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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)

SUPPLEMENTAL ANNOUNCEMENT TO 2022 ANNUAL REPORT

Reference is made to the 2022 Annual Report of China Success Finance Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the financial year ended 31 December 2022 (“**FY2022**”). Unless otherwise defined, definitions used herein shall have the same meaning as in the 2022 Annual Report.

This announcement is made to provide supplemental information to the 2022 Annual Report in relation to impairment loss recognized for FY2022.

Details of the Guarantee Agreements of Relevant Parties A to F

Relevant Parties Details of the Guarantee Agreement

Relevant Parties A, B, D and E Relevant Parties A and B entered into guarantee agreements with the Group for loan facilities in the principal amount of RMB15 million, respectively, from a commercial bank in the PRC with term of 12 months. The Group was entitled to guarantee fee in the amount of annualized 0.5% of the respective loan facilities.

Relevant Parties D and E entered into guarantee agreements with the Group for loan facilities in the principal amount of RMB10 million and RMB5 million, respectively, from a commercial bank in the PRC with term of 12 months. The Group was entitled to guarantee fee in the amount of annualized 2% of the respective loan facilities.

The counter guarantee measures for the loan facilities are the following:

1. The legal representatives of Relevant Party A, B, D provided irrevocable personal guarantees in favour of the Group in relation the respective loan facilities;
2. The legal representative and shareholder of Relevant Party E provided irrevocable joint and several liability guarantee in favour of the Group in relation to Relevant Party E’s loan facility;
3. Relevant Parties A, B, D and E pledged their inventories in favour of the Group with approximate value of RMB20 million, RMB20 million, RMB30 million and RMB20 million, respectively; and

4. Relevant Parties A, B, D and E pledged its account receivables in favour of the Group in the amount of approximately RMB20 million, RMB20 million, RMB30 million, and RMB15 million, respectively.

Relevant Party C Relevant Party C entered into a guarantee agreement with the Group for loan facility in the principal amount of RMB40 million from a commercial bank in the PRC, with a term of 24 months. The Group was entitled to guarantee fee in the amount of annualized 1.5% of the loan facility.

The counter guarantee measures for the loan facility are the following:

1. The legal representatives of Relevant Party C and his spouse and an affiliated company of Relevant Party C provided irrevocable joint and several guarantees in favour of the Group;
2. Relevant Party C mortgaged three properties in the PRC to the Group with an estimated value of approximately RMB18 million;
3. An urban residential land in the PRC was mortgaged to the Group with an estimated value of approximately RMB61 million; and
4. Relevant Party C pledged its account receivables of not less than approximately RMB50 million in favour of the Group.

Relevant Party F Relevant Party F entered into a guarantee agreement with the Group for loan facility in the principal amount of RMB5 million from a commercial bank in the PRC, with a term of 4 months. The Group was entitled to guarantee fee in the amount of annualized 4.5% of the loan facility.

The counter guarantee measures for the loan facility are the following:

1. The shareholders, their family member and spouse, and legal representative of Relevant Party F and affiliated companies of Relevant Party F provided irrevocable joint and several liability guarantees in favour of the Group;
2. An affiliated company of Relevant Party F mortgaged the land use rights over two parcels of land in the PRC and the office building, parking spaces and dormitories built thereon in favour of the Group;
3. The shareholders and their family member of Relevant F mortgaged two properties in the PRC in favour of the Group; and
4. An affiliated company pledged its inventory and machinery and equipment in the value of RMB8.5 million, respectively, to the Group.

Reasons For, Or the Events and Circumstances Leading To, the Recognition of the Impairment Loss in relation to Relevant Party F

The Group commenced legal proceedings against Relevant Party F and its counter guarantee parties after Relevant Party F defaulted in 2017. In June 2018, an arbitral award was awarded in favour of the Group.

As the Group was of the opinion that Relevant Party F and its counter guarantee parties were unlikely to be able to repay the receivable from guarantee payments to the Group in full, as well as the receivable has been overdue for more than 3 years, impairment loss of approximately RMB5.09 million was recognized in 2020.

Reasons for the Reversal of Impairment Loss in relation to Relevant Party F

A counter guarantee party of Relevant Party F completed restructuring and repaid the receivables for Relevant Party F partially in the amount of RMB1.23 million in July 2022. The Group recognized the reversal of impairment amounting to RMB1.23 million for FY2022.

The Method, Basis and Calculation Used In Determining the Amount of Reversal

The amount of reversal is based on the cash received from the counter guarantee party of Relevant Party F. The Company is of the view that the reversal and the amount thereof is fair and reasonable.

The Group's Impairment Loss and Estimated Value of Collaterals of Relevant Parties A to E

The Group impaired certain guarantee receivables, factoring receivable and finance lease receivable during FY2022 and the details of which are as follows:

Type of receivable	Receivable Balance (Approximately RMB million) (A)	FY 2022 Impairment (Approximately RMB million)	Total Impairment (Including FY2021 and FY2022 impairments) (Approximately RMB million) (B)	Receivable carrying amount (Approximately RMB million) (A-B)
Guarantee receivable	55.14	17.76	31.59	23.55
Factoring receivable	20.11	3.50	11.52	8.59
Finance lease receivable	47.93	4.18	27.46	20.47
Total	123.18	25.44	70.57	52.61

Pursuant to the relevant contracts, the properties and the residential land collateralized shall be liquidated through a public auction process. A property (Property A) was valued at approximately RMB3.93 million (taking into account of the discount rate set out below) and Properties B and C were sold for approximately RMB3.37 million and RMB1.89 million, respectively. The valuation of Property A was based on the indicative auction starting price in the auction announcement issued by the court and Properties B and C had been auctioned by the court at the aforementioned valuations.

The recent auction price of residential land is determined with reference to the auction price of comparable land in the same district, which is between RMB9,500 and RMB13,000 per square meter. In light of the foregoing, the valuation of the residential land prepared by the Group is RMB11,000 per square meter, which is generally consistent with the auction price of residential land in the same district. As at 31 December 2022, the residential land was valued at approximately RMB43.42 million (taking into account of the discount rate set out below). The total value of the aforementioned collaterals is approximately RMB52.61 million, which is apportioned to each type of receivable with reference to its proportion to the total receivable balance (column A in the table above).

The discount rate to the valuation is 53%, which has taken into consideration factors such as the discount of auction, tax and expense of disposal and time used for disposal. The receivables from Relevant Parties A to E represent 100% of the receivables set out in the table above.

Estimated net realizable value of the collaterals apportioned to the impairment losses of Relevant Parties A to E

Relevant Party C was the lead contractor and it subcontracted work to Relevant Party A, Relevant Party B and Relevant Party E. Relevant Party D was the machine and equipment supplier of Relevant Party C. In light of such relationship, while Relevant Party A, Relevant Party B, Relevant Party D and Relevant Party E provided counter guarantee measures for their guarantee arrangement with the Group (details of which are set out above), the receivables from the aforementioned parties are also collateralized by the properties and residential land of Relevant Party C (details of which are set out above).

The estimated net realizable value of the collaterals for each of the relevant party are as follows:

Counter Party	Estimated Net Realizable Value of the Collaterals/ Relevant Parties' relative amount outstanding as at 31 December 2022 (Approximately RMB million)	Note
1 Relevant Party A	4.19	<p>The total guarantee receivable as at 31 December 2022 was approximately RMB15.01 million and approximately RMB4.83 million (“Relevant Party A FY2022 Impairment”) was impaired in FY2022 for the reason set out in the section headed ‘Reason for impairment recognition’ in the Group’s 2022 Annual Report.</p> <p>Guarantee receivable in the approximate amount of RMB10.82 million (including Relevant Party A FY2022 Impairment) has been impaired in FY2021 and in FY2022. As a result, Relevant Party A has approximately RMB4.19 million of guarantee payable outstanding as at 31 December 2022.</p>
2 Relevant Party B	4.20	<p>The total guarantee receivable as at 31 December 2022 was approximately RMB15.03 million and approximately RMB4.84 million (“Relevant Party B FY2022 Impairment”) was impaired in FY2022 for the reason set out in the section headed ‘Reason for impairment recognition’ in the Company’s 2022 Annual Report.</p> <p>Guarantee receivable in the approximate amount of RMB10.83 million (including Relevant Party B FY2022 Impairment) has been impaired in FY2021 and in FY2022. As a result, Relevant Party B has approximately RMB4.20 million of guarantee payable outstanding as at 31 December 2022.</p>

3 Relevant
Party C

34.01

Guarantee receivable

The total guarantee receivable as at 31 December 2022 was approximately RMB10.03 million and approximately RMB3.23 million (“**Relevant Party C FY2022 Guarantee Impairment**”) was impaired in FY2022 for the reason set out in the section headed ‘Reason for impairment recognition’ in the Company’s 2022 Annual Report.

Guarantee receivable in the approximate amount of RMB5.08 million (including Relevant Party C FY2022 Guarantee Impairment) has been impaired in FY2021 and in FY2022. As a result, Relevant Party C has approximately RMB4.95 million outstanding of guarantee payable as at 31 December 2022.

Factoring receivable

The total factoring receivable as at 31 December 2022 was approximately RMB20.10 million. Approximately RMB3.50 million (“**Relevant Party C FY2022 Factoring Impairment**”) was impaired in FY2022 for the reason set out in note 14(b) to the Group’s consolidated financial statements in the Company’s 2022 Annual Report.

Factoring receivable in the approximate amount of RMB11.52 million (including Relevant Party C FY2022 Factoring Impairment) has been impaired in FY2021 and in FY2022. As a result, Relevant Party C has approximately RMB8.59 million of factoring payable outstanding as at 31 December 2022.

Finance Lease receivable

The total finance lease receivable as at 31 December 2022 was approximately RMB47.93 million. Approximately RMB4.18 million (“**Relevant Party C FY2022 Finance Lease Impairment**”) was impaired in FY2022 for the reason set out in note 15 to the Group’s consolidated financial statements in the Company’s 2022 Annual Report.

Finance lease receivable in the approximate amount of RMB27.46 million (including Relevant Party C FY2022 Finance Lease Impairment) has been impaired in FY2021 and in FY2022. As a result, Relevant Party C has approximately RMB20.47 million of finance lease payable outstanding as at 31 December 2022.

4 Relevant
Party D

6.81

The total guarantee receivable as at 31 December 2022 was approximately RMB10.04 million and approximately RMB3.23 million was impaired in FY2022 for the reason set out in the section headed ‘Reason for impairment recognition’ in the Group’s 2022 Annual Report.

As a result, Relevant Party D has approximately RMB6.81 million of guarantee payable outstanding as at 31 December 2022.

5 Relevant Party E	3.40	The total guarantee receivable as at 31 December 2022 was approximately RMB5.02 million and approximately RMB1.62 million was impaired in FY2022 for the reason set out in the section headed ‘Reason for impairment recognition’ in the Group’s 2022 Annual Report. As a result, Relevant Party E has approximately RMB3.40 million of guarantee payable outstanding as at 31 December 2022.
Total	52.61	

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

Hong Kong, 11 August 2023

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) three independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Zhou Xiaojiang.