China Success Finance Group Holdings Limited
中國金融發展（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	
	(RMB'000)	*(RMB'000)*	Change In %
REVENUE	**62,386**	75,434	-17.3%
OTHER REVENUE	**4,020**	7,192	-44.1%
PROFIT/(LOSS) BEFORE TAXATION	**13,957**	(2,713)	-614.4%
PROFIT/(LOSS) FOR THE PERIOD	**4,970**	(17,464)	-128.5%
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	**6,273**	(17,124)	-136.6%
EARNINGS/(LOSS) PER SHARE *(RMB PER SHARE)*	**0.02**	(0.03)	-166.7%

	AT 30 JUNE 2021	AT 31 DECEMBER 2020	
	(RMB'000)	*(RMB'000)*	Change In %
TOTAL ASSETS	**1,082,562**	1,198,874	-9.7%
TOTAL EQUITY	**495,386**	479,903	3.2%

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Success Finance Group Holdings Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020. The interim financial information for the six months ended 30 June 2021 has not been audited, but has been reviewed by the audit committee (the "**Audit Committee**") of the Company and the external auditor.

The financial information in this announcement is extracted from the interim report prepared under HKAS 34 "Interim Financial Reporting" issued by HKICPA.

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Guarantee income		**121,337**	636,105
Less: guarantee service fee		**(76,938)**	(544,398)
Net guarantee fee income		**44,399**	91,707
Interest income		**–**	–
Less: interest expenses		**(9,857)**	(17,667)
Net interest expenses		**(9,857)**	(17,667)
Sales of market hogs		**27,820**	–
Service fee from consulting services		**24**	1,394
Revenue	3	**62,386**	75,434
Other revenue	4	**4,020**	7,192
Cost of market hogs sold		**(11,631)**	–
Impairment and provision written back/(charged)	5(a)	**5,063**	(21,631)
Operating expenses		**(26,116)**	(32,241)
Research and development costs		**(931)**	(4,909)
Net changes in fair value of biological assets		**(17,731)**	–
Share of losses of associates		**(1,103)**	(26,558)
Profit/(loss) before taxation	6(b)	**13,957**	(2,713)
Income tax	6(a)	**(8,987)**	(14,751)
Profit/(loss) for the period		**4,970**	(17,464)
Attributable to:			
Equity shareholders of the Company		**8,195**	(17,994)
Non-controlling interests		**(3,225)**	530
Profit/(loss) for the period		**4,970**	(17,464)
Earnings/(loss) per share (RMB per share)			
Basic	7(a)	**0.02**	(0.03)
Diluted	7(b)	**0.02**	(0.03)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2021 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) for the period	**4,970**	(17,464)
Other comprehensive income/(loss) for the period (after tax and reclassification adjustments)	**–**	–
Item that may be reclassified to profit or loss:	**–**	–
Exchange differences on translation of financial statements of operations outside the mainland China	**1,303**	340
Total comprehensive income/(loss) for the period	**6,273**	(17,124)
Attributable to:		
Equity shareholders of the Company	**9,498**	(17,654)
Non-controlling interests	**(3,225)**	530
Total comprehensive income/(loss) for the period	**6,273**	(17,124)

Consolidated Statement of Financial Position
at 30 June 2021 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2021** ***RMB'000***	At 31 December 2020 *RMB'000*
Assets			
Cash and bank deposits		**244,371**	354,105
Pledged bank deposits		**136,223**	175,495
Trade and other receivables	8	**297,960**	302,342
Factoring receivables	9	**54,508**	56,084
Finance lease receivables	10	**42,152**	41,579
Interests in associates		**24,379**	25,482
Biological assets	11	**11,029**	28,399
Inventories		**837**	–
Property, plant and equipment		**169,106**	103,749
Intangible assets		**–**	1
Financial assets measured at fair value through profit or loss (FVPL)		**64,064**	64,187
Deferred tax assets	12	**37,933**	47,451
Goodwill		**–**	–
Total assets		**1,082,562**	1,198,874
Liabilities			
Liabilities from guarantees	13	**178,927**	273,308
Pledged deposits received		**178,518**	239,818
Interest-bearing borrowings	14	**105,000**	50,000
Liability component of convertible bonds	15	**53,587**	60,015
Accruals and other payables		**41,232**	65,393
Current tax		**15,817**	18,908
Lease liabilities		**14,095**	11,529
Total liabilities		**587,176**	718,971
NET ASSETS		**495,386**	479,903

Consolidated Statement of Financial Position
at 30 June 2021 – unaudited (continued)
(Expressed in Renminbi)

	Note	**At 30 June 2021** *RMB'000*	At 31 December 2020 *RMB'000*
CAPITAL AND RESERVES			
Share capital	16(b)	**4,343**	4,266
Reserves		**494,722**	476,091
Total equity attributable to equity shareholders of the Company		**499,065**	480,357
Non-controlling interests		**(3,679)**	(454)
TOTAL EQUITY		**495,386**	479,903

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 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

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

The financial information relating to the financial year ended 31 December 2020 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

2 Changes in accounting policies

The group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

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:

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have an impact on this interim financial report as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3 Revenue and segment reporting

(a) Revenue

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Guarantee fee income		
– Income from financial guarantees	**1,334**	1,601
– Income from online financial guarantees	**119,729**	634,109
– Income from performance guarantees	**271**	376
– Income from litigation guarantees	**3**	19
Gross guarantee fee income	**121,337**	636,105
Less: guarantee service fee	**(76,938)**	(544,398)
Net guarantee fee income	**44,399**	91,707
Interest income/(expenses)		
Interest income	**–**	–
Less: interest expenses	**(9,857)**	(17,667)
Net interest expenses	**(9,857)**	(17,667)
Service fee from consulting services	**24**	1,394
Sales of market hogs	**27,820**	–
Total	**62,386**	75,434

During the six months ended 30 June 2021, the Group's largest single customer contributed 22.47% of the Group's revenue (six months ended 30 June 2020: 1.33%); while the percentage of the Group's top 5 customers' revenue was 31.40% (six months ended 30 June 2020: 2.21%).

During the six months ended 30 June 2021, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 37.71% (six months ended 30 June 2020: 63.70%) 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 58.47% (six months ended 30 June 2020: 96.52%).

3 Revenue and segment reporting (continued)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Financial services: providing guarantee service, factoring service, financial leasing service and consulting service in the People's Republic of China (the "PRC").

- Pig selling: start with year 2020, the Group acquired Yangmianshan Company Limited ("Yangmianshan") to diversify the business of the Group. The main business of Yangmianshan is sales of market hogs in the PRC.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, interests in associates, investments in financial assets, deferred tax assets, inventory and biological assets. Segment liabilities include liabilities from guarantees, pledged deposits received, interest-bearing borrowings, liability component of convertible bonds, accruals and other payables, current tax and lease liabilities.

Revenue and expenses are separate recognized to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates.

The measure used for reporting segment profit is "loss/profit for the period". To arrive at loss/profit for the period the Group's revenue are further adjusted for items, such as impairment, operating expenses and share of gains of associates.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource assessment of segment performance for the period ended 30 June 2021 is set out below:

	Financial services	Pig selling	Total
		Six months ended 30 June	
	2021	**2021**	**2021**
	RMB'000	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition			
Over time:			
Guarantee income	**121,585**	**–**	**121,585**
Inter-segment revenue	**(248)**	**–**	**(248)**
Less: guarantee service fee	**(76,938)**	**–**	**(76,938)**
Net guarantee fee income	**44,399**	**–**	**44,399**
Interest income	**–**	**–**	**–**
Less: interest expenses	**(7,802)**	**(2,055)**	**(9,857)**
Net interest expenses	**(7,802)**	**(2,055)**	**(9,857)**
Service fee from consulting services	**24**	**–**	**24**
Point in time:			
Sales of market hogs	**–**	**27,820**	**27,820**
Reportable segment revenue	**36,621**	**25,765**	**62,386**
Other revenue	**3,520**	**500**	**4,020**
Cost of market hogs sold	**–**	**(11,631)**	**(11,631)**
Impairment and provision charged	**5,063**	**–**	**5,063**
Operating expenses	**(22,704)**	**(3,577)**	**(26,281)**
Inter-segment operating expenses	**–**	**165**	**165**
Research and development costs	**(931)**	**–**	**(931)**
Net changes in fair value of biological assets	**–**	**(17,731)**	**(17,731)**
Share of gains of associates	**(1,103)**	**–**	**(1,103)**
Reportable segment Profit/(loss) before taxation	**20,466**	**(6,509)**	**13,957**
Income tax	**(8,987)**	**–**	**(8,987)**
Reportable segment Profit/(loss) for the period	**11,479**	**(6,509)**	**4,970**
Reportable segment assets	**839,186**	**181,064**	**1,020,250**
Reportable segment liabilities	**401,576**	**169,670**	**571,246**

For the six months ended 30 June 2020 the business is only Financial services.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reportable segment assets and liabilities

	Financial services		Pig selling		Total	
	At 30 June 2021	At 31 December 2020	**At 30 June 2021**	At 31 December 2020	**At 30 June 2021**	At 31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Assets						
Reportable segment assets	**839,186**	992,011	**181,064**	133,930	**1,020,250**	1,125,941
Interests in associates	**24,379**	25,482	**–**	–	**24,379**	25,482
Deferred tax assets	**37,933**	47,451	**–**	–	**37,933**	47,451
Consolidated total assets	**901,498**	1,064,944	**181,064**	133,930	**1,082,562**	1,198,874

	Financial services		Pig selling		Total	
	At 30 June 2021	At 31 December 2020	**At 30 June 2021**	At 31 December 2020	**At 30 June 2021**	At 31 December 2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Liabilities						
Reportable segment liabilities	**401,576**	584,005	**169,670**	115,862	**571,246**	699,867
Elimination of deferred income	**113**	196	**–**	–	**113**	196
Current tax liabilities	**15,817**	18,908	**–**	–	**15,817**	18,908
Consolidated total liabilities	**417,506**	603,109	**169,670**	115,862	**587,176**	718,971

(iii) Geographic information

The reportable segments do not separate by geographic information as major segments business are located in the PRC.

4 Other revenue

	Note	Six months ended 30 June **2021**	2020
		RMB'000	*RMB'000*
Interest income from bank deposits		**3,500**	7,123
Government grants	(a)	**503**	58
Others		**17**	11
Total		**4,020**	7,192

(a) For the six months ended 30 June 2021, Yangmianshan received funding support of RMB500,000 from Heshan Municipal Bureau of Finance. The government grant was derived from the "Governmental Livestock and Poultry Manure Resource Utilization Project for Entire City Promotion" of the Heshan City and recognised as income when received.

For the six months ended 30 June 2020, a government grant amounted to RMB58,000 was rewarded to Guangdong Success Finance Guarantee Company Limited ("Success Guarantee"). 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.

5 Profit/(loss) before taxation

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

(a) Impairment and provision – charged/(written back)

		Six months ended 30 June	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Provision charged/(written back) for guarantees issued	13(a)	**(4,201)**	10,032
Impairment allowances charged/(written back) for:			
– receivables from guarantee payments	9(a)(ii)	**(35)**	5,877
– factoring receivables	10(b)	**(254)**	4,167
– finance lease receivables	11(b)	**(573)**	1,005
– trade and other receivables		**–**	550
Total		**(5,063)**	21,631

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**11,861**	11,378
Contributions to defined contribution retirement plan	**363**	172
Equity settled share-based payment expenses	**2,033**	3,338
Total	**14,257**	14,888

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.

5 **Profit/(loss) before taxation (continued)**

(c) **Other items**

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge	**828**	688
– right-of-use assets	**734**	491
– owned equipment	**94**	197
Amortisation	**3**	73
Operating lease charges in respect of leasing of properties	**123**	102
Auditors' remuneration	**1,764**	1,285
– review services	**1,433**	830
– other services	**331**	455
Net foreign exchange loss	**(143)**	3,340

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

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the period	**–**	(30,856)
Tax filing differences	**531**	5,915
Deferred tax		
Origination and reversal of temporary differences	**(9,518)**	10,190
Total	**(8,987)**	(14,751)

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) before taxation	**13,957**	(2,713)
Notional tax on Profit/(loss) before taxation, calculated at the rates applicable in the jurisdictions concerned	**(3,489)**	678
Tax effect of unused tax losses not recognised	**(5,940)**	(20,632)
Tax effect of non-deductible expenses	**(89)**	(712)
Tax filing differences	**531**	5,915
Actual tax expense	**(8,987)**	(14,751)

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)

(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%.

Pursuant to the article 27 of Law of the People's Republic of China on Enterprise Income Tax (No. 63 Order of the President of the People's Republic of China), Yangmianshan is entitled to full income tax exemptions on its animal husbandry business.

(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 losses from 1 January 2008 of the PRC subsidiaries amounted to RMB275,066,000 as at 30 June 2021 (31 December 2020: RMB289,023,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB8,195,000 (loss for six months ended 30 June 2020: RMB17,994,000) and the weighted average of 532,441,000 ordinary shares (six months ended 30 June 2020: 524,635,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

	Six months ended 30 June	
	2021	2020
	'000	*'000*
Issued ordinary shares at 1 January	**524,635**	524,635
Effect of convertible bonds transferred to shares	**7,806**	–
Weighted average number of ordinary shares at 30 June	**532,441**	524,635

(b) Diluted earning per share

The Group has convertible bonds as dilutive potential ordinary shares during the six months ended 30 June 2021.

As the Group's convertible bonds have an anti-dilutive effect to the basic earnings per share calculation for the six months ended 30 June 2021, and, therefore, diluted earnings per share are the same as the basic earnings per share.

8 Trade and other receivables

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Receivables from guarantee payments	(a)(i)	**138,776**	137,233
Less: allowances for doubtful debts	(a)(ii)	**(134,171)**	(134,171)
		4,605	3,062
Trade debtors from consultancy services		**819**	819
Trade debtors from guarantees		**1,571**	1,621
		2,390	2,440
Trade receivables	(a)	**6,995**	5,502
Down payments for investments net of impairment allowances	(b)	**–**	–
Deposit and other receivables, net of impairment allowances	(c)	**47,429**	44,740
Amounts due from related parties		**1,750**	1,750
		56,174	51,992
Deferred expenses of online financial guarantee business		**135,226**	190,131
Prepayments to online financial guarantees		**4,027**	19,663
Prepayments for constructions		**15,999**	19,469
Prepayments to third parties		**83,035**	17,498
Mortgage assets		**2,927**	3,017
Others		**572**	572
Total		**297,960**	302,342

(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 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month		**300**	451
Over 1 month but less than 3 months		**1,543**	–
Over 3 months but less than 1 year		**451**	3,162
More than 1 year		**138,872**	136,060
Total		**141,166**	139,673
Less: allowances for doubtful debts	(ii)	**(134,171)**	(134,171)
Total		**6,995**	5,502

8 Trade and other receivables (continued)

(a) Aging analysis of trade receivables (continued)

(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 2021, the Group did not dispose of receivables from guarantee payments.

(ii) Trade receivables that are impaired

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

At 30 June 2021, the Group's debtors of RMB134,171,000 (31 December 2020: RMB139,673,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 8(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:

	2021 Lifetime ECL credit-impaired *RMB'000*
As at 31 December 2020	**134,171**
Reversal	**(35)**
Reversal of written-off	**35**
As at 30 June 2021	**134,171**

	2020 Lifetime ECL credit-impaired *RMB'000*
As at 31 December 2019	181,617
Impairment allowances	66,185
Reversal	(40)
Written-off	(113,591)
As at 31 December 2020	134,171

8 Trade and other receivables (continued)

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Down payments for investments	**81,550**	81,550
Less: allowances	**(81,550)**	(81,550)
Total	**–**	–

Aging analysis

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
More than 1 year	**81,550**	81,550
Less: allowances	**(81,550)**	(81,550)
Total	**–**	–

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 30 June 2021, the Group's debtors had impairment allowances of RMB81,550,000 of down payments for investments (31 December 2020: RMB81,550,000). 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 2021 RMB'000	At 31 December 2020 RMB'000
Deposit and other receivables	**138,762**	136,073
Less: allowances for other receivables	**(91,333)**	(91,333)
Total	**47,429**	44,740
Amounts due from related parties	**27,113**	27,113
Less: allowances	**(25,363)**	(25,363)
Total	**1,750**	1,750

8 Trade and other receivables (continued)

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

Aging analysis

Deposit and other receivables

	At 30 June 2021 ***RMB'000***	At 31 December 2020 *RMB'000*
Less than 1 year	**7,228**	14,602
More than 1 year	**131,534**	121,471
Total	**138,762**	136,073
Less: allowances	**(91,333)**	(91,333)
Total	**47,429**	44,740

Amounts due from related parties

	At 30 June 2021 ***RMB'000***	At 31 December 2020 *RMB'000*
Less than 1 year	**–**	1,750
More than 1 year	**27,113**	25,363
Total	**27,113**	27,113
Less: allowances	**(25,363)**	(25,363)
Total	**1,750**	1,750

	2021 Lifetime ECL credit-impaired ***RMB'000***
As at 31 December 2020	**(91,333)**
Net re-measurement of loss allowance	**–**
As at 30 June 2021	**(91,333)**

	2020 Lifetime ECL credit-impaired *RMB'000*
As at 31 December 2019	(68,361)
Net re-measurement of loss allowance	(22,972)
As at 31 December 2020	(91,333)

As at 30 June 2021, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB91,333,000 for which a full impairment allowance had been provided.

9 Factoring receivables

	Note	At 30 June 2021		
		12-month ECL	**Lifetime ECL credit-impaired**	**Total**
		RMB'000	***RMB'000***	***RMB'000***
Factoring receivables		**54,729**	**26,950**	**81,679**
Interest receivable from factoring receivables		**2,172**	**4,986**	**7,158**
Less: allowances for factoring receivables	(a)/(b)	**(2,393)**	**(31,936)**	**(34,329)**
Carrying amount of factoring receivables		**54,508**	**–**	**54,508**

	Note	At 31 December 2020		
		12-month ECL	Lifetime ECL credit-impaired	Total
		RMB'000	*RMB'000*	*RMB'000*
Factoring receivables		56,559	26,950	83,509
Interest receivable from factoring receivables		2,172	4,986	7,158
Less: allowances for factoring receivables	(a)/(b)	(2,647)	(31,936)	(34,583)
Carrying amount of factoring receivables		56,084	–	56,084

(a) Ageing analysis

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

	At 30 June 2021	At 31 December 2020
	RMB'000	*RMB'000*
Within 1 month	**–**	277
Over 1 month but less than 3 months	**–**	517
Over 3 months but less than 1 year	**794**	37,937
More than 1 year	**88,043**	51,936
Total	**88,837**	90,667
Less: allowances for factoring receivables	**(34,329)**	(34,583)
Total	**54,508**	56,084

9 Factoring receivables (continued)

(b) Impairment of factoring receivable

Impairment losses in respect of factoring receivable 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 receivable during the period/year was recognised as follows:

	2021		
	12-month ECL	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Balance at 31 December 2020 and 1 January 2021	**2,647**	**31,936**	**34,583**
Net re-measurement of loss allowance	**(254)**	**–**	**(254)**
Balance at 30 June 2021	**2,393**	**31,936**	**34,329**

	2020		
	12-month ECL	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 31 December 2019 and 1 January 2020	1,577	27,912	29,489
Net re-measurement of loss allowance	1,070	4,024	5,094
Balance at 31 December 2020	2,647	31,936	34,583

10 Finance lease receivables

		At 30 June 2021		
	Note	**12-month ECL**	**Lifetime ECL credit-impaired**	**Total**
		RMB'000	***RMB'000***	***RMB'000***
Net amount of finance lease receivables		**46,351**	**144,568**	**190,919**
Less: allowances for finance lease receivables	(a)/(b)	**(4,199)**	**(144,568)**	**(148,767)**
Carrying amount of finance lease receivables		**42,152**	**–**	**42,152**

		At 31 December 2020		
	Note	12-month ECL	Lifetime ECL credit-impaired	Total
		RMB'000	*RMB'000*	*RMB'000*
Net amount of finance lease receivables		46,351	144,568	190,919
Less: allowances for finance lease receivables	(a)/(b)	(4,772)	(144,568)	(149,340)
Carrying amount of finance lease receivables		41,579	–	41,579

10 Finance lease receivables (continued)

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

	At 30 June 2021		At 31 December 2020	
	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	**160,948**	**160,948**	144,568	144,568
Within 1 year	**29,971**	**30,470**	46,351	50,892
Total	**190,919**	**191,418**	190,919	195,460
Less: allowances for finance lease receivables	**(148,767)**	**(148,767)**	(149,340)	(149,340)
Net investment in finance lease receivables	**42,152**	**42,651**	41,579	46,120

(b) Impairment allowances charged for finance lease receivable

	2021		
	12-month ECL *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2020 and 1 January 2021	**4,772**	**144,568**	**149,340**
Net re-measurement of loss allowance	**(573)**	**–**	**(573)**
Balance at 30 June 2021	**4,199**	**144,568**	**148,767**

	2020		
	12-month ECL *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
Balance at 31 December 2019 and 1 January 2020	1,483	144,568	146,051
Net re-measurement of loss allowance	3,289	–	3,289
Balance at 31 December 2020	4,772	144,568	149,340

10 Finance lease receivables (continued)

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

	At 30 June 2021				At 31 December 2020			
	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	**16,370**	**10**	**144,568**	**160,948**	–	–	144,568	144,568

11 Biological assets

	Current biological assets Market hogs RMB'000	*Non-current biological assets Breeding stock RMB'000*	*Total RMB'000*
At 1 January 2021 (audited)	28,399	–	28,399
Increase due to purchasing/raising	851	11,740	12,591
Decrease due to sales/disposal	(11,684)	(546)	(12,230)
Changes in fair value less costs to sell	(17,566)	(165)	(17,731)
At 30 June 2021 (unaudited)	**–**	**11,029**	**11,029**

(i) Non-current biological assets

Non-current biological assets represent hogs of required qualities that are selected as breeding stock held for own use, including sows held for the production of piglets for sale and/or further raising to become market hogs. Since there was no active market for breeding stock at specific age, the replacement cost approach has been adopted. Market prices for different species of sows have been obtained as a basis for the replacement cost and adjusted for the reduction/consumption of economic useful life by applying the respective metrics to estimate the fair value of breeding stock in different species.

Non-current biological assets may transfer to current biological assets, when the stocks held for own use are sold or will be sold as market hogs.

(ii) Current biological assets

Current biological assets include market hogs which are raised for sale. Market prices were adopted for market hogs as there were active markets for the market hogs.

(iii) The quantities of hogs owned by the Group at the end of the reporting period are as follows:

	At 30 June 2021 ***(Heads)***	At 31 December 2020 *(Heads)*
Current biological assets		
– Market hogs	**–**	5,950
Non-current biological assets		
– Breeding stock	**1,998**	–

11 Biological assets (continued)

(iv) Fair value measurement of biological assets

Fair value hierarchy

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.

The fair value measurements of biological assets fall into level 3 of the fair value hierarchy.

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period and in which they occur.

All of the Group's biological assets were revalued as at 30 June 2021. The valuations were carried out by an independent and qualified valuer, Guangdong Zhongguangxin Asset Appraisal Co., Ltd. (the "Valuer"). The Group's chief financial officer had discussion with the Valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

Information about Level 3 fair value measurement:

	Significant unobservable inputs	*At 30 June 2021*	*At 31 December 2020*
Current biological assets			
– Market hogs	Market price	Not applicable	RMB36.5 per kilogram
Non-current biological assets			
– Breeding stock	Replacement cost	RMB4,925 to RMB5,586 per head	Not applicable

A significant increase/decrease in the estimated market price and replacement cost of market hogs and breeding stock held for own use in isolation would result in a significant increase/decrease in the fair value of the biological assets.

The estimated fair value of market hogs and breeding stock held for own use increases/decreases as a result of an increase/decrease in the market price and replacement cost. As at 30 June 2021, if replacement cost of breeding stock held for own use increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB1,103,000.

The changes in fair value of biological assets are presented in "Net changes in fair value of biological assets" in the consolidated statements of profit or loss and other comprehensive income.

12 Income tax in the consolidated statement of financial position

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

	Note	**At 30 June 2021** **RMB'000**	At 31 December 2020 *RMB'000*
At 1 January		**18,908**	21,305
Provision for PRC income tax for the period/year	6(a)	**(531)**	(373)
PRC income tax paid		**(2,560)**	(2,024)
At 30 June/31 December		**15,817**	18,908

(b) Deferred tax assets and liabilities recognized

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

	Deferred income *RMB'000*	Provision of financial guarantee losses *RMB'000*	Impairment allowances for trade and other receivables *RMB'000*	Accrued expenses *RMB'000*	Share of profit of an associate *RMB'000*	Government grants *RMB'000*	Interest receivables *RMB'000*	Long-term unamortised expenses *RMB'000*	Fair value change gains and losses *RMB'000*	Re-guarantee fee *RMB'000*	Total *RMB'000*
At 1 January 2020	123,530	–	51,981	1,674	–	–	(585)	(106,362)	(5,055)	(56)	65,127
Credited/(charged) to profit or loss	(59,233)	–	(18,438)	(328)	–	–	(307)	58,826	1,804	–	(17,676)
At 31 December 2020 and 1 January 2021	**64,297**	**-**	**33,543**	**1,346**	**-**	**-**	**(892)**	**(47,536)**	**(3,251)**	**(56)**	**47,451**
Credited/(charged) to profit or loss	**(22,137)**	**-**	**-**	**(563)**	**-**	**-**	**(544)**	**13,726**	**-**	**-**	**(9,518)**
At 30 June 2021	**42,160**	**-**	**33,543**	**783**	**-**	**-**	**(1,436)**	**(33,810)**	**(3,251)**	**(56)**	**37,933**

(c) Reconciliation to the consolidated statement of financial position

	At 30 June 2021 **RMB'000**	At 31 December 2020 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**37,933**	47,451

(d) Deferred tax assets not recognised

The Group has not recognised deferred tax assets of RMB89,407,000 (31 December 2020: RMB92,351,000) in respect of cumulative tax losses of RMB RMB374,633,000 (31 December 2020: RMB389,789,000) 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 (RMB128,690,000), Success Guarantee (RMB85,851,000), Success Equity Fund (RMB52,787,000) and will expire in five years under current tax legislation.

(e) Deferred tax liabilities not recognised

At 30 June 2021, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB275,066,000 (31 December 2020: RMB289,023,000). Deferred tax liabilities of RMB27,507,000 (31 December 2020: RMB28,902,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future (note 6 (b) (iv)).

13 Liabilities from guarantees

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Deferred income		**166,808**	256,988
Provision of guarantee losses	(a)	**12,119**	16,320
Total		**178,927**	273,308

(a) Provision of guarantee losses

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
At 1 January		**16,320**	10,111
Charged/(written back) for the period/year	5(a)	**(4,201)**	6,209
At 30 June/31 December		**12,119**	16,320

14 INTEREST-BEARING BORROWINGS

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Bank borrowings	(a)	**105,000**	50,000
– Within 1 year or on demand		**32,000**	50,000
– After 1 year but within 2 years		**8,000**	–
– After 2 years but within 5 years		**65,000**	–
Total		**105,000**	50,000

(a) Bank borrowings

As at 30 June 2021, a short-term interest-bearing loan of RMB30,000,000 were repayable within one year and secured, which bears an interest rate of 4.40%. The bank borrowings were secured by the Group's bank deposits of RMB39,600,000.

On 17 May 2021, the Group borrowed an unsecured long-term interest-bearing loan of RMB75,000,000, which bears an interest rate of 5.58% with repayment arrangement of RMB2,000,000 per quarter from 21 June 2022 to 21 December 2024, RMB3,000,000 per quarter from 21 March 2025 to 21 December 2028, and remaining amount of RMB5,000,000 on 21 March 2029. As at 30 June 2021, the current portion of the long-term loan is RMB2,000,000.

As at 30 June 2021, banking facilities of the Group totaling RMB135,000,000 (31 December 2020: RMB60,000,000) were utilised to the extent of RMB105,000,000 (31 December 2020: RMB50,000,000).

No covenants relating to the Group or the subsidiary's financial ratios were required by the bank as of 30 June 2021.

15 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 *RMB'000*	**Equity component** *RMB'000*
At 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 and 1 January 2020	66,771	12,596
Conversion during the year	(7,129)	(1,500)
Interest charge	13,817	–
Net increase in interest payable	(4,186)	–
Net increase in administrative fee paid in advance	(737)	–
Interest paid	(2,541)	–
Administrative fee paid	(840)	–
Exchange adjustment	(5,140)	–
At 31 December 2020	60,015	11,096
Conversion during the period	**(7,128)**	**(1,500)**
Interest charge	**4,644**	**–**
Net decrease in interest payable	**(2,088)**	**–**
Net increase in administrative fee paid in advance	**(264)**	**–**
Interest paid	**(1,731)**	**–**
Administrative fee paid	**(533)**	**–**
Exchange adjustment	**672**	**–**
At 30 June 2021	**53,587**	**9,596**

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 2021, 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.

15 Liability component of convertible bonds (continued)

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.

16 Share capital and reserves

(a) Dividends

The Company did not declare dividend through six months ended 30 June 2021 and the years ended 31 December 2020. Thus, there is no balance for dividend payable at 30 June 2021.

(b) Share capital

(i) Authorised and issued share capital

	At 30 June 2021			At 31 December 2020		
	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	**533,809**	**5,338**	**4,266**	524,635	5,246	4,187
Convertible bonds convert to share capital & exercise share option	**9,204**	**92**	**77**	9,174	92	79
At 30 June/31 December	**543,013**	**5,430**	**4,343**	533,809	5,338	4,266

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Steadily Developing Traditional Businesses with a Prudent Approach

In the first half of 2021, with the improved access to vaccines and accelerated vaccinations rate around the world, the global Coronavirus Disease ("COVID-19") pandemic showed signs of easing. The global economy has been gradually recovering, despite a considerable economic disparity and imbalance. The Central Government stepped up cross-ministries efforts to strengthen pandemic measures and drive sustained and healthy economic and social development through targeted macro policies. Economic development has shown a steady and positive momentum. However, domestic economic recovery is uneven and greater efforts are required to consolidate the foundation for stable development. The Group's business development and risk management capabilities faced severe hardships brought by the challenging market environment and prolonged COVID-19 pandemic.

In the first half of 2021, threatened by the complex external business environment, the Group continued to adopt prudent and steady business development strategies, as it carefully assessed key factors such as market environment and policy changes, and conducted its traditional businesses in a discretionary manner.

In terms of guarantee business, during the first half of 2021, with its development strategies and observations on market, environment and industries changes, the Group adopted a prudent and steady development strategy, and slowed down its pace of business development. While the Group continued to consolidate its business foundation and optimize its business structure, it followed market trends to increase its presence in the financial technology sector by selecting top institutions for cooperation, exploring and designing personalized financial services which meet customer needs and harnessed the prowess of technology, with a view to providing more precise financial services. Meanwhile, the Group continued to develop the traditional guarantee business by taking advantages of the State's policy of increasing financial support for micro, small and medium-sized enterprises, and built closer ties with financial institutions and explored diversified cooperation opportunities, with an aim to offer customers with diversified financial services.

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 2021 to run business with caution.

Propelling Integrated Services for the Greater Bay Area

The Guangdong-Hong Kong-Macao Greater Bay Area is one of the most dynamic areas in China's economy, and a series of supporting policies and measures have been introduced successively. The State's Outline of the 14th Five-Year-Plan sets out the target of building the Guangdong-Hong Kong-Macao Greater Bay Area as the first echelon to lead high-quality development. The Outline issued by the Guangdong government puts forward that it is of paramount importance to construct the Greater Bay Area and lead the province to form a powerful engine that promotes high-quality development of the national economy with the Greater Bay Area as its main platform. The Group seized major opportunities in the construction of the Greater Bay Area as well as integrated its business resource advantages, and devised plans in developing integrated financing services in the area, supporting the construction within the district.

Expanding and Reinforcing Cooperation Channels

In the first half of 2021, in accordance with its development strategic goal and the integrated market development trend, the Group continued to expand into the field of financial technology and strengthen in-depth exchanges with financial institutions and financial technology companies, jointly to explore diversified business collaboration models, in order to provide customers with more diversified integrated financial services.

Exploring New Category of Industry-finance Integration, While Investing in Livestock Farming Entities

In 2021, the Central Government has been devising plans for pig breeding industry by setting it on the agenda of "Central Document No.1" for years, pushing forward the modernization of agriculture, and accelerating the construction of a modern breeding system to protect basic pig production capacity and improve the mechanism of pig breeding industry for steady and orderly development in the long-term. On the other hand, the "One Belt, One Road" initiatives also brought immense markets and opportunities to the breeding industry.

In the first half of 2021, the Group closely followed the national policies to accelerate the exploration in the integrated mode of "Finance & Entity". The Group's modern pig farm invested in the Greater Bay Area has passed the Environmental Impact Assessment and completed the basic construction work. There are currently 1998 sows and sales of market hogs are estimated to reach 60,000 annually. The breeding farm has officially commenced operation. Due to high operating costs incurred, such as advance infrastructure works, coupled with the fluctuation in the price of pigs, the price of pigs has fallen from the beginning of the year and no profit has been achieved during the Reporting Period. Nonetheless, the Group has completed preliminary assessment on the livestock farming industry and laid the foundation for the future supply chain development of integrated financial services.

Strengthening through Investments, Mergers and Acquisitions

In the first half of 2021, the Group managed to propel construction work in the Success Science and Technology Innovation Park Project, which is one of the benchmarking projects of "Three Olds Redevelopment" in Shunde District. The first phase of construction has been completed and delivered while the second phase of construction was in progress according to the renovation plan. The construction progress and influence have aroused public attention.

FINANCIAL REVIEW

Revenue

For the six months period ended 30 June 2021, the Group's revenue was approximately RMB66.4 million (six months period ended 30 June 2020: approximately RMB82.6 million), representing a decrease of approximately 19.6%. 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 2021,the Group's net revenue generated from financial guarantee services was approximately RMB44.1 million (six months period ended 30 June 2020: approximately RMB91.3 million), representing a decrease of approximately 51.7%.

   In the first half of 2021, the Group adopted a prudent strategy and slowed down its business development in light of the key factors such as market environment and changes in policies. As for the financial technology sector, the Group selected top institutions for cooperation and provided customers with precise financial services by harnessing the prowess of technology. As for the traditional guarantee business, the Group built closer ties with financial institutions and explored diversified cooperation opportunities.

   In the first half of 2021, the net income from the financial guarantee services decreased significantly compared to that for the same period last year, which was mainly due to the decrease in the new guarantee business during the Interim Period as a result of the business restructuring by the Group in the first half of 2021 and the decrease in guarantee income recognized during the period arising from the deferred income derived from the previous years, as a result of the existing guarantee business which is maturing gradually.

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 2021, the Group's revenue generated from non-financial guarantee services decreased by approximately 25.0% to approximately RMB0.3 million (six months period ended 30 June 2020: approximately RMB0.4 million).

   The decrease in revenue from non-financial guarantee business for the first half of 2021 as compared to the same period of last year was due to the fact that the Group optimized its business 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 2021, the Group's revenue generated from financial consultancy services was approximately RMB0.02 million (six months period ended 30 June 2020: approximately RMB1.4 million).

The decrease in revenue from financial consultancy services in the first half of 2021 as compared to the same period of last year was mainly attributable to the maturity of most of the existing businesses of financial consultancy services and the further downsizing by the Group of financial consultancy services in light of the impact from the change in the market environment, resulting in a decrease in the revenue.

4. Revenue from Sales of Market Hogs

For the six months period ended 30 June 2021, the Group's revenue from sales of market hogs was approximately RMB27.8 million (for the year ended 31 December 2020: approximately RMB8.9 million).

In 2020, the Group grasped the opportunities from policy support, industry restructuring and environmental protection and epidemic prevention, invested in livestock farming entities, invested in the construction of pig farms in Greater Bay Area, and operated pig farms with a modern large-scale and standardized breeding model. Currently,the investment and construction of main projects in pig farms have basically been completed and the pig farms have been put into operation. The Group started to record the sales income of market hogs in the second half of 2020, and the sales income achieved accelerated growth in the first half of 2021.

	For the Six months ended 30 June 2021	For the year ended 31 December 2020
	RMB'000	*RMB'000*
Sales of market hogs	**27,820**	8,922
Cost of market hogs sold	**(11,631)**	(3,553)
Net income	**16,189**	5,369

Due to the fluctuation in the price of pigs, the price of pigs has fallen from the beginning of the year, the loss of changes in fair value of biological assets for the period was approximately RMB17.7 million. Nonetheless, the Group has completed preliminary assessment on the livestock farming industry and laid the foundation for the future supply chain development of integrated financial services.

Other Revenue

The Group's other revenue comprised interest income from bank deposits, Government grants and others. For the six months period ended 30 June 2020 and 2021, the Group's other revenue was approximately RMB7.2 million and RMB4.0 million, respectively, representing a decrease of approximately 44.4%.

The decrease in other revenue as compared to the same period of last year was due to the decrease in the Interest income from bank deposits as a result of the decrease in the cash and bank deposits of the Group in the first half of 2021.

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, impairment of investment in associate 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 2021, the Group's operating expenses (including research and development costs) was approximately RMB27.0 million (six months period ended 30 June 2020: approximately RMB37.2 million), decreased by approximately RMB10.2 million or approximately 27.4% when compared with the corresponding period of the last year. The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Salaries	**14,257**	14,888
Audit fee	**1,764**	1,285
Amortization charges	**3**	73
Depreciation charge	**828**	688
Rentals	**123**	102
Intermediary consulting expenses	**4,652**	6,253
Office, travel and entertainment expenses	**1,817**	7,626
Exchange (gains)/loss	**(143)**	3,340
Others	**3,746**	2,895
Total	**27,047**	37,150

The decrease in the intermediary consulting expenses as compared to the same period of last year was mainly due to the decrease in the data service fee relating to the data storage, as a result of the decrease in the new guarantee business of Success Guarantee during the Interim Period, arising from the business restructuring.

The significant decrease in office, travel and entertainment expenses as compared to the same period of last year was mainly due to the decrease in the entertainment expenses incurred by the Group in business operations.

Share of Losses of Associates

The share of losses of associates amounted to a loss of approximately RMB1.1 million for the six months period ended 30 June 2021, representing a decrease of approximately RMB25.5 million from a loss of approximately RMB26.6 million for the six months period ended 30 June 2020.

In the first half of 2021, the Group made provision for the impairment of Success Credit at associate level and recognized the investment loss under the equity method. In 2020, the Group made provision for the impairment of the long-term equity investment of Success Credit at group level and recognized impairment and provision charges. Therefore, no provision for the impairment is required to be made for Success Credit at associate level during the period, resulting in a significant decrease in the share of losses of associates as compared to the same period of last year.

Profit/(Loss) before taxation

Profit/(Loss) before taxation decreased by approximately RMB16.7 million, or approximately 618.5%, from a loss of approximately RMB2.7 million for the six months period ended 30 June 2020 to a profit of approximately RMB14.0 million for the six months period ended 30 June 2021.

The profit before taxation for the period was mainly attributable to: (i) the significant decrease in the operating expenses and the investment losses in the associated enterprises of the Group for the Interim Period as compared to the same period last year; (ii) the significant decrease in the impairment and provision charges of the Group for the Interim Period with a written back amount of RMB5.1 million.

Income Tax

For the six months period ended 30 June 2021, the Group's income tax amounted to approximately RMB9.0 million, representing a decrease of approximately 39.2% from approximately RMB14.8 million in the corresponding period of 2020. The decrease in income tax was mainly due to the fact that income tax was paid in the previous period for the current income recognized for the deferred income from the financial guarantee projects, which resulted in a decrease in the income tax expense for the period.

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 increased from approximately RMB3.1 million as at 31 December 2020 to approximately RMB4.6 million as at 30 June 2021.

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 2021, the current pledged bank deposits amounted to approximately RMB136.2 million (as at 31 December 2020: approximately RMB175.5 million), representing a decrease of approximately RMB39.3 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB244.4 million (31 December 2020: approximately RMB354.1 million), representing a decrease of approximately RMB109.7 million, as compared to the end of last year. The decrease in cash and bank deposits was mainly due to the decrease in pledged deposits placed by third parties as a result of the requirements for the business between the Group and its customers.

Interest Rate Risk and Foreign Exchange Risk

As at 30 June 2021, 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 2021 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 149.8% as at 31 December 2020 to approximately 118.5% as at 30 June 2021, which was mainly due to the decrease in the total liabilities. The decrease in total liabilities was mainly due to the decreases in guarantee liabilities (deferred income), pledged deposits payable to cooperative companies and accruals and other payables.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to the second half of 2021, while the global economic recovery is gathering pace, growth rates largely varied in different countries. Emerging economies are expected to witness a slower rebound due to factors such as financial constraints and slower vaccination rates. Impact brought by the Delta variants has added new uncertainties to the global economic recovery. With the continued control of the pandemic in Mainland China and the acceleration of global economic recovery, China's economy is expected to sustain a stable recovery. Looking forward to the second half of the year, uncertainties of external economies, resurgence of infected cases, and development of Sino-U.S. economic and trade relationship will affect the economic growth of the country. As the pandemic situation in Hong Kong is easing and with decreasing unemployment rate, Hong Kong's economy will stage a stronger rebound in the second half of the year.

In the second half of 2021, in the face of uncertainties brought by external economic conditions as well as the epidemic situation, the Group will continue to adhere to its principle of prudent and steady development. While adopting a prudent approach in growing its traditional businesses, the Group will plan for the Greater Bay China constructions, and enhance its competitiveness through investments, mergers and acquisitions, ensuring a steady growth of the Group.

Steadily Developing Traditional Businesses with a Prudent Approach

In light of the macro-economic situation, the Group will focus on industry policies, grasping market trends, and continue to prudently and steadily develop its traditional businesses. Through integrating resources, leveraging the strengths of each company in the Group, and seeking new cooperation opportunities, the Group strives to add new impetus to its long-term and stable development.

For guarantee business, the Group will continue to deepen its exploration in the field of financial technology, and actively identify win-win cooperation with financial institutions and technology companies, with a view to providing customers with diversified and personalized integrated financial services. Aligning with the country's policy to increase financial support for micro, small and medium-sized enterprises, the Group will continue to develop its traditional guarantee business based on its own advantages, give full play to meeting customers' needs, and jointly explore and design new product models with financial institutions to enrich its product chain, so as to broaden the revenue stream for the Group.

Furthermore, taking the macro environment and policy guidance into consideration, the Group will fully utilize its multi-licenses advantages, prudently provide customers with various types of integrated professional and specialized financial services, to tap the strong demand for the construction of the Greater Bay Area.

Exploring a New Model of Industry-finance Integration and Developing Integrated Financial Services for the Supply Chain

Pig breeding is an important part of agriculture and plays a key role in the “Vegetable Basket Policy” concerning the national economy and people’s livelihood. In March 2021, the “14th Five-Year Plan for Economic and Social Development of the People’s Republic of China and the Outline Plan of the Long-Range Objectives Through the Year 2035” emphasizes that it is necessary to reinforce the position of agriculture, enhance the comprehensive agricultural production capacity, while promoting rural primary, secondary, and tertiary industry integration to extend the agricultural industry chain, improve the rural financing service system, as well as the incentive mechanism for supporting agriculture.

The Group will closely follow national policy direction and expedite the exploration of integrated model of “Finance & Entity”. Leveraging its technological strengths and professional teams, the Group will operate pig farms with a modern, large-scale and standardized breeding model, and take it as a pilot to accelerate financial cooperation with the entire breeding industry chain to conduct in-depth assessment and development of financial products for the entire industry chain. By exploring new model of industry-finance integration, the Group actively responds to the country’s supporting policies for agriculture, and enhances the core competitiveness of the Group.

Propelling Integrated Services for the Greater Bay Area

The Group will continue to grasp development opportunities in the Greater Bay Area. Through integrating its advantage of business resources and seeking opportunities of integrated financial services for constructing the area, the Group will provide specialized financial services and support 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 projects through investments, equity purchases and acquisitions, with an aim to identify new businesses and enhance its comprehensive competitiveness.

OTHER INFORMATION

Dividends

The Board has resolved not to declare an interim dividend by the Company for the six months period ended 30 June 2021.

Corporate Governance

Save as disclosed below, the Company has adopted and complied with the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the six months period ended 30 June 2021.

In respect of code provision A.6.7 of the CG Code, all directors including Non-executive and Independent Non-executive Directors participated in the annual general meeting held on 27 May 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code of Securities Transactions by Directors

The Company has adopted Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding the Directors' transactions of the listed securities of the Company.

In response to the specific enquiry made by the Company, all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and there are no non-compliance with the required standard set out in the Model Code for the six months period ended 30 June 2021.

Audit Committee

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

This interim announcement had been reviewed by the Audit Committee.

Purchase, Sale or Redemption of Listed Securities

Prior to the listing of shares in the share capital of our Company ("**Shares**") on the Stock Exchange, our Company 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 adopted on 18 October 2013. None of the Pre-IPO Share Options granted have been exercised and the Pre-IPO Share Options to subscribe for 15,000 shares were lapsed during the six months period ended 30 June 2021. As at 30 June 2021, the Pre-IPO Share Options to subscribe for 6,458,000 Shares remained unexercised.

Save for the Pre-IPO Share Options, our Company granted options to subscribe for an aggregate of 32,155,400 Shares (the "**Post-IPO Share Options**") pursuant to the Post-IPO share option scheme adopted on 18 October 2013. 30,000 options of the Post-IPO Share Options granted have been exercised during the six months period ended 30 June 2021 and the Post-IPO Share Options to subscribe for 400,000 shares were lapsed during this period. As at 30 June 2021, the Post-IPO Share Options to subscribe for 31,725,400 Shares remained unexercised. The limit on the grant of share options under the Post-IPO share option scheme was refreshed with approval of the shareholders of the Company in general meeting held on 27 May 2021 to 54,301,362 shares, being 10% of the total number of issued shares of the Company as at the date of the general meeting.

Further, the Company would like to provide additional information pursuant to Rule 17.09(3) of the Listing Rules on the Pre-IPO share option scheme and the Post-IPO share option scheme with reference to the annual report of the Group for the year ended 31 December 2020.

The scheme limit of the Pre-IPO share option scheme is 10,000,000 shares and as at 31 December 2020, the Company has granted the Pre-IPO Share Options and hence, no further options can be granted under the Pre-IPO share option scheme.

The limit of the Post-IPO share option scheme is 41,404,400 shares and as at 31 December 2020, the Company has granted 31,755,400 share options and hence, the total number of options available for issue under the Post-IPO share option scheme is 9,649,000 options, representing 1.81% of the issued share capital of 533,809,312 shares of the Company as at 31 December 2020.

On 28 January 2021, the Company received a conversion notice from Chance Talent Management Limited (the "**Purchaser**"), indirectly and wholly-owned by CCB International (Holdings) Limited, for the partial conversion of convertible bond in an aggregate principal amount of HK$10,000,000 at the conversion price of HK$1.09 per Share.

As a result of the Conversion, the Company allotted and issued a total of 9,174,312 Conversion Shares (the "**Conversion Shares**") to the Purchaser, representing approximately 1.69% of the number of issued shares as enlarged by the allotment and issue of the Conversion Shares at the time of conversion. The Conversion Shares rank pari passu with all the existing shares as at the date of allotment and among themselves in all respects. The issued share capital of the Company has been increased to 543,013,624 shares upon allotment and issue of the Conversion Shares.

Save as disclosed above, during the six months period ended 30 June 2021, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

Competition and Conflict of Interests

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

Public Float

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

Events After the Reporting Period

There were no material subsequent events undertaken by the Company or by the Group after 30 June 2021 and up to the date of this announcement.

Publication of the Interim Report

The interim report of the Company for the six months period ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Company (http://www.chinasuccessfinance.com) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

Appreciation

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

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

Hong Kong, 30 August 2021

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