 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
Operating activities			
Cash used in operations		(74,394)	(55,739)
Tax paid	17(a)	(1,352)	(11,748)
Net cash used in operating activities		(75,746)	(67,487)
Investing activities			
Proceeds from disposal of investments in subsidiaries		1,023	—
Payments for purchase of equipment	15(a)	(4,292)	—
Payments for acquisition of a subsidiary	13	(1,530)	—
Proceeds from sales of equipment	15(a)	519	—
Acquisition of financial assets	16	(25,000)	(10,000)
Interest received		5,998	4,479
Net cash used in investing activities		(23,282)	(5,521)
Financing activities			
Proceeds from bank loans	21(a)	50,000	—
Interest paid		(18,773)	(5,098)
Payment on redemption of Note payables		(36,538)	—
Capital and Interest element of lease rentals paid		(624)	(518)
Net cash used in financing activities		(5,935)	(5,616)
Net decrease in cash and cash equivalents		(104,963)	(78,624)
Cash and cash equivalents at 1 January	8	193,837	235,661
Effect of foreign exchanges rates changes		(3,340)	66
Cash and cash equivalents at 30 June	8	85,534	157,103

The notes on pages 25 to 66 form part of this interim financial report.

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 17.

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Guarantee fee income		
— 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
Gross guarantee fee income	636,105	552,161
Less: guarantee service fee	(544,398)	(517,482)
Net guarantee fee income	91,707	34,679
Interest income/(expenses)		
— 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)
Net interest expenses	(17,667)	(5,830)
Service fee from consulting services	1,394	327
Total	75,434	29,176

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%).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE

	Note	Six months ended 30 June	
		2020 RMB'000	2019 RMB'000
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
Total		7,192	9,900

- (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 RMB'000	2019 RMB'000
Provision charged for guarantees issued	19(a)	10,032	1,121
Impairment allowances charged for:			
— receivables from guarantee payments	10(a)(ii)	5,877	3,286
— factoring receivables	11(b)	4,167	(334)
— finance lease receivables	12(b)	1,005	915
— trade and other receivables		550	18,700
Impairment of goodwill		—	5,718
Total		21,631	29,406

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 LOSS BEFORE TAXATION (Continued)

(b) Staff costs

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

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	(30,856)	(36,187)
Tax filing differences	5,915	5,050
Deferred tax		
Origination and reversal of temporary differences	10,190	30,247
Total	(14,751)	(890)

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Loss before taxation	(2,713)	(19,922)
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
Actual tax expense	(14,751)	(890)

- (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%.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

- (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	524,635	524,635

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
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

Cash and bank deposits in the consolidated statement of financial position

	639,665	1,067,291
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 and cash equivalents in the consolidated cash flow statement

	85,534	193,837
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As at 30 June, the restricted pledged deposits received were maintained as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 PLEDGED BANK DEPOSITS

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

10 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)	(187,494)	(181,617)
		52,345	63,580
Trade debtors from consultancy services		329	369
Trade debtors from guarantees		79,737	79,947
		80,066	80,316
Trade receivables	(a)	132,411	143,896
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	29(b)	22,686	20,480
		290,540	259,773
Deferred expenses of online financial guarantee business		288,558	425,580
Mortgage assets		3,106	3,199
Others		57,083	17,117
Total		639,287	705,669

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Continued)

(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		241,583	243,541
Total		319,905	325,513
Less: allowances for doubtful debts	(ii)	(187,494)	(181,617)
Total		132,411	143,896

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Continued)

(a) Aging analysis of trade receivables (Continued)

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 10(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:

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Continued)

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

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

Aging analysis

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
More than 1 year	24,307	24,857
Total	24,307	24,857

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES (Continued)

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

Aging analysis

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

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

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

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.

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11 FACTORING RECEIVABLES

	Note	At 30 June 2020		
		12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
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)	(1,719)	(31,937)	(33,656)
Carrying amount of factoring receivables		54,945	—	54,945

	Note	At 31 December 2019		
		12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
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)	(1,577)	(27,912)	(29,489)
Carrying amount of factoring receivables		55,178	3,934	59,112

(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 RMB'000	At 31 December 2019 RMB'000
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	31,936	51,936
Total	88,601	88,601
Less: allowances for factoring receivables	(33,656)	(29,489)
Total	54,945	59,112

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(Expressed in Renminbi unless otherwise indicated)

11 FACTORING RECEIVABLES (Continued)

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

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12 FINANCE LEASE RECEIVABLES

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

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12 FINANCE LEASE RECEIVABLES *(Continued)*

- (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 RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Overdue	144,567	144,567	145,039	145,039
Within 1 year	46,351	50,898	46,351	50,898
Total	190,918	195,465	191,390	195,937
Less: allowances for finance lease receivables	(147,056)	(147,056)	(146,051)	(146,051)
Net investment in finance lease receivables	43,862	48,409	45,339	49,886

Notes to the Unaudited Interim Financial Report

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12 FINANCE LEASE RECEIVABLES (Continued)

(b) Impairment allowances charged for finance lease receivables

	2020		
	12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Balance at 31 December 2019 and 1 January 2020	1,484	144,567	146,051
Net re-measurement of loss allowance	1,005	—	1,005
Balance at 30 June 2020	2,489	144,567	147,056

	2019		
	12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Balance at 31 December 2018 and 1 January 2019	1,389	4,191	5,580
Net re-measurement of loss allowance	95	140,376	140,471
Balance at 31 December 2019	1,484	144,567	146,051

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

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

Notes to the Unaudited Interim Financial Report

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13 INVESTMENTS IN SUBSIDIARIES

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

Name of Company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Double Chance Developments Limited	BVI Ltd	8 February 2012	1 share of USD1 each	100%	100%	—	Investment holding
Yes Success Limited	BVI Ltd	3 June 2015	1 share of USD1 each	100%	100%	—	Investment holding
China Success Capital Limited	BVI Ltd	29 June 2016	1 share of USD1 each	100%	100%	—	Investment holding
T. M. Management Limited	Hong Kong Ltd	4 March 1986	HKD10,000	100%	—	100%	Provision of portfolio management services such as stocks, funds, bonds and so on outside the PRC
Guangdong Success Finance Guarantee Company Limited ("Success Guarantee")	The PRC Ltd	26 December 1996	RMB430,000,000	99.27%	—	100%	Provision of financial guarantee services in the PRC
Guangdong Success Asset Management Company Limited ("Success Asset")	The PRC Ltd	23 June 2004	RMB170,270,000	99.27%	—	99.27%	Provision of asset management and financial consultancy services in the PRC
China Success Finance Holdings Limited	Hong Kong Ltd	18 November 2011	10,000 shares of HKD1 each	100%	—	100%	Investment holding
Shenzhen Success Financial Leasing Company Limited ("Success Financial Leasing")	The PRC Ltd	6 June 2014	USD28,000,000	100%	—	100%	Provision of financial leasing services in the PRC
Shenzhen Success Equity Investment Fund Management Limited	The PRC Ltd	6 September 2014	RMB15,000,000	100%	—	100%	Equity investment in the PRC
Shenzhen Success Number One Equity Investment Fund Limited Partnership	The PRC LLP	14 January 2015	RMB194,000,000	100%	—	100%	Equity investment in the PRC

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13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of Company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Qianhai Success Housing Wealth Management Company Limited ("Qianhai Success Housing")	The PRC Ltd	8 July 2015	RMB61,000,000	100%	—	100%	Provision of real estate financial services in the PRC
Foshan Success Financial Services Outsourcing Limited ("Success Financial Services")	The PRC Ltd	15 October 2015	RMB30,126,000	60%	—	60%	Provision of real estate financial services in the PRC
China Success Capital (HK) Limited	Hong Kong Ltd	1 August 2016	—	100%	—	100%	Provision of asset management and merger services outside the PRC
Guangzhou Hengyue Number Six Investment Limited Partnership	The PRC LLP	23 February 2017	RMB45,070,027	99.34%	—	100%	Equity investment in the PRC
Yangmianshan Company Limited (Note 1)	The PRC Ltd	15 December 2017	RMB3,000,000	51.00%	—	51.00%	Provision of agricultural development services in the PRC
Foshan Success Cloud Technology Company Limited	The PRC Ltd	9 January 2019	RMB1,000,000	69.49%	—	70%	Provision of cloud technology development services in the PRC

Note 1 On 21 January 2020, Success Financial Leasing invest RMB1,530,000 in Yangmianshan Company, holding 51% of shares. The remaining 49% shares were held by Guangdong Huahuang Investment Co., Ltd. Yangmianshan Company is focused on the biological breeding industry.

Note 2 On 21 February 2020, Foshan government approved the cancellation of Foshan Guangda Asset Management Co., Ltd.

Note 3 On 4 April 2020, Foshan government approved the cancellation of Foshan Success Technologies Co., Ltd.

Note 4 On 12 December 2019, Foshan government approved the cancellation of Foshan Zaisheng Number One Enterprise Management Consultancy Limited Partnership.

Note 5 On 11 December 2019, China Success officially passed the resolution about cancellation of China Success Investment Funds Segregated Portfolio Company and Success Fund Management Limited.

Note 6 On 16 July 2019, Guangzhou Market Supervision and Administration Bureau approved Success Asset to withdraw from Guangzhou Hengyue Number ten investment Limited Partnership.

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14 INTERESTS IN ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation and operation	Fully paid-up capital by all investors	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by a subsidiary	
Foshan Chancheng Success Micro Credit Co., Ltd. ("Success Credit")	Incorporated	The PRC	RMB250,000,000	27.08%	27.28%	Micro credit financing
Guangzhou Hengsheng Fund Management Co., Ltd.	Incorporated	The PRC	RMB23,900,000	40%	40%	Equity fund management
Guangzhou Rongdacheng Information Technology Service Co., Ltd.	Incorporated	The PRC	RMB8,000,000	30%	30%	Information technology
Guangzhou Success Capital Management Co., Ltd. ("Guangzhou Success Capital") (note 1)	Incorporated	The PRC	RMB4,000,000	40%	40%	Business Service

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

Note 1 Together with three entities, Qianhai Success Housing established Guangzhou Success Capital on 24 July 2019. Qianhai Success Housing had paid RMB 4,000,000, which is half of its subscribed capital, and Qianhai Success Housing accounted for 40% of the total subscribed capital.

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14 INTERESTS IN ASSOCIATES (Continued)

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Gross amounts of the associate's		
Current assets	38,146	162,638
Non-current assets	73,192	72,938
Current liabilities	(40,612)	(70,881)
Equity	70,726	164,695
	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Revenue	1,211	5,596
Expenses	(95,180)	(102,278)
Total comprehensive loss	(93,969)	(96,682)
	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
<i>Reconciled to the Group's interests in the associate</i>		
Gross amounts of net assets of the associate	70,726	164,695
Group's effective interest	27.08%	27.08%
Group's share of net assets of the associate	19,153	44,601
Non-controlling interests in the net assets of the associate	141	328
Goodwill	4,232	4,232
Impairment on cost	(5,855)	(5,855)
Carrying amount in the consolidated financial statements	17,671	43,306

As at 30 June 2020, 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.

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14 INTERESTS IN ASSOCIATES (Continued)

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	24,312	25,235
	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Aggregate amounts of the Group's share of those associates		
Loss from operations	(923)	(1,168)
Total comprehensive loss	(923)	(1,168)

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15 PLANT AND EQUIPMENT

(a) Equipment

	Motor vehicles RMB'000	Office and other equipment RMB'000	Construction in Progress RMB'000	Total equipment RMB'000
Cost				
At 1 January 2019	4,110	2,360	—	6,470
Additions	—	28	—	28
Disposals	—	(289)	—	(289)
Exchange adjustments	31	12	—	43
At 31 December 2019 and 1 January 2020	4,141	2,111	—	6,252
Additions	—	9	4,283	4,292
Disposals	—	(519)	—	(519)
Exchange adjustments	28	—	—	28
At 30 June 2020	4,169	1,601	4,283	10,053
Accumulated depreciation				
At 1 January 2019	(3,372)	(1,678)	—	(5,050)
Charge for the year	(270)	(273)	—	(543)
Written back on disposal	—	207	—	207
Exchange adjustments	(15)	(8)	—	(23)
At 31 December 2019 and 1 January 2020	(3,657)	(1,752)	—	(5,409)
Charge for the period	(138)	(59)	—	(197)
Written back on disposal	—	490	—	490
Exchange adjustments	(20)	—	—	(20)
At 30 June 2020	(3,815)	(1,321)	—	(5,136)
Net book value				
At 30 June 2020	354	280	4,283	4,917
At 31 December 2019	484	359	—	843

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15 PLANT AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

During the six months ended 30 June 2020, the Group entered into a number of lease agreements for use of office, and therefore recognised the additions to right-of-use assets of RMB3,646,000 (31 December 2019: RMB374,000).

16 OTHER FINANCIAL ASSETS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Financial assets measured at FVPL		
— Unlisted equity investment	38,375	38,375
— Wealth management product	25,000	—
— Repurchase option	3,650	3,650
— Conversion option embedded in convertible bonds	1,728	1,728
Total	68,753	43,753

At 30 June 2020, the carrying amount of equity investment was RMB 38,375,000 (31 December 2019: RMB38,375,000), 3.5% of the value of Shengshi Junen Enterprise Management Company Limited (“Shengshi Junen Enterprise Management”) and 12.9% of the value of Guangdong Mupai Technology Company Limited (“Guangdong Mupai”).

17 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		44,894	21,305

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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(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	Provision of financial guarantee losses	Impairment allowances for trade and other receivables	Accrued expenses	Share of profit of an associate	Government grants	Interest receivables	Long-term unamortised expenses	Fair value change and losses	Re-guarantee fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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	100,020	(5,036)	54,493	1,976	—	—	(722)	(70,359)	(5,055)	—	75,317

(c) Reconciliation to the consolidated statement of financial position

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

(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.

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17 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(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)).

18 GOODWILL

Cost:

At 1 January 2019	5,695
Exchange adjustments	128
<hr/>	
At 31 December 2019	5,823
Additions	1,600
<hr/>	
At 30 June 2020	7,423
<hr style="border-top: 1px dashed black;"/>	

Accumulated impairment losses:

At 1 January 2019	—
Impairment loss	(5,823)
<hr/>	
At 31 December 2019	(5,823)
Impairment loss	—
<hr/>	
At 30 June 2020	(5,823)
<hr style="border-top: 1px dashed black;"/>	

Carrying amount:

At 30 June 2020	1,600
<hr style="border-top: 3px double black;"/>	
At 31 December 2019	—
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18 GOODWILL (Continued)

On 14 February 2018, the Group acquired 100% ordinary shares of T. M. Management Limited, which is licensed to carry out business of Type 9 Regulated activities as defined in the Securities and Futures Ordinance. The total consideration of the transaction was HKD6,897,000 which was paid in cash, of which HKD1,290,000 has been prepaid as at 31 December 2017. This has resulted in a goodwill arising on a business combination amounted to HKD6,500,000. Since T.M. Management conduct no business activities until 30 June 2020, the Group has charged full impairment for the goodwill of T.M. Management.

On 21 January 2020, the Group acquired 51% ordinary shares of Yangmianshan Limited, which is focused on the biological breeding industry. The total consideration of the transaction was RMB1,530,000. This has resulted in a goodwill arising on a business combination amounted to RMB1,600,000.

19 LIABILITIES FROM GUARANTEES

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

(a) Provision of guarantee losses

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

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20 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.

21 INTEREST-BEARING BORROWINGS

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

(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 22) 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.

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22 LIABILITY COMPONENT OF CONVERTIBLE BONDS

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

	Liability component	Equity component
	RMB'000	RMB'000
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	—
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	—
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	—
At 31 December 2019	66,771	12,596
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	—
At 30 June 2020	72,308	12,596

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(Expressed in Renminbi unless otherwise indicated)

22 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(Continued)*

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 22) and Note payables of RMB9,600,000 (note 21) (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.

23 ACCRUALS AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Accruals and other payables	86,834	223,450

- (i) Accruals and other payables are expected to be settled within one year or time dependent but both of them are repayable on demand.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	At 30 June 2020		At 31 December 2019	
	Present Value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present Value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	1,053	1,272	460	487
After 1 year but within 2 years	762	917	209	219
After 2 years but within 5 years	2,102	2,347	—	—
	2,864	3,264	209	219
	3,917	4,536	669	706
Less: total future interest expenses		(619)		(37)
Present value of lease liabilities		3,917		669

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25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 6 November 2013, the Group granted the share options (the “Pre-IPO Share Options”), it granted one director and 49 employees in the Group to subscribe for ordinary shares of the Group at HKD1.90 each. Each option gives the holder the right to subscribe for one ordinary share in the Group and is settled gross in shares.

On 18 May 2020, the Group granted the share options (the “Post-IPO Share Options”). Upon acceptance by the relevant grantees, it has been granted 31,755,400 share options to subscribe for 31,755,400 ordinary shares of the Company at HKD0.84 each. Among 31,755,400 share options, 3,600,000 share options have been granted to directors of the board of directors, 3,155,400 share options have been granted to core employees of the Group, and 25,000,000 share options have been granted to employees of the Group with specific performance targets for incentives. These options will be exercisable at HKD0.84 per share and mature within 10 years.

(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	
18 May 2020	18 May 2020	17 May 2030	3,600,000	3,155,400	6,755,400	10 years
	31 March 2021	17 May 2030	—	6,250,000	6,250,000	10 years
	31 March 2022	17 May 2030	—	8,750,000	8,750,000	10 years
	31 March 2023	17 May 2030	—	10,000,000	10,000,000	10 years
			3,600,000	28,155,400	31,755,400	
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	200,000	1,800,000	2,000,000	10 years
			1,000,000	9,000,000	10,000,000	

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

Date granted	At 30 June 2020		At 31 December 2019	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Date granted 18 May 2020				
Granted and outstanding on grant day	HKD0.84	31,755	—	—
Forfeited during the period/year	HKD0.84	—	—	—
Exercised during the period/year	HKD0.84	—	—	—
Granted and outstanding at the end of the period/year	HKD0.84	31,755	—	—
Exercisable at the end of the period/year	HKD0.84	6,755	—	—
Date granted 6 November 2013				
Granted and outstanding at the beginning of the period/year	HKD1.90	6,493	HKD1.90	6,498
Forfeited during the period/year	HKD1.90	(20)	HKD1.90	(5)
Exercised during the period/year	HKD1.90	—	HKD1.90	—
Granted and outstanding at the end of the period/year	HKD1.90	6,473	HKD1.90	6,493
Exercisable at the end of the period/year	HKD1.90	6,473	HKD1.90	6,493

Note: The options outstanding at 30 June 2020 had an exercise price of HKD0.84 or HKD1.90 and a weighted average remaining contractual life of 10 years or 3.3 years (31 December 2019: 3.8 years).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(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 and assumptions of share options granted on 18 May 2020

Fair value (weighted average) per share option at measurement date	HKD0.42
Share price	HKD0.84
Exercise price	HKD0.84
Expected volatility rate	52%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	0.55%

Fair value and assumptions of share options granted on 6 November 2013

Fair value (weighted average) per share option at measurement date	HKD1.60
Share price	HKD2.68
Exercise price	HKD1.90
Expected volatility rate	65%
Option life	10 years
Expected dividends	0%
Risk-free interest rate (based on Exchange Fund Notes)	1.87%

The expected volatility is based on the historic volatilities of the share prices of the comparable companies in recent years around the date of valuation. 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.

The exercise of the share options needs to meet the service parts, but this condition is not required to be considered when calculating the fair value on the grant date.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

26 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	800,000	8,000	6,512	800,000	8,000	6,512
Ordinary shares, issued and fully paid:						
At 1 January	524,635	5,246	4,187	524,635	5,246	4,187
Shares repurchased	—	—	—	—	—	—
At 30 June/31 December	524,635	5,246	4,187	524,635	5,246	4,187

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.

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

26 SHARE CAPITAL AND RESERVES (Continued)

(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 (holding companies of Success Guarantee, including the Company, Double Chance, Success Finance and Success Asset) pursuant to a group reorganisation completed on 17 September 2012;
- the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment;
- the amount allocated to the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes.
- the waiver of debts from related parties in 2013.
- Contribution from shareholder: the difference between the acquisition price and the fair value of Guangdong Mupai's equity (see note 16).
- On 18 May 2020, the Group granted 31,755,400 share options to directors and key personnel. Amortization of the share options in the current period form the amounts.

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

26 SHARE CAPITAL AND RESERVES *(Continued)*

(f) Regulatory reserve

According to the Interim Measures for the Administration of Financial Guarantee Companies (“Interim Measures”) issued at 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant government authorities less the provision of financial guarantee losses as regulatory reserve from 2011. According to the details implementation guidance No. 149 issued by the People’s Government of Guangdong Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People’s Government of Guangdong Province.

(g) Exchange reserve

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

(h) Distributability of reserves

At 30 June 2020, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB361,374,000 (31 December 2019: RMB376,510,000).

The directors had not proposed any dividends distribution for the six months ended 30 June 2020 and the years ended 31 December 2019.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

27 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

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

Level 1 valuations:	Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 valuations:	Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
Level 3 valuations:	Fair value measured using significant unobservable inputs.

As at 30 June 2020, the Group's held other financial assets, which were measured at FVPL (Note 16), with fair value measurement categorised into level 3.

Information about Level 3 fair value measurements

The fair values of unlisted equity investment and wealth management product are determined using the latest transaction price.

The fair value of conversion option embedded in convertible bonds is determined using Binominal Model. The valuation was carried by an independent qualified valuer. The Group's management has discussed with the valuer about the valuation assumptions and results.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Other financial assets		
At 1 January	43,753	23,951
Additional investment acquired	25,000	13,738
Conversion option embedded in convertible bonds	—	1,728
Repurchase option	—	3,650
Changes in fair value recognised in profit or loss during the period/year	—	686
At 30 June/31 December	68,753	43,753

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

27 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(ii) Fair values of financial assets and liabilities carried at other than 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 2020 and as at 31 December 2019.

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

(i) Trade and other receivables, factoring receivable and finance lease receivable

Trade and other receivables, factoring receivable and finance lease receivable are initially recognised at fair value and thereafter stated at amortised cost less allowances 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 2.44% to 2.88% as at 30 June 2020 (2019: 2.36% to 2.89%).

28 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	40,680	—

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29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties transactions

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

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

- (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.

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30 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.

DIVIDENDS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

INTEREST IN THE SHARES OF THE COMPANY

Name of Director	Capacity	Notes	Number of Shares	Approximate Percentage of Shareholding ^(Note 6)
Mr. Zhang Tiewei	(1) Beneficial Interest	1, 7	2,038,000	48.23%
	(2) Interest in a controlled corporation		250,994,000	
Mr. Xu Kaiying	(1) Beneficial Interest	2, 7	400,000	48.23%
	(2) Interest in a controlled corporation		252,632,000	
Mr. Pang Haoquan	(1) Beneficial Interest	3, 7	400,000	48.23%
	(2) Interest in a controlled corporation		252,632,000	
Mr. He Darong	Interest in a controlled corporation	4	45,000,000	8.58%
Mr. Li Bin	Beneficial Interest	5	1,400,000	0.27%
Ms. Dai Jing	Beneficial interest	5	1,300,000	0.25%
Mr. Tsang Hung Kei	Beneficial Interest	5	400,000	0.08%
Mr. Au Tien Chee Arthur	Beneficial Interest	5	400,000	0.08%
Mr. Xu Yan	Beneficial Interest	5	400,000	0.08%
Mr. Zhou Xiaojiang	Beneficial Interest	5	400,000	0.08%

Notes:

- Expert Depot Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang Tiewei, our chairman and executive Director.
- Bliss Success Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu Kaiying, our executive Director.
- Novel Heritage Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang Haoquan, our executive Director.

Other Information

4. New Maestro Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. He Darong, our non-executive Director.
5. The Company granted 1,000,000 and 900,000 options under the Pre-IPO Share Option Scheme to Mr. Li Bin and Ms. Dai Jing on 6 November 2013. On 18 May 2020, the Company granted 400,000 share options each person under the Post-IPO Share Option Scheme to all the directors of the Board. Except for Mr. He Darong, the other directors all accepted the share options granted by the Company. None of the aforementioned Pre-IPO and Post-IPO share options granted was exercised or cancelled during the six months period ended 30 June 2020.
6. Calculated with reference to the number of issued Shares (524,635,000) as at 30 June 2020.
7. Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian are deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executives of the Company or their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Name of director	Date of grant	Exercise Period (subject to vesting period)	Exercise price per share HKD	Exercised during the period	Number of shares subject to outstanding options as at 30 June 2020	Approximate percentage of our Company's issued capital
Zhang Tiewei	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Li Bin	6 November 2013	30 June 2014 – 5 November 2023	1.9	Nil	1,000,000	0.19%
	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Dai Jing	6 November 2013	30 June 2014 – 5 November 2023	1.9	Nil	900,000	0.17%
	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Xu Kaiying	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Pang Haoquan	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Tsang Hung Kei	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Au Tien Chee Arthur	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Xu Yan	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%
Zhou Xiaojiang	18 May 2020	18 May 2020 – 17 May 2030	0.84	Nil	400,000	0.08%

Save as disclosed above, at no time during the six-month period ended 30 June 2020 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as is known to the Directors or chief executives of the Company, the following persons other than a Director or chief executive of the Company had an interest or a short position in the Shares and underlying Shares which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name of Shareholder	Capacity	Notes	Number of Shares	Approximate Percentage of Shareholding
Expert Depot Limited	Beneficial interest	1, 6	253,032,000	48.23%
Bliss Success Investments Limited	Beneficial interest	2, 6	253,032,000	48.23%
Novel Heritage Limited	Beneficial interest	3, 6	253,032,000	48.23%
Mr. Chen Guoxian	Interest in a controlled corporation	4, 6	253,032,000	48.23%
Insider Solution Limited	Beneficial interest	4, 6	253,032,000	48.23%
New Maestro Investments Limited	Beneficial interest	5	45,000,000	8.58%

Notes:

- Expert Depot Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Zhang Tiewei, our Chairman and an executive Director. Out of the 253,032,000 Shares held by Expert Depot Limited, 1,638,000 Shares are held by Mr. Zhang Tiewei for his own beneficial interest.
- Bliss Success Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Xu Kaiying, an executive Director.
- Novel Heritage Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Pang Haoquan, an executive Director.
- Insider Solution Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. Chen Guoxian.
- New Maestro Investments Limited is a company incorporated in the BVI whose entire issued share capital is held by Mr. He Darong, the non-executive Director.
- Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian are deemed to be interested in all the Shares held by them in aggregate by virtue of the SFO.

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has the interests or short positions in any Shares or underlying Shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

SHARE OPTION SCHEME

Our Company maintains two share option schemes, namely the Pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and the Post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”, together with the Pre-IPO Share Option Scheme, the “**Share Option Schemes**”) for the purpose of recognising the contribution of the employees of our Group and retaining them for the continual operation and development of our Group. Both schemes were adopted pursuant to a written resolution of all the shareholders of our Company passed on 18 October 2013 (the “**Adoption Date**”).

Under the Share Option Schemes, our Board may, at its discretion, offer any employee (including any executive Directors) of our Group, options to subscribe for shares in our Company subject to the terms and conditions stipulated in the Share Option Schemes.

The Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to enable our Company to grant options to the participants as incentive or rewards for their contributions to our Group.

The total number of shares subject to the options under the Pre-IPO Share Option Scheme is 10,000,000 Shares, which shall vest to the relevant option holder in tranches in the following manner:

- (i) 50% of the options shall vest and become exercisable on 30 June 2014;
- (ii) 30% of the options shall vest and become exercisable on 30 June 2016; and
- (iii) 20% of the options shall vest and become exercisable on 30 June 2018.

On 6 November 2013, our Company granted 10,000,000 options under the Pre-IPO Share Option Scheme. The provisions of the Pre-IPO Share Option Scheme shall in all other respects remain in force and effect and options which are granted during the life on the Pre-IPO Share Option Scheme may continue to exercise in accordance with the respective terms of issue. During the six months period ended 30 June 2020, no share options granted under the Pre-IPO share option scheme were exercised or cancelled and 20,000 share options under the Pre-IPO share option scheme were lapsed.

As at 30 June 2020, there were still 6,473,000 outstanding share options under the Pre-IPO share option scheme.

Other Information

During the six-month period ended 30 June 2020, the movements of the options which have been granted under the Pre-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting Date	Exercise period	Outstanding as at 1 January 2020	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2020
Category 1 — Director							
Li Bin	30 June 2014	30 June 2014 – 5 November 2023	500,000	—	—	—	500,000
	30 June 2016	30 June 2016 – 5 November 2023	300,000	—	—	—	300,000
	30 June 2018	30 June 2018 – 5 November 2023	200,000	—	—	—	200,000
Dai Jing	30 June 2014	30 June 2014 – 5 November 2023	450,000	—	—	—	450,000
	30 June 2016	30 June 2016 – 5 November 2023	270,000	—	—	—	270,000
	30 June 2018	30 June 2018 – 5 November 2023	180,000	—	—	—	180,000
Sub-Total			1,900,000	—	—	—	1,900,000
Category 2 — Employees under continuous employment contract							
	30 June 2014	30 June 2014 – 5 November 2023	2,183,000	—	(10,000)	—	2,173,000
	30 June 2016	30 June 2016 – 5 November 2023	1,446,000	—	(6,000)	—	1,440,000
	30 June 2018	30 June 2018 – 5 November 2023	964,000	—	(4,000)	—	960,000
Sub-Total			4,593,000	—	(20,000)	—	4,573,000
Total			6,493,000	—	(20,000)	—	6,473,000

Notes:

1. The date of grant of the options is 6 November 2013.
2. The options have an exercise price of HK\$1.90.

The Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the shares in issue from time to time.

The maximum number of shares issuable upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Post-IPO Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the shares in issue upon the Listing Date (i.e. 414,044,000 shares after over-allotment option has been exercised). The limit of 10% may be refreshed at any time by approval of the shareholders of our Company in general meeting provided that the total number of the shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

on 18 May 2020 (the “**Date of Grant**”), the Company has actually granted 31,755,400 share options at an exercise price of HK\$0.84 per share under the Post-IPO share option scheme, subject to the acceptance of the relevant grantees. Among them, 3,600,000 share options have been granted to the directors of the Board, 3,155,400 share options have been granted to the core employees of the Group, and 25,000,000 share options have been granted to the employees of the Group who have been set specific performance targets as an incentive.

For the directors and core employees, the share options granted to them may be vested in a lump sum from the Date of Grant and may be exercised at any time before the expiration of the 10-year period from the Date of Grant (the “**Share Option Period**”).

For the employees with performance assessment, the share options granted to them may be exercised only after the employees with performance assessment have achieved the specific performance targets relating to the Group. The Performance Targets have been determined by the Board and set out in the respective grant letter of each Grantee. Unless the Performance Targets are met, the share options granted to the employees with performance assessment will lapse.

Other Information

The share options granted under the Post-IPO share option scheme may be exercised by the employees with performance assessment during the Share Option Period based on the following exercise schedule:

1. firstly exercising up to 25% of the share options at any time from 31 March 2021 till the expiration of the Share Option Period;
2. further exercising up to 35% of the share options at any time from 31 March 2022 till the expiration of the Share Option Period; and
3. in respect of the remaining 40% of the share options, which, for the avoidance of doubt, comprise those share options which have not been exercised (and not lapsed) since 31 March 2021, at any time from 31 March 2023 till the end of the Share Option Period.

During the six months period ended 30 June 2020, no share options granted under the Post-IPO share option scheme were exercised, cancelled or lapsed.

As at 30 June 2020, there were still 31,755,400 outstanding share options under the Post-IPO share option scheme.

Other Information

During the six-month period ended 30 June 2020, the movements of the options which have been granted under the Post-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting Date	Exercise period	Outstanding as at 18 May 2020	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2020
Category 1 — Director							
Zhang Tiewei	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Li Bin	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Dai Jing	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Xu Kaiying	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Pang Haoquan	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Tsang Hung Kei	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Au Tien Chee Arthur	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Xu Yan	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Zhou Xiaojiang	18 May 2020	18 May 2020 – 17 May 2030	400,000	—	—	—	400,000
Sub-Total			3,600,000	—	—	—	3,600,000
Category 2 — Employees under continuous employment contract							
	18 May 2020	18 May 2020 – 17 May 2030	3,155,400	—	—	—	3,155,400
Sub-Total			3,155,400	—	—	—	3,155,400
Category 3 — Employees with performance evaluation							
	31 March 2021	31 March 2021 – 17 May 2030	6,250,000	—	—	—	6,250,000
	31 March 2022	31 March 2022 – 17 May 2030	8,750,000	—	—	—	8,750,000
	31 March 2023	31 March 2023 – 17 May 2030	10,000,000	—	—	—	10,000,000
Sub-Total			25,000,000	—	—	—	25,000,000
Total			31,755,400	—	—	—	31,755,400

Other Information

Notes:

1. The date of grant of the options is 18 May 2020.
2. The options have an exercise price of HK\$0.84.
3. The average closing price of the shares for the five business days immediately before the Date of Grant is HK\$0.816 per share.

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 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.

CHANGES IN DIRECTORS' INFORMATION

During the six-month period ended 30 June 2020, there was no change in directors' information.

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-month 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 report had been reviewed by the Audit Committee and the external auditor, 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.

COMPEITION 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 report.

Other Information

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the reporting period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures undertaken by the Group.

CHARGES ON GROUP ASSETS

During the Reporting Period, there was no assets pledge to secure its borrowings and/or utilities guarantees by the Group.

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 INTERIM REPORT

The electronic version of this report will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinasuccessfinance.com).

APPRECIATION

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

By order of the Board
China Success Finance Group Holdings Limited
ZHANG Tiewei
Chairman

Hong Kong, 28 August 2020

As at the date of this report, 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.