

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change In %
	2022 (RMB'000)	2021 (RMB'000)	
REVENUE	46,468	72,243	-35.7%
OTHER REVENUE	8,546	4,020	112.6%
(LOSS)/PROFIT BEFORE TAXATION	(67,841)	13,957	-586.1%
(LOSS)/PROFIT FOR THE PERIOD	(65,281)	4,970	-1,413.5%
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	(67,898)	6,273	-1,182.4%
BASIC (LOSS)/EARNINGS PER SHARE (RMB PER SHARE)	(0.11)	0.02	-650.0%
	AS AT 30 JUNE 2022 (RMB'000)	AS AT 31 DECEMBER 2021 (RMB'000)	Change In %
TOTAL ASSETS	833,300	922,182	-9.6%
TOTAL EQUITY	351,030	409,476	-14.3%

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 2022 together with the comparative figures for the corresponding period in 2021. The interim financial information for the six months ended 30 June 2022 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 2022 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Guarantee income		61,462	121,337
Less: guarantee service fee		(46,675)	(76,938)
Net guarantee fee income		14,787	44,399
Sales of market hogs		31,066	27,820
Service fee from consulting services		615	24
Revenue	3	46,468	72,243
Other revenue	4	8,546	4,020
Cost of market hogs sold		(28,602)	(11,631)
Impairment and provision (charged)/written back	5(a)	(58,644)	5,063
Operating expenses		(34,011)	(26,116)
Research and development costs		(792)	(931)
Interest expenses		(8,889)	(9,857)
Net changes in fair value on financial assets		(216)	–
Net changes in fair value of biological assets		9,608	(17,731)
Share of losses of associates		(1,309)	(1,103)
(Loss)/Profit before taxation	6(b)	(67,841)	13,957
Income tax	6(a)	2,560	(8,987)
(Loss)/Profit for the period		(65,281)	4,970
Attributable to:			
Equity shareholders of the Company		(62,577)	8,195
Non-controlling interests		(2,704)	(3,225)
(Loss)/Profit for the period		(65,281)	4,970
(Loss)/Earnings per share (RMB per share)			
Basic	7(a)	(0.11)	0.02
Diluted	7(b)	(0.11)	0.02

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/Profit for the period	(65,281)	4,970
Other comprehensive (loss)/income for the period (after tax and reclassification adjustments)		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the mainland China	<u>(2,617)</u>	<u>1,303</u>
Total comprehensive (loss)/income for the period	<u>(67,898)</u>	<u>6,273</u>
Attributable to:		
Equity shareholders of the Company	<u>(65,194)</u>	9,498
Non-controlling interests	<u>(2,704)</u>	<u>(3,225)</u>
Total comprehensive (loss)/income for the period	<u>(67,898)</u>	<u>6,273</u>

Consolidated Statement of Financial Position
at 30 June 2022 – unaudited
(Expressed in Renminbi)

		At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Assets			
Cash and bank deposits		163,064	185,440
Pledged bank deposits		85,730	110,608
Trade and other receivables	8	198,580	252,355
Factoring receivables	9	27,627	36,021
Finance lease receivables	10	11,349	24,652
Interests in associates		24,337	25,646
Biological assets	11	47,588	26,737
Inventories		4,143	1,555
Property, plant and equipment		194,193	185,109
Financial assets measured at fair value through profit or loss (FVPL)		46,587	46,673
Deferred tax assets	12(b)	30,102	27,386
Goodwill		–	–
Total assets		833,300	922,182
Liabilities			
Liabilities from guarantees	13	85,909	123,533
Pledged deposits received		125,617	150,006
Interest-bearing borrowings	14	137,975	105,000
Liability component of convertible bonds	15	49,450	58,653
Accruals and other payables		53,489	44,912
Current tax	12(a)	16,491	16,473
Lease liabilities		13,339	14,129
Total liabilities		482,270	512,706
NET ASSETS		351,030	409,476

Consolidated statement of financial position
at 30 June 2022 – unaudited (continued)
(Expressed in Renminbi)

		At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
	<i>Note</i>		
CAPITAL AND RESERVES			
Share capital	16(b)	4,419	4,343
Reserves		361,209	417,027
		<hr/>	<hr/>
Total equity attributable to equity shareholders of the Company		365,628	421,370
Non-controlling interests		(14,598)	(11,894)
		<hr/>	<hr/>
TOTAL EQUITY		351,030	409,476
		<hr/> <hr/>	<hr/> <hr/>

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 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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.

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:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

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 HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments do not have an impact on this interim financial report as the Group does not have contracts that are onerous.

3 Revenue and segment reporting

(a) Revenue

The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Guarantee fee income		
– Income from online financial guarantees	60,421	119,729
– Income from financial guarantees	505	1,334
– Income from performance guarantees	471	271
– Income from litigation guarantees	65	3
	<hr/>	<hr/>
Gross guarantee fee income	61,462	121,337
Less: guarantee service fee	(46,675)	(76,938)
	<hr/>	<hr/>
Net guarantee fee income	14,787	44,399
	<hr/>	<hr/>
Service fee from consulting services	615	24
Sales of market hogs	31,066	27,820
	<hr/>	<hr/>
Total	46,468	72,243
	<hr/>	<hr/>

The principal activities of the Group are the provision of guarantees, financial leasing, factoring, sales of market hogs and financial consultancy services.

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 financial consultancy services 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 allocated 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 purpose of resource assessment of segment performance for the period is set out below:

	Financial services		Yangmianshan		Total	
			Six months ended 30 June			
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Over time:						
Guarantee income	61,462	121,585	-	-	61,462	121,585
Inter-segment revenue	-	(248)	-	-	-	(248)
Less: guarantee service fee	(46,675)	(76,938)	-	-	(46,675)	(76,938)
Net guarantee fee income	14,787	44,399	-	-	14,787	44,399
Service fee from consulting services	615	24	-	-	615	24
Point in time:						
Sales of market hogs	-	-	31,066	27,820	31,066	27,820
Reportable segment revenue	15,402	44,423	31,066	27,820	46,468	72,243
Other revenue	8,351	3,520	195	500	8,546	4,020
Cost of market hogs sold	-	-	(28,602)	(11,631)	(28,602)	(11,631)
Impairment and provision charged	(58,644)	5,063	-	-	(58,644)	5,063
Operating expenses	(20,230)	(22,704)	(13,781)	(3,577)	(34,011)	(26,281)
Inter-segment operating expenses	-	-	-	165	-	165
Research and development costs	(792)	(931)	-	-	(792)	(931)
Interest expenses	(5,442)	(7,802)	(3,447)	(2,055)	(8,889)	(9,857)
Net changes in fair value on financial assets	(216)	-	-	-	(216)	-
Net changes in fair value of biological assets	-	-	9,608	(17,731)	9,608	(17,731)
Share of gains of associates	(1,309)	(1,103)	-	-	(1,309)	(1,103)
Reportable segment (loss)/profit before taxation	(62,880)	20,466	(4,961)	(6,509)	(67,841)	13,957
Income tax	2,560	(8,987)	-	-	2,560	(8,987)
Reportable segment (loss)/profit for the period	(60,320)	11,479	(4,961)	(6,509)	(65,281)	4,970
Reportable segment assets	529,355	839,186	249,506	181,064	778,861	1,020,250
Reportable segment liabilities	206,334	401,576	259,445	169,670	465,779	571,246

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reportable segment assets and liabilities

	Financial services		Yangmianshan		Total	
	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Assets						
Reportable segment assets	529,355	652,771	249,506	216,379	778,861	869,150
Interests in associates	24,337	25,646	-	-	24,337	25,646
Deferred tax assets	30,102	27,386	-	-	30,102	27,386
Consolidated total assets	<u>583,794</u>	<u>705,803</u>	<u>249,506</u>	<u>216,379</u>	<u>833,300</u>	<u>922,182</u>

	Financial services		Yangmianshan		Total	
	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Liabilities						
Reportable segment liabilities	206,334	274,875	259,445	221,358	465,779	496,233
Elimination of deferred income	-	-	-	-	-	-
Current tax liabilities	16,491	16,473	-	-	16,491	16,473
Consolidated total liabilities	<u>222,825</u>	<u>291,348</u>	<u>259,445</u>	<u>221,358</u>	<u>482,270</u>	<u>512,706</u>

(iii) Geographic information

The reportable segments are not categorised by geographic location as all major segments businesses are located in the PRC.

4 Other revenue

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Fair value gain on modification of the terms of convertible bonds		6,938	–
Interest income from bank deposits		1,807	3,500
Government grants	(a)	218	503
Others		(417)	17
Total		<u>8,546</u>	<u>4,020</u>

- (a) The Heshan Municipal Finance Bureau provided several government grants totaling RMB2,514,000 for Yangmianshan Company to support its hog farming industry in 2021. The amortization of the government subsidy for the six months ended 30 June 2022 was RMB194,000.

Guangdong Success Finance Guarantee Company Limited (“**Success Guarantee**”) received funding from Foshan Municipal Bureau of Finance. The entitlement of the government grants were subject to 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. Apart from this, some grants were rewarded to the Company to maintain its occupation stability and support its development.

5 (Loss)/Profit before taxation

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

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

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
Provision charged/(written back) for guarantees issued	13(a)	10,392	(4,201)
Impairment allowances charged/(written back) for:			
– receivables from guarantee payments	8(a)(ii)	24,530	(35)
– factoring receivables	9(b)	3,396	(254)
– finance lease receivables	10(b)	13,303	(573)
– trade and other receivables		7,023	–
Total		<u>58,644</u>	<u>(5,063)</u>

(b) Staff costs

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries, wages and other benefits	12,808	11,861
Contributions to defined contribution retirement plan	431	363
Equity settled share-based payment expenses	1,000	2,033
Total	<u>14,239</u>	<u>14,257</u>

5 (Loss)/Profit before taxation (continued)

(b) Staff costs (continued)

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 local authorities whereby the PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employees’ salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

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

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

(c) Other items

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Depreciation charge	913	828
– right-of-use assets	807	734
– owned equipment	106	94
Amortisation	–	3
Operating lease charges in respect of leasing of properties	44	123
Auditors’ remuneration	1,700	1,764
– review services	1,443	1,433
– other services	257	331
Net foreign exchange loss/(gain)	960	(143)

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	
	2022	2021
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	–	–
Tax filing differences	(156)	531
Deferred tax		
Origination and reversal of temporary differences	2,716	(9,518)
Total	2,560	(8,987)

6 Income tax in the consolidated statement of profit or loss (continued)

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
(Loss)/Profit before taxation	(67,841)	13,957
Notional tax on profit/(loss) before taxation, calculated at the rates applicable in the jurisdictions concerned	16,961	(3,489)
Tax effect of unused tax losses not recognised	(14,079)	(5,940)
Tax effect of non-deductible expenses	(166)	(89)
Tax filing differences	(156)	531
Actual tax income/(expense)	2,560	(8,987)

- (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 RMB419,950,000 as at 30 June 2022 (31 December 2021: RMB352,108,000) 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

The calculation of basic earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB62,577,000 (profit for six months ended 30 June 2021: RMB 8,195,000) and the weighted average of 547,571,000 ordinary shares (six months ended 30 June 2021: 532,441,000 ordinary shares) in issue during the period, calculated as follows:

Weighted average number of ordinary shares

(a) Basic earnings per share

	Six months ended 30 June	
	2022	2021
	'000	'000
Issued ordinary shares at 1 January	542,305	524,635
Effect of convertible bonds transferred to shares	5,266	7,806
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	<u>547,571</u>	<u>532,441</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB65,315,000 (profit for six months ended 30 June 2021:RMB12,839,000) and the weighted average number of ordinary shares of 597,112,000 (2021: 709,885,000 shares).

8 Trade and other receivables

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Receivables from guarantee payments	(a)(i)	140,298	119,840
Less: allowances for doubtful debts	(a)(ii)	(123,519)	(98,989)
		16,779	20,851
Trade debtors from consultancy services		1,779	1,681
Trade debtors from guarantees		1,118	1,101
Trade debtors from sales of biological assets		14	–
		2,911	2,782
Trade receivables	(a)	19,690	23,633
Down payments for investments net of impairment allowances	(b)	–	–
Deposit and other receivables, net of impairment allowances	(c)	84,928	98,437
Amounts due from related parties		1,750	1,750
		106,368	123,820
Deferred expenses of online financial guarantee business		56,471	92,759
Prepayments to online financial guarantees		2,746	3,617
Prepayments for constructions		17,437	16,122
Prepayments to third parties		11,331	12,630
Mortgage assets		3,656	2,836
Others		571	571
Total		198,580	252,355

(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:

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Within 1 month		16,440	15,764
Over 1 month but less than 3 months		1,397	17,561
Over 3 months but less than 1 year		37,031	2,391
More than 1 year		88,341	86,906
Total		143,209	122,622
Less: allowances for doubtful debts	(ii)	(123,519)	(98,989)
Total		19,690	23,633

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.

(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 2022, the Group’s debtors of RMB143,209,000 (31 December 2021: RMB122,622,000) 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:

	2022 Lifetime ECL credit- impaired RMB’000
As at 31 December 2021	98,989
Impairment allowances	24,530
	<hr/>
As at 30 June 2022	123,519
	<hr/> <hr/>
	 2021
	Lifetime
	ECL credit-
	impaired
	RMB’000
As at 31 December 2020	134,171
Impairment allowances	16,893
Reversal	(7,976)
Written-off	(44,099)
	<hr/>
As at 31 December 2021	98,989
	<hr/> <hr/>

8 Trade and other receivables (continued)

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Down payments for investments	81,550	81,550
Less: allowances	(81,550)	(81,550)
	<hr/>	<hr/>
Total	–	–
	<hr/> <hr/>	<hr/> <hr/>

Aging analysis

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
More than 1 year	81,550	81,550
Less: allowances	(81,550)	(81,550)
	<hr/>	<hr/>
Total	–	–
	<hr/> <hr/>	<hr/> <hr/>

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 30 June 2022, the Group's debtors had impairment allowances of RMB81,550,000 of down payments for investments (31 December 2021: 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 2022 RMB'000	At 31 December 2021 RMB'000
Deposit and other receivables	15,655	17,254
Other receivables	167,629	172,516
Less: allowances for other receivables	(98,356)	(91,333)
	<hr/>	<hr/>
Total	84,928	98,437
	<hr/> <hr/>	<hr/> <hr/>
Amounts due from related parties	27,113	27,113
Less: allowances	(25,363)	(25,363)
	<hr/>	<hr/>
Total	1,750	1,750
	<hr/> <hr/>	<hr/> <hr/>

8 Trade and other receivables (continued)

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

Aging analysis

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Deposit and other receivables		
Less than 1 year	18,652	55,377
More than 1 year	164,632	134,393
Total	<u>183,284</u>	<u>189,770</u>
Less: allowances	<u>(98,356)</u>	<u>(91,333)</u>
Total	<u><u>84,928</u></u>	<u><u>98,437</u></u>

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Amounts due from related parties		
Less than 1 year	–	1,750
More than 1 year	27,113	25,363
Total	<u>27,113</u>	<u>27,113</u>
Less: allowances	<u>(25,363)</u>	<u>(25,363)</u>
Total	<u><u>1,750</u></u>	<u><u>1,750</u></u>

8 Trade and other receivables (continued)

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

Aging analysis (continued)

	2022
	Lifetime
	ECL credit-
	impaired
	RMB'000
As at 31 December 2021	(91,333)
Net re-measurement of loss allowance	(7,023)
	<hr/>
As at 30 June 2022	<u>(98,356)</u>
	<hr/>
	2021
	Lifetime
	ECL credit-
	impaired
	RMB'000
As at 31 December 2020	(91,333)
Net re-measurement of loss allowance	–
	<hr/>
As at 31 December 2021	<u>(91,333)</u>
	<hr/>

As at 30 June 2022, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB98,356,000 (31 December 2021: RMB91,333,000) for which a full impairment allowance had been provided.

As of 30 June 2022 and 31 December 2021, management adopted a lifetime ECL credit impaired assessment on the Group's amounts due from related parties amounting to RMB25,363,000 (31 December 2021: RMB25,363,000) for which a full impairment allowance had been provided.

9 Factoring receivables

				At 30 June 2022		
				12-month ECL	Lifetime ECL	Total
				<i>RMB'000</i>	<i>credit-impaired</i>	<i>RMB'000</i>
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Note	12-month ECL	Lifetime ECL	Total			
	19,730	45,000	64,730			
	2,067	4,507	6,574			
	(1,595)	(42,082)	(43,677)			
	<u>20,202</u>	<u>7,425</u>	<u>27,627</u>			
				At 31 December 2021		
				12-month ECL	Lifetime ECL	Total
				<i>RMB'000</i>	<i>credit-impaired</i>	<i>RMB'000</i>
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Note	12-month ECL	Lifetime ECL	Total			
	24,728	45,000	69,728			
	2,067	4,507	6,574			
	(2,862)	(37,419)	(40,281)			
	<u>23,933</u>	<u>12,088</u>	<u>36,021</u>			

(a) Aging analysis

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

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	39,730	44,730
More than 1 year	31,574	31,572
Total	<u>71,304</u>	76,302
Less: allowances for factoring receivables	<u>(43,677)</u>	(40,281)
Total	<u>27,627</u>	<u>36,021</u>

(b) Impairment of factoring receivables

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

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

9 Factoring receivables (continued)

(b) Impairment of factoring receivables (continued)

	2022		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2021 and 1 January 2022	2,862	37,419	40,281
Net re-measurement of loss allowance	(1,267)	4,663	3,396
Balance at 30 June 2022	1,595	42,082	43,677
	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	2,862	37,419	40,281

10 Finance lease receivables

	Note	2022 Lifetime ECL credit- impaired <i>RMB'000</i>
Net amount of finance lease receivables		165,222
Less: allowances for finance lease receivables	(a)/(b)	(153,873)
Carrying amount of finance lease receivables		11,349
	Note	2021 Lifetime ECL credit- impaired <i>RMB'000</i>
Net amount of finance lease receivables		165,222
Less: allowances for finance lease receivables	(a)/(b)	(140,570)
Carrying amount of finance lease receivables		24,652

10 Finance lease receivables (continued)

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

	At 30 June 2022		At 31 December 2021	
	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>	Present value of the minimum lease payments <i>RMB'000</i>	Total minimum lease payments <i>RMB'000</i>
Overdue	165,222	165,222	165,222	165,222
Within 1 year	–	–	–	–
Total	165,222	165,222	165,222	165,222
Less: allowances for finance lease receivables	(153,873)	(149,335)	(140,570)	(140,570)
Net investment in finance lease receivables	11,349	15,887	24,652	24,652

- (b) Impairment allowances charged for finance lease receivables

	2022		
	12-month ECL <i>RMB'000</i>	Lifetime ECL credit-impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2021 and 1 January 2022	–	140,570	140,570
Net re-measurement of loss allowance	–	13,303	13,303
Balance at 30 June 2022	–	153,873	153,873
	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	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

10 Finance lease receivables (continued)

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

	At 30 June 2022				At 31 December 2021			
	Overdue	Overdue over	Overdue	Total	Overdue	Overdue over	Overdue	Total
	within	3 months but			within	3 months but		
	3 months	within 1 year	Over 1 year		3 months	within 1 year	Over 1 year	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Finance lease receivables	-	29,971	135,251	165,222	-	46,351	118,871	165,222

11 Biological assets

	<i>Current biological assets</i>		<i>Non-current biological assets</i>		<i>Total</i>
	<i>Market hogs</i>		<i>Breeding stock</i>		
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>
At 1 January 2022 (audited)	11,536		15,201		26,737
Increase due to purchasing/raising	51,785		157		51,942
Decrease due to sales/disposal	(34,510)		(6,189)		(40,699)
Changes in fair value less costs to sell	5,988		3,620		9,608
At 30 June 2022 (unaudited)	34,799		12,789		47,588

(i) Non-current biological asset

Non-current stocks are breeding stocks including gilts and sows which are used for producing future market hogs.

(ii) Current biological assets

Current stocks are market hogs including piglets and growing hogs which are raised for sale.

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

	At 30 June 2022 <i>(Heads)</i>	At 31 December 2021 <i>(Heads)</i>
Current biological assets		
– piglets	3,705	5,017
– growing hogs	18,823	12,168
Non-current biological assets		
– gilts	-	150
– sows	2,223	2,917

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 2022, 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 2022. 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:

	<i>Significant unobservable inputs</i>	<i>At 30 June 2022</i>	<i>At 31 December 2021</i>
Current biological assets			
– Piglets	Market price	RMB 540.7 per head	
– Growing hogs (Note)	Market price	RMB 21.6 per kilogram	RMB17.8 per kilogram
Non-current biological assets			
– Gilts (Note)	Replacement cost	RMB 4,296 per head	RMB 3,396 per head
– Sows (Note)	Replacement cost	RMB 4,296 per head	RMB 3,396 per head

Note:

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 cost and replacement cost. As at 30 June 2022, if market price cost and replacement cost increases/decreases by 10%, the estimated fair value of biological assets would have increased/decreased by RMB4,677,000.

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:

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
At 1 January		16,473	18,908
Provision for PRC income tax for the period/year	6(a)	156	(531)
PRC income tax paid		(138)	(1,904)
		<hr/>	<hr/>
At 30 June/31 December		16,491	16,473
		<hr/> <hr/>	<hr/> <hr/>

(b) Deferred tax assets and liabilities recognised

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

	Deferred income RMB'000	Impairment allowances for trade and other receivables RMB'000	Accrued expenses 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 2021	64,297	33,543	1,346	(892)	(47,536)	(3,251)	(56)	47,451
(Charged)/credited to profit or loss	(37,758)	(8,796)	(23)	(904)	24,343	3,087	(14)	(20,065)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021 and 1 January 2022	26,539	24,747	1,323	(1,796)	(23,193)	(164)	(70)	27,386
(Charged)/credited to profit or loss	(12,049)	6,133	(833)	398	9,081	-	(14)	2,716
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2022	14,490	30,880	490	(1,398)	(14,112)	(164)	(84)	30,102
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13 Liabilities from guarantees

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Deferred income		60,519	108,535
Provision of guarantee losses	(a)	25,390	14,998
Total		85,909	123,533

(a) Provision of guarantee losses

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
At 1 January		14,998	16,320
Charged/(written back) for the period/year	5(a)	10,392	(1,322)
At 30 June/31 December		25,390	14,998

14 Interest-bearing borrowings

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank borrowings	(a)	137,975	105,000
Total		137,975	105,000

(a) Bank borrowings

As at 30 June 2022, a short-term interest-bearing loan of RMB49,000,000 repayable within one year was secured.

As at 30 June 2022, banking facilities of the Group totaling RMB137,975,000 (31 December 2021: RMB105,000,000) were utilised to the extent of RMB137,975,000 (31 December 2021: RMB105,000,000).

No covenants relating to the Group or the subsidiary's financial ratios were required by the bank as of 30 June 2022.

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 <i>RMB'000</i>	Equity component <i>RMB'000</i>
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)	–
	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	<u>60,015</u>	<u>11,096</u>
Conversion during the period	(7,128)	(1,500)
Interest charge	7,018	–
Net decrease in interest payable	(1,767)	–
Net increase in administrative fee paid in advance	(288)	–
Interest paid	–	–
Administrative fee paid	–	–
Exchange adjustment	(5,120)	–
	<hr/>	<hr/>
At 23 September 2021 before modification	52,730	9,596
Derecognition of the CBs	(52,730)	(9,596)
Recognition of the New CBs upon modification	58,726	1,525
Interest charge	924	–
Net increase in interest payable	(932)	–
Net increase in administrative fee paid in advance	(51)	–
Interest paid	(1,493)	–
Administrative fee paid	(230)	–
Exchange adjustment	1,709	–
	<hr/>	<hr/>
At 31 December 2021	<u>58,653</u>	<u>1,525</u>

15 Liability component of convertible bonds (continued)

	Liability component RMB'000	Equity component RMB'000
Conversion during the period	(4,588)	(119)
Interest charge	3,093	–
Net decrease in interest payable	(1,252)	–
Net increase in administrative fee paid in advance	(188)	–
Interest paid	(374)	–
Repayment of CBs	(41)	–
Exchange adjustment	5,134	–
	<hr/>	<hr/>
At 16 May 2022 before modification	60,437	1,406
Derecognition of the CBs	(60,437)	(1,406)
Recognition of the New CBs upon modification	53,860	3,518
Conversion after modification	(4,553)	(288)
Interest charge	558	–
Net increase in interest payable	(397)	–
Net increase in administrative fee paid in advance	(41)	–
Interest paid	(97)	–
Administrative fee paid	(383)	–
Exchange adjustment	503	–
	<hr/>	<hr/>
At 30 June 2022	49,450	3,230

(a) On 1 February 2018, the Company issued the convertible bonds (the “**Original CBs**”) with a principal amount of HKD154,000,000 at face value. For details, please refer to the Company’s announcement on 25 January 2018. Major terms of the Original CBs are as below:

- (i) The Original CBs carry 6% coupon interest per annum payable semi-annually in arrears on 1 February and 1 August in each year. The Company shall pay each Purchaser administrative fee equal to 1% of the aggregate principal amount of the outstanding bonds held by each Purchaser on each of the issue date and each anniversary thereof.
- (ii) The issuer may redeem the Original CBs in full, but not in part, at any time the first anniversary of the issue date at an amount equal to the aggregate of; (i) the aggregate principal amount of all the outstanding CBs; (ii) any accrued but unpaid interest (including any default Interest) and outstanding administrative fees on such outstanding CBs; and (iii) an amount that would yield an internal rate of return of 10% on the aggregate principal amount of such outstanding CBs from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the issuer.
- (iii) Subject to and upon compliance with those conditions in contract, the conversion right in respect of the Original CBs may be exercised, at the option of the Purchaser thereof, at any time full or in part after 12 months from the issue date up to the close of business on 1 business day prior to the maturity date (both days inclusive) by giving a notice to the issuer of not less than 10 business days. The conversion price will initially be HKD2.20 per share.

15 Liability component of convertible bonds (continued)

(iv) Major financial requirements of the Original CBs are as below:

- the Total Net Assets being not less than RMB800,000,000 (or its equivalent in any other currency or currencies) without taking into account the effect on the Total Net Assets caused by a change of the fair value for the Bonds;
- the Gearing Ratio being not more than forty (40) percent;

The Original CBs contain two components, the liability and equity components. The initial fair value of the two components was determined based on gross proceeds at issuance. The initial fair value less allocated transaction costs of the liability component was estimated to be approximately HKD116,928,000 as at the issuance date by using the Binomial Tree Model, taking into account the terms and conditions of the Original CBs. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of CBs is 17.8% per annum. The residual amount less allocated transaction costs representing the value of the equity component of approximately HKD37,128,000, was presented in equity under the heading ‘capital reserve’.

- (b) On 11 January 2019, the Company entered into an amendment deed (“**Amendment Deed**”). Pursuant to the Amendment Deed, certain terms of the CBs were amended, including: (i) repayment of a partial principal amount of the CBs of HKD10,000,000, (ii) issuance of a HKD60,000,000.00 interest-bearing Note at an interest rate of 6%, (iii) a downward revision of Conversion Price from HKD2.20 to HKD1.09 for the outstanding 77,064,200 Conversion Shares of the CBs with a principal amount of HKD84,000,000 (the “**New CBs**”), and (iv) an early redemption option that the Company could redeem, or a designated third party could purchase, the outstanding New CBs with an internal rate of return of 26% on the aggregate principal amount of such outstanding New CBs, in whole or in part, from the issue date until the date on which the entire outstanding amount of such redemption price has been fully paid by the Company. For details, please refer to the Company’s announcement on 27 December 2018.

The amendment resulted in the derecognition of the original CBs as a whole and the recognition of (i) an interest-bearing borrowing at fair value of all the Note payable at 31 December 2020 and all the Note payable has been repaid by the Company at 31 December 2020; (ii) new financial liability and equity components of the New CBs and a financial asset at fair value of RMB1,728,000 for the early redemption option.

The New CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD66,844,000 as at 11 January 2019. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The effective interest rate of the liability component of the New CBs is 20.6% per annum. The residual amount representing the value of the equity component of approximately HKD14,539,000, was presented in equity under the heading ‘capital reserve’.

- the Group has repaid all the Note payables including interest amounted of HKD10,650,000, HKD21,326,000, HKD21,870,000 and HKD11,119,500, as per the repayment schedule of the Note payables in November 2019, February 2020, May 2020 and July 2020, respectively.
- the Group has converted HKD10,000,000 to 9,174,312 ordinary shares on 10 November 2020. The converted ordinary shares account for 1.72% of all ordinary shares, and increased RMB 8,470,000 share premium.

15 Liability component of convertible bonds (continued)

- (c) On 23 September 2021, the Company entered into a second amendment deed (“**2nd Amendment Deed**”). Pursuant to the 2nd Amendment Deed, certain terms of the CBs were amended, including: (i) the coupon rate of the CB was adjusted from 6% to 6.5% starting from 1 February 2020, (ii) the maturity redemption internal rate of return was adjusted from 10% to 10.5%, (iii) the maturity date of the remaining CB was extended to 31 January 2022, and (iv) the default interest is waived. For details, please refer to the Company’s announcement on 24 September 2021.

Major financial requirements of the 2nd Amendment Deed CBs are as below:

- the Total Net Assets being not less than RMB445,000,000 (or its equivalent in any other currency or currencies) without taking into account the effect on the Total Net Assets caused by a change of the fair value for the Bonds;
- the Gearing Ratio being not more than seventy-five (75) percent;

The amendment resulted in the derecognition of the Amendment Deed CBs as a whole and the recognition of new financial liability and equity components of the 2nd Amendment Deed CBs and a financial asset at fair value of RMB1,943,000 for the early redemption option.

The 2nd Amendment Deed CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD71,828,000 as at 23 September 2021. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The residual amount representing the value of the equity component of approximately HKD1,865,000, was presented in equity under the heading ‘capital reserve’.

- the Group has converted HKD10,000,000 to 9,174,312 ordinary shares on 28 January 2021. The converted ordinary shares account for 1.69% of all ordinary shares, and increased RMB 8,288,000 share premium.

- (d) On 16 May 2022, the Company entered into a third amendment deed (“**3rd Amendment Deed**”). Pursuant to the 3rd Amendment Deed, certain terms of the CBs were as below: (i) the coupon rate of the CB remains at 6.5% starting from 1 February 2022, (ii) the maturity redemption internal rate of return remains at 10.5%, (iii) the maturity date of the remaining CB was extended to 31 January 2023, and (iv) the default interest is waived. For details, please refer to the Company’s announcement on 14 June 2022.

Major financial requirements of the 3rd Amendment Deed CBs are as below:

- the Total Net Assets being not less than RMB445,000,000 (or its equivalent in any other currency or currencies) without taking into account the effect on the Total Net Assets caused by a change of the fair value for the Bonds;
- the Gearing Ratio being not more than seventy-five (75) percent;

The amendment resulted in the derecognition of the Amendment Deed CBs as a whole and the recognition of new financial liability and equity components of the 3rd Amendment Deed CBs and a financial asset at fair value of RMB1,857,000 for the early redemption option.

The 3rd Amendment Deed CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD62,295,000 as at 16 May 2022. In subsequent periods, the liability component is measured at amortized cost using effective interest rate method. The residual amount representing the value of the equity component of approximately HKD4,069,000, was presented in equity under the heading ‘capital reserve’.

- the Group has converted HKD5,000,000 to 4,587,156 ordinary shares on 18 January 2022. The converted ordinary shares account for 0.83% of all ordinary shares, and increased RMB 4,039,000 share premium.
- the Group has repaid the convertible bonds including interest amounted of HKD501,095 in February 2022.
- the Group has converted HKD5,000,000 to 4,587,156 ordinary shares on 14 June 2022. The converted ordinary shares account for 0.83% of all ordinary shares, and increased RMB 4,259,000 share premium.

16 Share capital and reserves

(a) Dividends

The Company did not declare dividend through six months ended 30 June 2022 and the years ended 31 December 2021. Thus, there is no balance for dividend payable at 30 June 2022.

(b) Share capital

(i) Authorised and issued share capital

	At 30 June 2022			At 31 December 2021		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
Authorised:						
Ordinary shares of HKD0.01 each	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>
Ordinary shares, issued and fully paid:						
At 1 January	543,013	5,430	4,343	533,809	5,338	4,266
Convertible bonds convert to share capital&exercise share option	<u>9,174</u>	<u>92</u>	<u>76</u>	<u>9,204</u>	<u>92</u>	<u>77</u>
At 30 June/31 December	<u>552,187</u>	<u>5,522</u>	<u>4,419</u>	<u>543,013</u>	<u>5,430</u>	<u>4,343</u>

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

The following sets out reviews of the Company's business, financials, liquidity and capital resources and prospects and outlook extracted from the Company's interim report for the six months ended 30 June 2022. Further information may be contained in the relevant sections of the interim report (if any). Shareholders and potential investors of the Company are advised to read the Company's interim report carefully to appraise the Company's position in relation to the aforementioned areas.

BUSINESS REVIEW

Steadily Developing Traditional Businesses with a Prudent Approach

In the first half of 2022, the recovery drivers of the global economy were weakened as a result of the resurgence of new coronavirus variants. The continuous crisis of the global supply chain, the labor shortage, surging inflation in advanced economies, the escalation of geopolitical conflicts caused by the Russia-Ukraine conflict and sanctions imposed by Europe and the United States on Russia have posed severe challenges to global economic development. In view of the complicated and challenging international environment and domestic sporadic outbreak of the pandemic, the central government effectively coordinated pandemic prevention and control as well as economic and social development, increased macro policy adjustment, and effectively implemented a package of policies and measures to stabilize the economy. The national economy is stabilized and revitalized, but external uncertainties have increased significantly, the persisting impact of domestic pandemic, the interwoven outcome of demand contraction and supply shocks, and the overlapped effect of structural and cyclical problems, the operations of market entities are still difficult and the foundations for sustained economic recovery remain unstable.

In the first half of 2022, in response to the complex and volatile economic situation, the Group prioritized risk control, and adhered to stable development. During the period, the Group coordinated and promoted the steady development of pandemic prevention and control as well as operation, and steadily developed traditional businesses, securing a sound development for the Group by promoting comprehensive services in the Greater Bay Area, expanding and reinforcing cooperation channels, enhancing strength through investment and mergers and acquisitions, and firmly developing integrated financial services for supply chain.

In terms of the guarantee business, as at the end of June 2022, the Local Financial Supervision and Administration Regulation (《地方金融监督管理条例》) was still under preparation, and its impact on the development of the Group's guarantee business is yet to be seen. In the first half of 2022, the Group primarily adopted a prudent and steady development strategy and slowed down business development. On the one hand, the Group continued to consolidate its business foundation, further optimize its business structure and adapt changes to market demands. On the other hand, it continued to make efforts in the financial technology sector, improved the strength of financial technology, strengthened risk management and control in all aspects through science and technology, and jointly explored and designed personalized financial service plans with partner institutions to meet customers' multi-level and diversified financial needs. Meanwhile, the Group continued to deploy traditional guarantee business and supported the development of micro, small and medium-sized enterprises by taking advantages of the national policy of increasing financial support for micro, small and medium-sized enterprises. Taking the opportunity of livestock cultivation ecosystem 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, in the first half of 2022, the Group adhered to the operating principle of “Dos and Don’ts” to conduct business with caution.

Propelling Integrated Services for the Greater Bay Area

The Establishment of the Guangdong-Hong Kong-Macao Greater Bay Area is one of the four major regional development strategies set out in the 14th Five-Year-Plan, which plays a supporting and leading role in China’s economic development and opening-up. The Group actively grasped the opportunities in 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, empowering the development of enterprises in the Greater Bay Area by providing specialized and integrated financial services, supporting the construction within the area.

Expanding and Reinforcing Cooperation Channels

In the first half of 2022, the Group combined research and judgment on key factors such as the external economic environment and market demand, continued to develop financial technology, jointly explored and innovated standardized financial products with financial institutions and financial technology companies, in order to enhance the quality and efficiency of financial services and provide customers with more convenient and effective integrated financial services.

Steadily Promoting Integrated Financial Services for Supply Chain

In February 2022, the central government issued Central No. 1 Document of Key Issues on Comprehensively Promoting Rural Revitalization. The document emphasizes the importance of maintaining the relative stability of the market supply of pigs and the price of pork products, ensuring stable supply and stable prices by improving the early warning mechanism for pigs and repeatedly implementing the purchase and storage of frozen meat. After one-year periodic price declines, the pig market recovered from April this year, and the price of pigs stopped falling and rebounded.

In view of periodical price fluctuations, rising cost and other factors, the Group closely followed the national policies to steadily promote the integrated financial services for the supply chain. The modern pig farm invested in the Greater Bay Area has completed the construction of 2 pig houses with 9 floors each, realizing a standardized, large-scale and modern “Pig Farming in High Buildings” model. The breeding farm has currently formed a production capacity of 60,000 pigs annually and has been included in the “National Pig Production Capacity Control Base List” by the Agriculture and Rural Department of Guangdong Province. Since April 2022, the Group’s self-bred and self-raised commercial hogs have been slaughtered, and the number of commercial hogs sold during the reporting period has exceeded 10,000.

Strengthening through Investments, Mergers and Acquisitions

In the first half of 2022, 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 the investment has been made 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

The revenue of the Group was mainly generated from the revenue related to the principal businesses of the Group. For the six months period ended 30 June 2022, the Group's revenue was approximately RMB46.5 million (for the six months period ended 30 June 2021: approximately RMB72.2 million), representing a decrease of approximately 35.6%. 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 2022, the Group's net revenue generated from financial guarantee services was approximately RMB14.3 million (for the six months period ended 30 June 2021: approximately RMB44.1 million), representing a decrease of approximately 67.6%.

During the reporting period, the net income from the financial guarantee services decreased significantly compared to the same period of last year, which is attributable to the combined effect of the following factors: (i) due to the changes in macro-economic and market conditions in the first half of 2022, the Group continuously optimized the guarantee business structure, and conducted its business in a prudent and selective manner. Coupled with the decrease in the overall guarantee rate in the market, the increasing competition in the guarantee business and the slowdown in the pace of business development, the profitability of the Group's guarantee business decreased during the reporting period; and (ii) the Group faced decrease in guarantee income recognized during the current period from deferred revenue of previous years as a result of gradual maturity of existing guarantee business.

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 2022, the Group's revenue generated from the non-financial guarantee services increased by approximately 66.7% to approximately RMB0.5 million (for the six months period ended 30 June 2021: approximately RMB0.3 million).

The Group continued to develop low-risk non-financial guarantee business and broadened business sources, resulting in an increase in business volume over the same period last year.

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 2022, the Group's revenue generated from financial consultancy services was approximately RMB0.6 million (for the six months period ended 30 June 2021: approximately RMB0.02 million).

In the first half of 2022, the Group prudently and smoothly promoted the business development, and continued to provide financial consultancy services to micro, small and medium-sized enterprises.

4. *Revenue from Sales of Market Hogs*

For the six months period ended 30 June 2022, the Group's revenue from sales of market hogs was approximately RMB31.1 million (for the six months period ended 30 June 2021: approximately RMB27.8 million).

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of market hogs	31,066	27,820
Cost of market hogs sold	(28,602)	(11,631)
Net income	2,464	16,189

The Group actively explores new businesses and investments to generate value for its shareholders in a long term and sustainable manner. The Group has invested in livestock farming business and the construction of modern hog farm in the Greater Bay Area which has been completed was put into production and reached an annual production capacity of 60,000 hogs. The Group's livestock farming business has gradually transitioned from the hog fostering model in 2021 to the self-breeding and self-raising model. Since April 2022, the first batch of over 10,000 self-bred and self-raised commercial hogs have been slaughtered and sales of live hogs under such model began to record sales revenue in the second quarter of 2022. However, in light of multiple pressures such as cyclical fluctuations in hog prices and rising feeding costs due to rising prices in global feeding raw materials, revenue from sales of market hogs during the reporting period fell short of expectations. The Group expects that, with the support of national policy, the continuous recovery of live hog production on a national scale and the gradual recovery in cyclical prices of hogs in the second half of the year, the Group's revenue from sales of market hogs will achieve accelerated growth in the second half of 2022.

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 and others. For the six months period ended 30 June 2021 and 2022, the Group's other revenue was approximately RMB4.0 million and RMB 8.5 million, respectively, representing an increase of approximately 112.5%.

The increase in other revenue as compared to the same period of last year was mainly due to the gain arising from the modification of the fair value of the terms of the convertible bonds.

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 receivables and finance lease receivables, 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.

The Group's provision for impairment losses in the first half of 2022 increased significantly as compared to the same period of last year, among which the Group's provision for impairment losses in the first half of 2022 amounted to approximately RMB58.6 million, representing an increase of approximately RMB63.7 million from reversal of provision for impairment losses of approximately RMB5.1 million in the first half of 2021. During the reporting period, as default risks in the real estate-related industries of Mainland China continued to ferment, upstream and downstream industries of real estate industries such as the construction industry, were affected and faced increased default risks. The loans of customers in the construction industry from banks and financial institutions faced increased risk of becoming overdue or potential overdue. As at 30 June 2022, the Group's provision for impairment losses for receivables from guarantee payments in respect of customers in the construction industry was approximately RMB24.5 million. The Group also conducted a risk assessment for customers in the construction industry that have not yet received compensation notices, and provided impairment losses of approximately RMB8.6 million for guarantee liability during the reporting period in relation to their existing guarantee balance. In addition, due to the rising delinquency rate of loans from banks and financial institutions and the uncertainty of the Chinese economy in the first half of 2022, the Group impaired other financial assets by approximately RMB25.5 million in accordance with applicable accounting policies. The impairment provision is non-cash in nature and therefore has no impact on the Group's operating cash flows.

Operating Expenses

For the six months period ended 30 June 2022, the Group's operating expenses (including research and development costs) was approximately RMB34.8 million (for the six months period ended 30 June 2021: approximately RMB27.0 million), increased by approximately RMB7.8 million or approximately 28.9% when compared with the corresponding period of the last year. The Group upheld the cost-efficient principle, the operating expenses was analyzed in details as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Salaries	14,239	14,257
Audit fee	1,700	1,764
Amortization charges	—	3
Depreciation charge	913	828
Rentals	44	123
Intermediary consulting expenses	3,056	4,652
Office, travel and entertainment expenses	2,286	1,817
Exchange loss/(gains)	960	(143)
Others	11,605	3,746
Total	<u>34,803</u>	<u>27,047</u>

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 relevant guarantee business during the reporting period, arising from the guarantee business restructuring.

The exchange loss during the reporting period increased by approximately RMB1.1 million compared to the same period of last year.

The significant increase in other operating expenses compared to the same period of last year was mainly due to the mere value of approximately RMB9.6 million of culling hogs from Yangmianshan Company Limited, a subsidiary of the Group.

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 and breeding cost of the biological assets, etc. As the prices of hogs began to stabilize and rebound in the second quarter during the reporting period, resulting in the evaluation accretion of the biological assets of approximately RMB5.0 million and the carrying forward of the impairment of the biological assets sold in the last year of approximately RMB4.6 million, totaling approximately RMB9.6 million of increase in fair value changes in the biological assets, during the current period.

Share of Losses of Associates

The share of losses of associates amounted to a loss of approximately RMB 1.3 million for the six months period ended 30 June 2022, representing an increase of approximately RMB0.2 million from a loss of approximately RMB1.1 million for the six months period ended 30 June 2021.

The increase in share of losses of associates was mainly attributable to Kelly Integration (Guangdong) Holding Co., Ltd., an associate of the Group.

(Loss)/Profit before Taxation

(Loss)/Profit before taxation decreased by approximately RMB81.8 million, or approximately 584.3%, from a profit of approximately RMB14.0 million for the six months period ended 30 June 2021 to a loss of approximately RMB67.8 million for the six months period ended 30 June 2022.

The loss before taxation during the current period was primarily due to: (i) the significant decrease in the net revenue from the financial guarantee service of the Group in the first half of 2022 compared to the same period of last year; (ii) the significant increase in the provision made by the Group for loss of impairment in the first half of 2022 compared to the same period of last year; and (iii) the increase in the operating expenses of the Group during the reporting period compared to the same period of last year.

Income Tax

For the six months period ended 30 June 2022, the Group's income tax amounted to approximately RMB-2.6 million, representing a decrease of approximately 128.9% from approximately RMB9.0 million in the corresponding period of 2021.

The decrease in income tax is mainly attributable to the increase in deferred income tax assets arising from the provision of impairment losses made by certain subsidiaries of the Group during the reporting period, making the deferred income tax expense has significant impact on the overall income tax.

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 decreased from approximately RMB20.9 million as at 31 December 2021 to approximately RMB 16.8 million as at 30 June 2022. The provision for impairment losses of receivables from guarantee payments as at 30 June 2022 was approximately RMB24.5 million (as at 30 June 2021: written back approximately RMB0.04 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 30 June 2022, the current pledged bank deposits amounted to approximately RMB85.7 million (as at 31 December 2021: approximately RMB110.6 million), representing a decrease of approximately RMB24.9 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB163.1 million (31 December 2021: approximately RMB185.4 million), representing a decrease of approximately RMB22.3 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 2022, 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 2022 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) increased from approximately 125.2% as at 31 December 2021 to approximately 137.4% as at 30 June 2022, which was mainly due to the decrease in total equity. The decrease in total equity was mainly attributable to the increase in the provision for impairment losses of the Group during the reporting period.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to the second half of 2022, the situation of the pandemic prevention and control remains largely uncertain, the Russian-Ukrainian conflict continues to impact energy and grain supply, raises the global “stagflation” risk, and prevents the economy recovering from the pandemic. The monetary policies of major economies such as the United States are further tightened, and the volatility of the global financial market may increase, and the global economy still faces huge challenges.

At present, China’s economy is facing spillover risks such as global financial market turmoil and geopolitical conflicts, and there are many uncertainties in the economic recovery. However, China’s economy has strong resilience and great potential, and its fundamentals for long-term improvement have not changed. With the introduction of a package of policies and measures to stabilize growth, the economic operation is expected to gradually improve, but there are still problems such as difficulty in pandemic prevention and control, insufficient market demand, increased pressure on fiscal revenue and expenditure, and weak expectations of market entities. At the next stage, the mainland central government will continue to effectively coordinate pandemic prevention and control as well as economic and social development, in order to promote the sustainable and healthy economic development. In Hong Kong, the government has launched a series of anti-pandemic relief plans and fiscal stimulus plans, and Hong Kong’s economy is expected to stage a stronger rebound in the second half of the year.

In the second half of 2022, the external environment remains highly uncertain, 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 Area construction, and continuously reinforce the Group’s strength through investments, mergers and acquisitions, ensuring a steady and sustainable development of the Group.

Steadily Developing Traditional Businesses with a Prudent Approach

The Group will strengthen the research and judgment on the macro-economic and policy situation, grasp market trends, and continue to prudently and steadily develop its traditional businesses. Through integrating resources, leveraging the strengths of each company under the Group, and seeking new cooperation opportunities, the Group strives to add new impetus to its long-term and stable development.

For guarantee business, in light of changes in the market environment and policy situation, the Group will adjust the product structure, optimize the business model, and further consolidate the business foundation. The Group will continue to layout financial technology sector, and identify more diversified cooperation with financial institutions and technology companies, to meet customers’ personalized needs for integrated finance. Actively and closely aligning with the national policy of increasing financial support for micro, small and medium-sized enterprises, the Group will continue to develop its traditional guarantee business based on its own advantages, consider 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.

Exploring a New Model of Industry-Finance Integration and Developing Integrated Supply Chain Financial Service

Pig breeding industry is an important part of agriculture, and the healthy and stable development of the industry plays a key role in the overall development of China's agriculture and the supply of the "Vegetable Basket Policy" for the people. In June 2022, the Ministry of Finance and the Ministry of Agriculture and Rural Affairs issued the "Key Policies Toward Boosting Agriculture and Benefiting Farmers for 2022" (二零二二年重點強農惠農政策), and made key arrangements in many aspects such as encouraging the healthy development of the pig industry, accelerating the improvement of pig breeds, and promoting the integrated development of the agricultural industry. The national 14th Five-Year Plan and the Outline of the Long-Range Objectives For the Year 2035 also emphasize that it is necessary to promote the integrated development of rural primary, secondary, and tertiary industries, improve the rural financing service system, as well as the incentive mechanism for supporting agriculture.

In the second half of 2022, the Group expects that the negative impact of the African swine fever will be reduced, and the price decline caused by the cyclical fluctuation of pig production will be moderated. A series of policies to benefit farmers have also revitalized the pig industry, but the crisis of the supply chain and inflationary pressures may lead to cost-related challenges. Therefore, on the one hand, the Group will continue to operate pig farms in a standardized, large-scale and modern breeding model, and improve consumer recognition with excellent quality, ensuring our favorable position in highly competitive pig market. On the other hand, the Group will accelerate financial cooperation with the entire breeding industry chain, steadily promote integrated financial services for supply chain, and enhance the core competitiveness of the Group.

Propelling Integrated Services for the Greater Bay Area

The year 2022 marks the third anniversary of the promulgation and implementation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》), the 25th anniversary of Hong Kong's return to the motherland, and a crucial juncture to open a new stage of development of "governance and prosperity" (由治及興). Also, it is a critical year for advancing the building of Guangdong-Macao in-depth cooperation zone in Hengqin and the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The Group will actively grasp the opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area and integrate itself into the strategic construction of the Greater Bay Area with its own advantages, empowering enterprises in the Greater Bay Area by providing specialized and integrated financial services and facilitating the construction 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 2022.

Corporate Governance

Save as disclosed below, the Company has adopted and complied with the code provisions in Part 2 of 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 2022.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provisions in Part 2 of Appendix 14 to the Listing Rules.

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 2022.

Audit Committee

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

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

Purchase, Sale or Redemption of Listed Securities

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 a share option scheme adopted on 18 October 2013. None of the Pre-IPO Share Options granted have been exercised, cancelled or lapsed during the six months period ended 30 June 2022. As at 30 June 2022, the Pre-IPO Share Options to subscribe for 6,448,000 Shares remained unexercised.

Save for the Pre-IPO Share Options, 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 adopted on 18 October 2013. None of the Post-IPO Share Options granted have been exercised or cancelled and the Post-IPO Share Options to subscribe for 30,000 shares were lapsed during the six months period ended 30 June 2022. As at 30 June 2022, the Post-IPO Share Options to subscribe for 31,575,400 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.

On 18 January 2022 and 13 June 2022, the Company received conversion notices 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\$5,000,000 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 1.66% 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 552,187,936 shares upon allotment and issue of the Conversion Shares.

Save as disclosed above, during the six months period ended 30 June 2022, 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 2022 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 2022 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 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.