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China Success Finance Group Holdings Limited

中國金融發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS	FOR THE	FOR THE	Change In %
	YEAR ENDED 31 DECEMBER 2021 (RMB'000)	YEAR ENDED 31 DECEMBER 2020 (RMB'000)	
REVENUE	102,616	171,955	-40.3%
OTHER REVENUE	1,910	14,763	-87.1%
LOSS BEFORE TAXATION	(63,084)	(67,253)	-6.2%
LOSS FOR THE YEAR	(82,618)	(84,556)	-2.3%
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(81,066)	(78,257)	3.6%
LOSS PER SHARE (RMB PER SHARE)	(0.13)	(0.16)	-18.8%
	AS AT 31 DECEMBER 2021 (RMB'000)	AS AT 31 DECEMBER 2020 (RMB'000)	Change In %
TOTAL ASSETS	922,182	1,198,874	-23.1%
TOTAL EQUITY	409,476	479,903	-14.7%

ANNUAL 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 year ended 31 December 2021 together with the comparative figures for preceding financial year, as follows:

Consolidated statement of profit or loss for the year ended 31 December 2021

(Expressed in Renminbi)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Guarantee income		212,266	890,147
Less: guarantee service fee		<u>(137,608)</u>	<u>(732,046)</u>
Net guarantee fee income		<u>74,658</u>	<u>158,101</u>
Interest income		<u>–</u>	<u>1,950</u>
Sales of market hogs		<u>27,898</u>	<u>8,922</u>
Service fee from consulting services		<u>60</u>	<u>2,982</u>
Revenue	3	<u>102,616</u>	<u>171,955</u>
Other revenue	4	1,910	14,763
Cost of market hogs sold		(14,752)	(3,553)
Impairment and provision charged	5(a)	(32,755)	(192,346)
Operating expenses		(56,783)	(60,859)
Research and development costs		(1,647)	(6,881)
Interest expenses		(22,334)	(28,578)
Net changes in fair value on financial assets		(17,334)	20,434
Net changes in fair value of biological assets		(22,169)	17,566
Share of gains of associates		<u>164</u>	<u>246</u>
Loss before taxation		<u>(63,084)</u>	<u>(67,253)</u>

Consolidated statement of profit or loss (Continued)
for the year ended 31 December 2020
(Expressed in Renminbi)

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Income tax	6(a)	<u>(19,534)</u>	<u>(17,303)</u>
Loss for the year		<u>(82,618)</u>	<u>(84,556)</u>
Attributable to:			
Equity shareholders of the Company		(71,178)	(83,419)
Non-controlling interests		<u>(11,440)</u>	<u>(1,137)</u>
Loss for the year		<u>(82,618)</u>	<u>(84,556)</u>
Loss per share (RMB per share)			
Basic	8(a)	<u>(0.13)</u>	<u>(0.16)</u>
Diluted	8(b)	<u>(0.15)</u>	<u>(0.16)</u>

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021
(Expressed in Renminbi)

		2021 RMB'000	2020 <i>RMB'000</i>
Loss for the year		(82,618)	(84,556)
Other comprehensive income for the year (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		<u>1,552</u>	<u>6,299</u>
Total comprehensive loss for the year		<u>(81,066)</u>	<u>(78,257)</u>
Attributable to:			
Equity shareholders of the Company		(69,626)	(77,120)
Non-controlling interests		<u>(11,440)</u>	<u>(1,137)</u>
Total comprehensive loss for the year		<u>(81,066)</u>	<u>(78,257)</u>

Consolidated statement of financial position
as at 31 December 2021
(Expressed in Renminbi)

	<i>Note</i>	31 December 2021 RMB'000	31 December 2020 RMB'000
Assets			
Cash and bank deposits		185,440	354,105
Pledged bank deposits		110,608	175,495
Trade and other receivables	9	252,355	302,342
Factoring receivable	10	36,021	56,084
Finance lease receivable	11	24,652	41,579
Interests in associates		25,646	25,482
Biological assets		26,737	28,399
Inventories		1,555	–
Property, plant and equipment		185,109	103,749
Intangible assets		–	1
Financial assets measured at fair value through profit or loss (FVPL)		46,673	64,187
Deferred tax assets		27,386	47,451
Goodwill		–	–
		<hr/>	<hr/>
Total assets		922,182	1,198,874
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Liabilities			
Liabilities from guarantees		123,533	273,308
Pledged deposits received		150,006	239,818
Interest-bearing borrowings		105,000	50,000
Liability component of convertible bonds		58,653	60,015
Accruals and other payables	12	44,912	65,393
Current tax		16,473	18,908
Lease liabilities		14,129	11,529
		<hr/>	<hr/>
Total liabilities		512,706	718,971
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET ASSETS		409,476	479,903
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Consolidated statement of financial position (Continued)
at 31 December 2021
(Expressed in Renminbi)

	<i>Note</i>	31 December 2021 RMB'000	31 December 2020 RMB'000
CAPITAL AND RESERVES			
Share capital	13	4,343	4,266
Reserves		417,027	476,091
Total equity attributable to equity shareholders of the Company		421,370	480,357
Non-controlling interests		(11,894)	(454)
TOTAL EQUITY		409,476	479,903

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities;
- derivative financial instruments; and
- biological assets.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2
- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021

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 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 these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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 financial reporting period, the Group has no rent concessions.

2 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

During the reporting period, the directors have determined that the Group has two business components/reportable segments as the Group starts to engaged in sales of market hogs from 2020 besides its principally in providing financing solutions to customers, which are the bases to allocate resources and assess performance of the Group.

The Company is an investment holding company and the principal place of the Group’s operation is in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Group regarded the PRC as its country of domicile. All the Group’s revenue and non– current assets are principally attributable to the PRC, being the single geographical region.

3. REVENUE

(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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Guarantee fee income		
– Income from financial guarantees	5,436	3,025
– Income from online financial guarantees	206,114	886,390
– Income from performance guarantees	669	711
– Income from litigation guarantees	47	21
	<hr/>	<hr/>
Gross guarantee fee income	212,266	890,147
Less: guarantee service fee	(137,608)	(732,046)
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Net guarantee fee income	74,658	158,101
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Interest income		
– Interest income from factoring	–	1,950
	<hr/>	<hr/>
Service fee from consulting services	60	2,982
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Sales of market hogs	27,898	8,922
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Total	102,616	171,955
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During the year 2021, the Group's largest single customer contributed 15.82% of the Group's revenue (2020: 2.87%); while the percentage of the Group's top 5 customers' revenue was 23.18% (2020: 6.94%).

During the year 2021, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 40.35% (2020: 58.25%) 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 65.70% (2020: 89.12%).

(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"). Income of guarantee service takes major portion of financial services in year 2021.
- 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 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 year". To arrive at loss/profit for the year the Group's revenue are further adjusted for items, such as impairment, operating expenses and share of gains of associates.

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 years ended 31 December 2021 is set out below:

	Financial services		Yangmianshan		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Over time:						
Guarantee income	212,627	890,423	-	-	212,627	890,423
Inter-segment revenue	(361)	(276)	-	-	(361)	(276)
Less: guarantee service fee	(137,608)	(732,046)	-	-	(137,608)	(732,046)
Net guarantee fee income	74,658	158,101	-	-	74,658	158,101
Interest income	-	1,950	-	-	-	1,950
Service fee from consulting services	60	2,982	-	-	60	2,982
Point in time:						
Sales of market hogs	-	-	27,898	8,922	27,898	8,922
Reportable segment revenue	74,718	163,033	27,898	8,922	102,616	171,955

	Financial services		Yangmianshan		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other revenue	1,776	14,756	134	7	1,910	14,763
Cost of market hogs sold	–	–	(14,752)	(3,553)	(14,752)	(3,553)
Impairment and provision charged	(32,755)	(192,346)	–	–	(32,755)	(192,346)
Operating expenses	(47,910)	(56,564)	(9,038)	(4,767)	(56,948)	(61,331)
Inter-segment operating expenses	–	–	165	472	165	472
Research and development costs	(1,647)	(6,881)	–	–	(1,647)	(6,881)
Interest expenses	(17,049)	(26,136)	(5,285)	(2,442)	(22,334)	(28,578)
Net changes in fair value on financial assets	(17,334)	20,434	–	–	(17,334)	20,434
Net changes in fair value of biological assets	–	–	(22,169)	17,566	(22,169)	17,566
Share of gains of associates	164	246	–	–	164	246
Reportable segment (loss)/profit before taxation	(40,037)	(83,458)	(23,047)	16,205	(63,084)	(67,253)
Income tax	(19,534)	(17,303)	–	–	(19,534)	(17,303)
Reportable segment (loss)/profit for the year	(59,571)	(100,761)	(23,047)	16,205	(82,618)	(84,556)
Reportable segment assets	652,771	992,011	216,379	133,930	869,150	1,125,941
Reportable segment liabilities	274,875	584,005	221,358	115,862	496,233	699,867

(ii) **Reportable segment assets and liabilities**

	Financial services		Yangmianshan		Total	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets						
Reportable segment assets	652,771	992,011	216,379	133,930	869,150	1,125,941
Interests in associates	25,646	25,482	–	–	25,646	25,482
Deferred tax assets	27,386	47,451	–	–	27,386	47,451
Consolidated total assets	705,803	1,064,944	216,379	133,930	922,182	1,198,874
Liabilities						
Reportable segment liabilities	274,875	584,005	221,358	115,862	496,233	699,867
Elimination of deferred income	–	196	–	–	–	196
Current tax liabilities	16,473	18,908	–	–	16,473	18,908
Consolidated total liabilities	291,348	603,109	221,358	115,862	512,706	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

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Fair value gain on modification of the terms of convertible bonds		(6,087)	–
Interest income from bank deposits		6,239	11,580
Government grants	(a)	1,715	1,563
Gain from investment in Yangmianshan		–	1,602
Others		43	18
Total		1,910	14,763

- (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 were 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 year ended 31 December 2021, a government grant amounted to RMB1,519,000 (2020: RMB1,480,000) was rewarded to Success Guarantee. Apart from this, some grants were rewarded to the company to maintain its occupation stability and support its development. Overall, the number of government grants counts to RMB1,556,000 (2020: RMB1,547,000).

Foshan Success Cloud Technology Company Limited (“Success Cloud”) received funding support mainly from the Economic Promotion Bureau of Shunde District of Foshan City. The entitlement of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to promote the development of high-tech enterprises and information technology enterprises. For the year ended 31 December 2021, a government grant amounted to RMB25,000 (2020: 8,000) was rewarded to Success Cloud.

In 2021, the Heshan Municipal Finance Bureau provided several government grants totaling RMB2,514,000 to Yangmianshan Company to support its hog farming industry. The amortization of the government subsidy for the year was RMB134,000. (In 2020, the number of government grant awarded to Yangmianshan is RMB8,000)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging

(a) Impairment and provision – charged

	<i>Note</i>	2021 RMB'000	2020 <i>RMB'000</i>
Provision (crediting)/charged for guarantees issued		(1,322)	6,209
Impairment allowances charged for:			
– receivables from guarantee payments	9(a)(ii)	16,893	66,185
– trade debtors receivables	9(a)(ii)	(7,976)	(40)
– down payments for investments	9(b)	–	24,850
– deposit and other receivables	9(c)	–	22,972
– amounts due from related parties	9(c)	–	20,480
– factoring receivable	10(b)	8,233	5,094
– finance lease receivable	11(b)	16,927	3,289
Impairment of Investment in associate		–	43,307
		<u> </u>	<u> </u>
Total		32,755	192,346
		<u> </u>	<u> </u>

(b) Staff costs

	2021 RMB'000	2020 <i>RMB'000</i>
Salaries, wages and other benefits	23,564	22,689
Contributions to defined contribution retirement plan	734	381
Equity settled share-based payment expenses	3,327	5,875
	<u> </u>	<u> </u>
Total	27,625	28,945
	<u> </u>	<u> </u>

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

The Group has no other material obligations for payments of retirement 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**

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Depreciation charge		1,829	2,088
– right-of-use assets		1,628	1,797
– owned equipment		201	291
Amortisation		3	145
Operating lease charges in respect of leasing of properties		120	193
Auditors' remuneration		5,019	3,722
– audit services		2,748	2,396
– other services		2,271	1,326
Net foreign exchange (gain)/loss		<u>(78)</u>	<u>2,013</u>

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Provision for PRC income tax for the year	–	(5,543)
Tax filing differences	<u>531</u>	<u>5,916</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(20,065)</u>	<u>(17,676)</u>
Total	<u>(19,534)</u>	<u>(17,303)</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loss before taxation	<u>(63,084)</u>	<u>(67,253)</u>
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	15,771	16,813
Tax effect of unused tax losses not recognised	(34,467)	(28,079)
Tax effect of non-deductible expenses	(1,369)	(11,953)
Tax filing differences	<u>531</u>	<u>5,916</u>
Actual tax expense	<u>(19,534)</u>	<u>(17,303)</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.
- (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 RMB352,108,000 as at 31 December 2021 (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 DIVIDENDS

The Company did not declare dividend through the year of 2021 and 2020. Thus, there is no balance for dividend payable at 31 December 2021.

8 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 RMB71,178,000 (2020 loss: RMB83,419,000) and the weighted average of 542,305,000 ordinary shares (2020: 525,938,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2021	2020
	'000	'000
Issued ordinary shares at 1 January	525,938	524,635
Effect of convertible bonds transferred to shares	16,367	1,303
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	542,305	525,938
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted loss per share

The Group has convertible bonds as dilutive potential ordinary shares during the year ended 31 December 2021. Diluted loss per share for the year ended 31 December 2021 is 0.15 (2020: 0.16).

9 TRADE AND OTHER RECEIVABLES

	Note	31 December 2021 RMB'000	31 December 2020 RMB'000
Receivables from guarantee payments	(a)(i)	119,840	137,233
Less: allowances for doubtful debts	(a)(ii)	<u>(98,989)</u>	<u>(134,171)</u>
		----- 20,851	----- 3,062
Trade debtors from consultancy services		1,681	819
Trade debtors from guarantees		<u>1,101</u>	<u>1,621</u>
		----- 2,782	----- 2,440
Trade receivables	(a)	----- 23,633	----- 5,502
Down payments for investments net of impairment allowances	(b)	-	-
Deposit and other receivables, net of impairment allowances	(c)	98,437	44,740
Amounts due from related parties	(c)	<u>1,750</u>	<u>1,750</u>
		----- 123,820	----- 51,992
Deferred expenses of online financial guarantee business		92,759	190,131
Prepayments to online financial guarantees		3,617	19,663
Prepayments for constructions		16,122	19,469
Prepayments to third parties		12,630	17,498
Mortgage assets		2,836	3,017
Others		<u>571</u>	<u>572</u>
		----- 252,355	----- 302,342
Total		<u>252,355</u>	<u>302,342</u>

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

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

	<i>Note</i>	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Within 1 month		15,764	451
Over 1 month but less than 3 months		17,561	–
Over 3 months but less than 1 year		2,391	3,162
More than 1 year		86,906	136,060
Total		122,622	139,673
Less: allowances for doubtful debts	(ii)	(98,989)	(134,171)
Total		23,633	5,502

(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 year ended 31 December 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 (see note 1(I)).

At 31 December 2021, the Group’s debtors of RMB122,622,000 (2020: RMB139,673,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 12(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 <i>RMB'000</i>
As at 31 December 2020	134,171
Impairment allowances	16,893
Reversal	(7,976)
Written-off	(44,099)
As at 31 December 2021	98,989

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

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

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Down payments for investments	81,550	81,550
Less: allowances	<u>(81,550)</u>	<u>(81,550)</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

Ageing analysis

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
More than 1 year	81,550	81,550
Less: allowances	<u>(81,550)</u>	<u>(81,550)</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 31 December 2021, the Group's debtors had impairment allowances of RMB81,550,000 of down payments for investments. 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**

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Deposit	17,254	7,226
Other receivables	172,516	128,847
Less: allowances for other receivables	<u>(91,333)</u>	<u>(91,333)</u>
Total	<u>98,437</u>	<u>44,740</u>
Amounts due from related parties	27,113	27,113
Less: allowances	<u>(25,363)</u>	<u>(25,363)</u>
Total	<u>1,750</u>	<u>1,750</u>
Ageing analysis		
Deposit and other receivables	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Less than 1 year	55,377	14,602
More than 1 year	<u>134,393</u>	<u>121,471</u>
Total	<u>189,770</u>	<u>136,073</u>
Less: allowances	<u>(91,333)</u>	<u>(91,333)</u>
Total	<u>98,437</u>	<u>44,740</u>
Amounts due from related parties	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Less than 1 year	1,750	1,750
More than 1 year	<u>25,363</u>	<u>25,363</u>
Total	<u>27,113</u>	<u>27,113</u>
Less: allowances	<u>(25,363)</u>	<u>(25,363)</u>
total	<u>1,750</u>	<u>1,750</u>

Deposit and other receivables	2021 Lifetime ECL credit-impaired RMB'000
As at 31 December 2020	(91,333)
Net re-measurement of loss allowance	<u>–</u>
As at 31 December 2021	<u>(91,333)</u>
Amounts due from related parties	2021 Lifetime ECL credit-impaired RMB'000
As at 31 December 2020	(25,363)
Net re-measurement of loss allowance	<u>–</u>
As at 31 December 2021	<u>(25,363)</u>
Deposit and other receivables	2020 Lifetime ECL credit-impaired RMB'000
As at 31 December 2019	(68,361)
Net re-measurement of loss allowance	<u>(22,972)</u>
As at 31 December 2020	<u>(91,333)</u>
Amounts due from related parties	2020 Lifetime ECL credit-impaired RMB'000
As at 31 December 2019	(4,883)
Net re-measurement of loss allowance	<u>(20,480)</u>
As at 31 December 2020	<u>(25,363)</u>

As at 31 December 2021, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB91,333,000 (2020: RMB91,333,000).

10 FACTORING RECEIVABLE

		31 December 2021		
		12-month ECL	Lifetime ECL	Total
Note		<i>RMB'000</i>	credit-impaired <i>RMB'000</i>	<i>RMB'000</i>
	Factoring receivable	24,729	49,018	73,747
	Interest receivable from factoring receivable	2,067	488	2,555
	Less: allowances for factoring receivable	(2,862)	(37,419)	(40,281)
	Carrying amount of factoring receivable	<u>23,934</u>	<u>12,087</u>	<u>36,021</u>
		31 December 2020		
Note		12-month ECL <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
	Factoring receivable	56,559	26,950	83,509
	Interest receivable from factoring receivable	2,172	4,986	7,158
	Less: allowances for factoring receivable	(2,647)	(31,936)	(34,583)
	Carrying amount of factoring receivable	<u>56,084</u>	<u>-</u>	<u>56,084</u>

(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:

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Within 1 month	-	277
Over 1 month but less than 3 months	-	517
Over 3 months but less than 1 year	44,730	37,937
More than 1 year	<u>31,572</u>	<u>51,936</u>
Total	76,302	90,667
Less: allowances for factoring receivable	<u>(40,281)</u>	<u>(34,583)</u>
Total	<u>36,021</u>	<u>56,084</u>

(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 (see note 1(l)).

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

	2021		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2020 and 1 January 2021	2,647	31,936	34,583
Net re-measurement of loss allowance	215	8,018	8,233
Written-off	–	(2,535)	(2,535)
Balance at 31 December 2021	<u>2,862</u>	<u>37,419</u>	<u>40,281</u>
	2020		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 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	<u>2,647</u>	<u>31,936</u>	<u>34,583</u>

11 FINANCE LEASE RECEIVABLE

		31 December 2021		
			Lifetime ECL credit- impaired	Total
	Note	12-month ECL RMB'000	RMB'000	RMB'000
Net amount of finance lease receivable		–	165,222	165,222
Less: allowances for finance lease receivable	(a)/(b)	–	(140,570)	(140,570)
Carrying amount of finance lease receivable		–	24,652	24,652
		31 December 2020		
			Lifetime ECL credit- impaired	Total
	Note	12-month ECL RMB'000	RMB'000	RMB'000
Net amount of finance lease receivable		46,351	144,568	190,919
Less: allowances for finance lease receivable	(a)/(b)	(4,772)	(144,568)	(149,340)
Carrying amount of finance lease receivable		41,579	–	41,579

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

	31 December 2021		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	165,222	165,222	144,568	144,568
Within 1 year	–	–	46,351	50,892
Total	165,222	165,222	190,919	195,460
Less: allowances for finance lease receivable	(140,570)	(140,570)	(149,340)	(149,340)
Net investment in finance lease receivable	24,652	24,652	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	(4,772)	21,699	16,927
Written-off	–	(25,697)	(25,697)
Balance at 31 December 2021	–	140,570	140,570

	2020		
	12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Balance at 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

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

	31 December 2021				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 receivable	–	46,351	118,871	165,222	–	–	144,568	144,568

12 ACCRUALS AND OTHER PAYABLES

	31 December 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
Accruals and other payables	<u>44,912</u>	<u>65,393</u>

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

13 SHARE CAPITAL AND RESERVES

(a) Authorised and issued share capital

	2021			2020		
	No. of shares '000	Share capital <i>HKD'000</i>	Share capital <i>RMB'000</i>	No. of shares '000	Share capital <i>HKD'000</i>	Share capital <i>RMB'000</i>
Authorised:						
Ordinary shares of HKD0.01 each	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>
Ordinary shares, issued and fully paid:						
At 1 January	533,809	5,338	4,266	524,635	5,246	4,187
Convertible bonds converted into shares	<u>9,204</u>	<u>92</u>	<u>77</u>	<u>9,174</u>	<u>92</u>	<u>79</u>
At 31 December	<u>543,013</u>	<u>5,430</u>	<u>4,343</u>	<u>533,809</u>	<u>5,338</u>	<u>4,266</u>

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

The with regard to the Company's residual assets, 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

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2021 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Steadily Developing Traditional Businesses

In 2021, with the rising COVID-19 vaccination rates and the implementation of different pandemic prevention policies in all countries, the impact of the pandemic on the global economy significantly weakened, the economy started to recover in the world, the global economic growth was increasingly uneven. 2021 marked the year in which China embarked on the new journey toward the second centenary goal. Central government actively developed policies to respond calmly to the century changes and the pandemic, the economy continued to recover steadily, the economic growth rate got ahead of the other major global economies, achieved great beginning in the 14th Five-year Plan. But due to the complicated and volatile political and economic situation, as well as the repeated effects of the pandemic, the sustained and steady economic development has remained challenging.

In 2021, the chain reaction caused by the pandemic led to increased risk exposure and more difficult risk control. Faced with the complicated and changeable internal and external economic environment and the recurring impact of the pandemic, the Group was deeply aware of the importance of risk prevention, business innovation and accelerating the application of financial technology, the Group continued to adhere to steady development strategies while prioritizing risk prevention, the Group continued to adhere to the principle of keeping the business operation steady and prudent, adjusted the business structure, conducted business selectively, slowed down the development of traditional businesses, so as to ensure the steady and sustainable development of the Group.

For guarantee business, in 2021, being affected by the change of external economic situation and market environment as well as the industry policy, under the mechanism for normalizing pandemic prevention and control, the Group slowed down the business development prudently and steadily. The Group continued to work on Fintech and use the force of Fintech to continuously optimize business structure and innovate business models, jointly explored and designed personalized financial service solutions that matches the needs of the customers with cooperative institution to meet the multi-level and diversified financial needs of customers. In terms of traditional guarantee business, the Group strengthened cooperation and exchanges with financial institutions, and supported the development of micro, small and medium-sized enterprises by taking advantage of the national policy of increasing financial support for small, medium and micro enterprises; on the other hand, through taking the opportunity of agriculture cultivation ecosphere created by the Group, it actively explored new ways of cooperation, so as to provide all-around diversified financial service for customers.

For financial leasing, commercial factoring and mega asset management businesses, as national and local departments successively issued several favorable policy documents, the industry will develop toward a healthier direction. The Group adhered to the operating principle of “Dos and Don’ts” to conduct business with caution.

Developing Integrated Services for the Greater Bay Area

The Guangdong-Hong Kong-Macao Greater Bay Area is one of the most open regions with the most dynamic economy in the country. 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 2021, centering on its development strategic goal and the integrated market demand changes, the Group continued to expand into the field of financial technology and further strengthen in-depth exchanges with financial institutions and financial technology companies, constantly explored and improved standardized financial products and improved the efficiency of financial services, so as to provide convenient, fast and efficient integrated financial services for customers.

Exploring New Category of Industry-finance Integration, While Developing Integrated Supply Chain Financial Services

In February 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, ensuring the steady development of pig breeding industry, 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. In August 2021, six departments issued the Opinions on Promoting the Sustainable and Healthy Development of the Pig Industry (《關於促進生豬產業持續健康發展的意見》), established the long-term mechanism for stabilizing production and guaranteeing supply, maintained and continued the long-term support policies and persistently modernized the pig industry.

In 2021, the Group closely followed the national policies to continue to promote the exploration in the integrated mode of "Finance & Entity". With the its modern pig farm invested in the Greater Bay Area as the pilot project, the Group deeply explored the financial cooperation opportunities with the entire aquaculture industry chain, accelerated to develop integrated supply chain financial services. Currently, the breeding farm has passed the environmental impact assessment review and completed the Phase I construction, and officially commenced operation. There are currently 3200 sows, which forms the annual production capacity of 60,000 hogs.

Strengthening through Investments, Mergers and Acquisitions

In 2021, according to the transformation plan, the Group completed the Phase I construction and put into use, and managed to propel Phase II construction work in Success Science and Technology Innovation Park Project, which is one of the benchmarking projects of "Three Olds Redevelopment" in Shunde District. The construction progress and influence have attracted public attention.

FINANCIAL REVIEW

Revenue

The revenue of the Group was mainly generated from the revenue related to the principal businesses of the Group. For the year ended 31 December 2021, the Group's revenue was approximately RMB102.6 million (year ended 31 December 2020: approximately RMB172.0 million), representing a decrease of approximately 40.3%. Detailed analysis of the Group's revenue is as follows:

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 year ended 31 December 2021, the Group's net revenue generated from financial guarantee services was approximately RMB74.0 million (year ended 31 December 2020: approximately RMB157.4 million), representing a decrease of approximately 53.0%.

In 2021, affected by the external economic conditions, the changes in market environment and the industry policy, the Group adopted prudent and sound operation strategy, adjusted its business structure, selectively conducted businesses and slowed down its business development.

In 2021, net revenue from the financial guarantee services decreased significantly compared to the same period last year, primarily because the Group adjusted its business structure in 2021, resulting in a decrease in new guarantee services during the year, and the decrease in financial guarantee services revenue 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.

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 year ended 31 December 2021, the Group's revenue generated from non-financial guarantee services amounted to approximately RMB0.7 million (year ended 31 December 2020: approximately RMB0.7 million). The Group continued to develop non-financial guarantee services to widen source of income for the Group while developing its financial guarantee services.

Financial Consultancy Business

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 year ended 31 December 2021, the Group's revenue generated from financial consultancy services was approximately RMB0.06 million (year ended 31 December 2020: approximately RMB3.0 million).

Revenue from the financial consultancy services in 2021 decreased significantly compared to the last year, primarily due to the most of the original business for the financial consultancy services of the Group had expired as well as to the fact that affected by the changes in market environment, the Group further downsized its financial consultancy services, resulting in less revenue.

Financial Leasing and Factoring Business

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the year ended 31 December 2021 and 2020, the Group did not record any revenue from the financial leasing services. In 2021, the Group did not record any revenue from the factoring business (year ended 31 December 2020: approximately RMB2.0 million).

The financial leasing and factoring business of the Group did not record any revenue in 2021, primarily due to (i) the maturity of most of the original business; and (ii) the fact that affected by the macroeconomic environment and in the face of the increasing market uncertainties during the year, the Group further downsized its financial leasing and factoring business, adopted prudent and sound operation strategy and carefully conducted its business.

Revenue from Sales of Market Hogs

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

In 2020, the Group grasped the opportunities in national supporting policy, industrial transformation, environmental protection and pandemic prevention, etc., acquired equity interest in livestock farming entities, invested in the construction of the hog farms in the Great Bay Area, and implemented the modern, large-scale and standard hog farming model. In 2021, the investment and construction of the main project facilities of the hog farms had been substantially completed and put into operation. The modern hog farms in the Great Bay Area have been officially put into operation during the year, with an annual productivity of 60,000 hogs. The Group begun to record revenue from sales of market hogs from the second half of 2020, and achieve rapid growth in sales revenue in 2021.

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Sales of market hogs	27,898	8,922
Cost of market hogs sold	(14,752)	(3,553)
Net income	<u>13,146</u>	<u>5,369</u>

Other Revenue

The Group's other revenue comprised fair value gain on modification of the terms of convertible bonds, interest income from bank deposits, government grants, proceeds from the investments on Yangmianshan and others. For the years ended 31 December 2020 and 2021, the Group's other revenue were approximately RMB14.8 million and RMB1.9 million, respectively, representing a decrease of approximately 87.2%.

The decrease in other revenue as compared to the same period of last year was due to (i) the loss arising from the modification of the fair value of the terms of the convertible bonds; and (ii) a decrease in the interest income on bank deposits as a result of the decrease in the cash and bank deposits of the Group in 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 year ended 31 December 2021, the operating expenses (including research and development costs) of the Group was approximately RMB58.4 million (for the year ended 31 December 2020: approximately RMB67.7 million). The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

	2021	2020
	RMB'000	RMB'000
Salaries	27,625	28,945
Audit fee	5,019	3,722
Amortization charges	3	145
Depreciation charge	1,829	2,088
Rentals	120	193
Intermediary consulting expenses	10,823	13,240
Office, travel and entertainment expenses	8,327	12,981
Exchange (gains)/loss	(78)	2,013
Others	4,762	4,413
	<hr/>	<hr/>
Total	58,430	67,740
	<hr/> <hr/>	<hr/> <hr/>

The decrease in the intermediary consulting expenses as compared to the same period of last year was mainly due to a decrease in the new guarantee service of Success Guarantee during the year as a result of adjustment to business structure, resulting in a decrease in the data service fee related to its data storage volume.

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.

The audit fee increased compared to the same period of last year, primarily because the audit fee of Yangmianshan Company Limited, a subsidiary of the Group, increased compared to the same period of last year.

Changes in Fair Value of the Financial Assets

Investment of the Group in these two companies was deemed as the financial assets at fair value through current profits and losses, and the changes in fair value of the financial assets of the Group mainly represent the changes in the fair value of the above financial assets. The changes in fair value of the financial assets were evaluated using the asset-based method, which mainly presents the assessed value of the assets and liabilities of the respective target companies. The assumptions for evaluation include the asset transaction assumption, the open market assumption, the assumption of continuing use and the assumption of the continuing operations of the enterprise. During the reporting period, the fair value of the equity interest of the two companies decreased compared to that in the same period of the last year, resulting in a loss arising from changes in fair value of the financial assets of approximately RMB17.3 million during the current period.

Changes in Fair Value of the Biological Assets

The changes in fair value of the biological assets were evaluated using the replacement cost method and the market method and assessed by the external valuer in accordance with the accepted industry standards. The assumptions for evaluation include the estimation of the market price, replacement cost, breeding cost, etc. of the biological assets. As the hog cycle fluctuated during the reporting period, the prices of hogs decreased compared to the beginning of the year, resulting in the impairment of the biological assets of approximately RMB4.6 million and the carrying forward of the evaluation accretion of the biological assets sold in the last year of approximately RMB17.6 million, totaling approximately RMB22.2 million, during the current period. Despite that, the Group has completed the preliminary exploration of the farming industry and started to generate sales revenue. In the future, the Group will continue to keep abreast of the national financial policy and guidelines to support agriculture, so as to provide an important basis for exploring the financial cooperation in the industry chain and developing the comprehensive financial service for the supply chain.

Share of Profits of Associates

The share of profits of associate amounted to a profit of approximately RMB0.2 million for the year ended 31 December 2021, which was basically the same as a profit of approximately RMB0.2 million for the year ended 31 December 2020.

Loss Before Taxation

The Group's loss before taxation decreased by approximately RMB4.2 million, or approximately 6.2%, from a loss of approximately RMB67.3 million for the year ended 31 December 2020 to a loss of approximately RMB63.1 million for the year ended 31 December 2021.

The loss before taxation of the Group in 2021 decreased slightly compared to the same period of last year, primarily due to the combined effect of the following factors: (i) the Group made provision for loss of impairment of approximately RMB32.8 million in 2021, representing a significant decrease of approximately RMB159.5 million from the provision for loss of impairment of approximately RMB192.3 million in 2020; (ii) the operating expenses of the Group decreased compared to the same period of last year; (iii) the Group recorded net revenue from sales of market hogs; (iv) the other revenue and the net revenue from the financial guarantee service of the Group in 2021 decreased significantly compared to the same period of last year; and (v) the fair value of the Group's financial assets and biological assets at fair value through current profits and losses decreased significantly. The decrease in the above relevant expenses and the increase in revenue cannot offset the effect of (iv) and (v).

Income Tax

For the year ended 31 December 2021, the Group's income tax expense amounted to approximately RMB19.5 million, representing an increase of approximately 12.7% from approximately RMB17.3 million of income tax expense in the corresponding period of 2020. The increase in the income tax was primarily due to an increase in the deferred income tax of the Group in 2021.

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 RMB20.9 million as at 31 December 2021. The provision for impairment losses of receivables from guarantee payments in 2021 was approximately RMB16.9 million (2020: approximately RMB66.2 million).

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 31 December 2021, the current pledged bank deposits amounted to approximately RMB110.6 million (31 December 2020: approximately RMB175.5 million), representing a decrease of approximately RMB64.9 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB185.4 million (31 December 2020: approximately RMB354.1 million), representing a decrease of approximately RMB168.7 million, as compared to the end of last year. The Company will have sufficient cash flow to fund its daily operating expenses and cover the outstanding balance of convertible bonds. The decrease in cash and bank deposits was primarily due to the sluggish guarantee business conducted by the Group for its customers, resulting in a decrease in the guarantee deposits placed by third parties.

Interest Rate Risk and Foreign Exchange Risk

As at 31 December 2021, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the year ended 31 December 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 125.2% as at 31 December 2021, which was mainly due to the decrease in total liabilities. The decrease in total liabilities was mainly attributable 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 personnel from the open market and enters into employment contracts with them. The Group offers competitive remuneration packages to employees, including salaries and bonuses to qualified employees. The Group also provides training to the staff on a regular basis to enhance their knowledge of the financial products in the market and the applicable laws and regulations in relation to the industry in which the Group operates.

The Group maintained stable relationship with its employees. As at 31 December 2021, the Group had 93 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to social insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB27.6 million for the year ended 31 December 2021.

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

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to 2022, it is expected that the global impact posted by the COVID-19 pandemic will continue. The advanced economies and emerging markets will differ in economic growth and inflation due to different pandemic situation, rates and effectiveness of vaccination. Virus mutations and disruptions of supply will continue to hamper global growth. Financial market risks, pressure to deal with climate change, policy trade-off and difficulties in coordination will add to the uncertainty of the prospects of global economic recovery. Chinese economy is currently facing triple pressures of shrinking demand, supply shocks, and weakening expectations, the trend of macroeconomic stability and improvement has not changed. The progress of the key tasks of reform and opening up under the State's Outline of the 14th Five-Year-Plan will constantly invigorate the Chinese economy, delivering stable improvement in quality and reasonable growth in quantity. Hong Kong is still faced with challenges from surrounding environment, especially a new wave of COVID-19 pandemic, in terms of the development and recovery its economy.

Facing a more severe, complicated and uncertain external environment with long-lasting impact from virus variations, the Group will continue to adopt prudent and steady business development strategies in 2022 by steadily developing traditional businesses with a prudent approach, while planning for the construction of the Greater Bay and enhancing its competitiveness through investments, mergers and acquisitions, thus ensuring a steady growth of the Group.

Steadily Developing Traditional Businesses with a Prudent Approach

In 2022, the Group will strengthen its judgments in macro-environment and policies, continue to enhance risk prevention, and develop its traditional businesses on a prudent approach. Meanwhile, the Group will proactively explore new business models in light of the actual situation and policies, with a view to providing customers with diversified financial services and contributing to the long-term and sound development of the Group.

For guarantee business, the Group will continue to deepen its exploration in the field of financial technology, increase its strength in financial technologies, thus strengthening risk control in all aspects with technologies and intensifying cooperation with institutions in the field of integrated financial services, so as to develop new products in line with policy guidance and market demand. Meanwhile, aligning with the country's policy to increase financial support for micro, small and medium-sized enterprises, we will continue to develop its traditional guarantee business, create synergies, seek multi-channel and multi-form cooperation, and explore the market demand for supply chain of financial services, so as to broaden the revenue stream for the Group.

Taking the macro environment and policy guidance into consideration, the Group will fully leverage its multi-licenses advantages, and 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 overall development of China's agriculture and the supply of the "Vegetable Basket Policy" for the people. The Outline of the 14th Five-Year-Plan and the Outline Plan of the Long-Range Objectives For the Year 2035 emphasize 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.

Fully leveraging its existing technological strengths and professional teams, the Group will actively explore opportunities in the integrated mode of "Finance & Entity", operate pig farms with a modern, large-scale and standardized breeding model, while responding to the country's supporting policies for agriculture through financing services, exploring opportunities for cooperation in the entire pig breeding industry chain, and striving to build a one-stop financial service platform for the pig-breeding sector, so as to enhance the profitability of the Group.

Propelling Integrated Services for the Greater Bay Area

The Group will actively grasp the opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area and integrated itself into the strategic construction of the Greater Bay Area with its own advantages, propelling the development of enterprises in the Greater Bay Area by providing specialized financial services.

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 by investments, equity purchases and acquisitions, aiming to explore new businesses and enhance its comprehensive competitiveness.

OTHER INFORMATION

Purchase, Sale or Redemption of Our Company's 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 twelve-month period ended 31 December 2021, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 25,000 shares were lapsed. As at 31 December 2021, the Pre-IPO Share Options to subscribe for 6,448,000 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. 30,000 shares of the Post-IPO Share Options have been exercised and the Post-IPO Share Options to subscribe for 120,000 shares were lapsed during the twelve-month period ended 31 December 2021. As at 31 December 2021, the Post-IPO Share Options to subscribe for 31,605,400 shares remained outstanding.

As stated in the former announcements, the Convertible Bonds matured on 31 January 2021 and it was further extended to 31 January 2022. On 28 January 2021, the Chance Talent Management Limited (the “**Purchaser**”) partially converted the convertible bonds in the aggregate principal amount of HK\$10,000,000 at the conversion price of HK\$1.09 per share. The Company allotted and issued a total of 9,174,312 conversion shares to the Purchaser, representing approximately 1.69% of the enlarged issued share capital of the Company at that time. For further details of the convertible bonds, please refer to the section headed “EVENTS AFTER THE REPORTING PERIOD” in this announcement and the announcements of the Company dated 28 January 2021, 29 January 2021, 24 September 2021 and 24 November 2021.

Save as disclosed above, during the twelve-month period ended 31 December 2021, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities.

Corporate Governance

Our Company has adopted and complied with the code provisions (the “**Code Provisions**”) as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules for the year ended 31 December 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 the standard set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) (the “**Model Code**”) to the Listing Rules, in relation to the dealings in securities of the Company by the Directors.

The Group has made specific enquiry to all Directors and each Director has confirmed that he/she has complied with the standard set out in the Model Code for the year ended 31 December 2021.

Dividends

The Board resolved not to declare any dividend for the year ended 31 December 2021.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) on 18 October 2013 with terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor(s), review the financial statements and provide material advice in respect of financial reporting and oversee the internal control and risk management systems of the Company. As at 31 December 2021, the Audit Committee comprises Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei has been appointed as the chairman of the Audit Committee.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2021. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

Events after the Reporting Period

On 18 January 2022, the Company received the conversion notice from the Purchaser in relation to the partial conversion of convertible bonds with a principal amount of HK\$5,000,000 at a conversion price of HK\$1.09 per share. The Company allotted and issued a total of 4,587,156 conversion shares to the Purchaser, representing approximately 0.84% of the enlarged issued share capital of the Company.

The convertible bonds will be due on 31 January 2022. Upon the maturity of the convertible bonds, the Company shall redeem the outstanding convertible bonds and fully settle the outstanding principal together with the interest thereon and the costs payable to the Purchaser. The Company has discussed with the Purchaser the status of the convertible bonds and the further amendments to the terms and conditions of the convertible bonds. The Company has received a notice from the Purchaser confirming that it has no intention to take any action in relation to the convertible bonds before completion of the discussion of the new terms.

On 9 February 2022, the Group had redeemed part of the principal amount of the convertible bonds (being HK\$500,000) from the Purchaser and fully settled the relevant interest thereon. Upon redemption, the aggregate carrying amount of the convertible bonds decreased to HK\$58,500,000. The number of conversion shares underlying the remaining convertible bonds was 53,669,704 shares.

For details of the conversion of the convertible bonds into shares after the reporting period, please refer to the announcements of the Company dated 18 January 2022 and 28 January 2022.

Annual General Meeting

The annual general meeting of the Company (the “AGM”) for the year ended 31 December 2021 is scheduled to be held on 26 May 2022. A notice of AGM will be issued and disseminated to the shareholders of the Company in due course.

Closure of Register of Members

The Company’s register of members will be closed from 23 May 2022 to 26 May 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 20 May 2022.

Publication of the annual results announcement and annual report

This announcement has been published on the website of the Company (<http://www.chinasuccessfinance.com>) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 March 2022

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.