



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3623

2022
INTERIM REPORT

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Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUTHORISED REPRESENTATIVE

Mr. LI Bin
Mr. PANG Chung Fai Benny

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. PANG Chung Fai Benny

LEGAL ADVISERS

As to Hong Kong law

C&T Legal LLP in association with Pang & Co,
Benny

AUDITORS

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

REGISTERED OFFICE

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Foshan Rural Commercial Bank Co. Ltd.
Guangdong Heshan Rural Commercial Bank Co., Ltd.

COMPANY WEBSITE ADDRESS

<http://www.chinasuccessfinance.com>

STOCK CODE

3623

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2022 (RMB' 000)	2021 (RMB'000)	Change In %
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 ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	(65,194)	9,498	-786.4%
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	AS AT	Change In %
	30 JUNE 2022 (RMB' 000)	31 DECEMBER 2021 (RMB'000)	
TOTAL ASSETS	833,300	922,182	-9.6%
TOTAL EQUITY	351,030	409,476	-14.3%

* Basic (loss)/earnings per share for the six-month period ended 30 June 2021 and 2022 was calculated based on the (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted average number of issued ordinary shares of the Company for the corresponding period. For the six-month period ended 30 June 2021 and 2022, the weighted average number of issued ordinary shares of the Company were 532,441,000 and 547,571,000 ordinary shares, respectively.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of China Success Finance Group Holdings Limited (the “**Company**” or “**China Success Finance**”), I am pleased to present the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (“**the Reporting Period**”).

In the first half of 2022, new virus variants created uncertainties to the control of COVID-19 pandemic, and the continued fermentation of Russia-Ukraine war exacerbated the supply chain and energy crisis. Coupled with factors such as high inflation and labor shortage, the global economic situation is getting increasingly complicated. Global slowdown in economic growth is projected to continue for 2022 and 2023 and expectations for global economy and trade growth have been revised down according to the report of World Economic Situation and Prospects 2022 that the United Nations released.

In terms of Mainland China, the serious international situation together with the impact of the pandemic have led to a fall in the level of economic prosperity. Fortunately, the central government has conducted a series of policies and measures to stabilize the macro-economy. Various stimulus measures were adopted to help resume work, production and business activities, which contributed to the stabilization and recovery of the economy. For the first half of the year, the GDP achieved a positive growth of 2.5%. However, due to the combined effect of the increasing risk of global stagflation, the impact of the pandemic and the contraction of supply and demand, the foundation for a sustained economic recovery still needs to be strengthened. As for Hong Kong, the economy contracted severely during first quarter under the impact of the fifth wave of the pandemic, damaging the local economy and affecting social activities. With the pandemic under control in the second quarter and the introduction of a series of relief policies, signs of recovery gradually emerged in various walks of life.

During the Reporting Period, the Group slowed down the pace of business expansion and continued to improve its risk control capabilities to combat the challenges brought about by the increasingly severe internal and external economic challenges and the impact of the pandemic, so as to ensure the steady and sustainable development of the Group.

In terms of guarantee business, during the Reporting Period, the Group adhered to prudent and steady approaches, and further optimized its business structure to adapt to the changes in market demand. On one hand, the Group continued to deepen its intensive efforts in the financial technology area, providing accurate financial service solutions to customers with innovative thinking and professional technology. On the other hand, taking advantage of the State's policy to increase financial support for micro, small and medium-sized enterprise, the Group provided assistance for such enterprises to develop their businesses. Regarding financial leasing, factoring and mega asset management businesses, the Group closely monitored market development and operated its business with caution. In addition, as one of the four major regional development strategies in the 14th Five-Year Plan, the Guangdong-Hong Kong-Macao Greater Bay Area has enormous development potential and policy advantages. The Group actively participates in the strategic development of the Greater Bay Area and actively seeks business opportunities in the development of integrated financial services in the Greater Bay Area.

Chairman's Statement

As for the business of supply chain financial services, during the Reporting Period, the Group actively responded to the national policy on financial support for agriculture. The pig farm, which is located in the Greater Bay Area, was included by the Department of Agriculture and Rural Affairs of Guangdong Province in the "National Pig Production Capacity Control Base List", and has officially slaughtered self-bred and self-raised market hog since April 2022, with the hog output exceeding 10,000 during the Reporting Period.

Looking into the second half of 2022, slowing growth in global economy and rising risk of stagflation are expected after taking into account the uncertain prospect of controlling the COVID-19 pandemic around the globe and the continuing challenges for energy, grain and supply chain created by intensifying Russia-Ukraine war. China's economy is affected by external uncertainties, combined with multiple obstacles such as the sporadic resurgence of domestic pandemic, insufficient market demand and increased pressure on business operations. The foundation for economic recovery is unstable. In the next stage, the central government will continue to implement a package of policies and measures to stabilize the economy, make every effort to stabilize growth, employment, expectations and people's livelihood, and promote the healthy and orderly development of the national economy. As for Hong Kong, the fifth wave of the pandemic has gradually been brought under control, given that the government immediately launched a series of anti-pandemic relief and fiscal stimulus packages to promote economic recovery. However, the gradual relaxation of social distancing and pandemic prevention restrictions have raised the possibility of COVID-19 rebound.

In the next stage, the Group will uphold a prudent and steady attitude towards development to strengthen the research and judgement on macro policies and capture the sensitivity of market trends, and carry out traditional business to make progress while maintaining stability. Regarding the guarantee business, the Group will continue to optimize its business model, consolidate its business foundation, provide customers with precise financial services by leveraging its advantages in the field of financial technology, and strengthen cooperation and exchanges with financial institutions to jointly explore new product models, enrich product chain and expand the Group's source of income. With regard to the business layout in the Greater Bay Area, the Group will actively integrate into the strategic construction of the Greater Bay Area and focus on providing professional financial services to customers. In addition, the Group will continue to make efforts in the supply chain financial services to provide consumers with high-quality hog products with standardized and specialized breeding techniques, while accelerating the development of financial products for the breeding industry chain and steadily promoting integrated supply chain financial services to enhance the core competitiveness of the Group.

Last but not least, on behalf of the Board, I would like to express my utmost appreciation to all shareholders, customers and business partners for their constant support for and confidence in the Group, and all our staff for their tireless efforts. Looking ahead, we will strive to create more fruitful returns for shareholders and investors from all walks of life with sincerity, high morale and endeavor.

Zhang Tiewei

Chairman and Executive Director

23 September 2022

Management Discussion and Analysis

OVERVIEW

In the first half of 2022, the recovery drivers of the global economy weakened due to the threats posed by new variants of the novel coronavirus. The continuous crisis of the global supply chain, the labor shortage and surging inflation in developed economies, the escalation of geopolitical conflicts caused by the Russia-Ukraine conflict and sanctions imposed by Europe and the United States on Russia have brought severe challenges to global economic development.

In terms of mainland and Hong Kong, in view of the complicated and challenging international environment as well as the sporadic resurgence of the domestic pandemic, the central government effectively coordinated pandemic control and economic and social development, increased macro policy adjustment, and effectively implemented a package of policies and measures to stabilize the economy. The rebound of the pandemic was effectively controlled, while the national economy was stabilized and revitalized. In the first half of the year, GDP increased 2.5% year-on-year with a significant slowdown in growth. However, the operations of market entities are still difficult and the foundation of continuous economic recovery remains unstable, which is mainly associated with the significantly increasing external volatilities and uncertainties, the persisting impact of domestic pandemic, the interwoven outcome of shrinking demand and supply shock, and the overlapped effect of structural and cyclical problems. In terms of Hong Kong, affected by the fifth wave of the pandemic, the economy shrank severely in the first quarter. With the pandemic gradually coming under control, economic growth is returning to normal. Unfortunately, the negative factors arising from the pandemic pushed Hong Kong's overall economic performance into recession in the first half of the year.

In the first half of 2022, the Group had to slow its business expansion amid mounting pressure in business expansion and risk management from more complicated and grim internal and external economic environment due to the sporadic resurgence of the domestic pandemic and the resultant increasing difficulty in its prevention and control. 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 steady development of pandemic control and operation, and steadily developed traditional businesses, securing a sound development for the Group by promoting integrated services in the Greater Bay Area, expanding and reinforcing cooperation channels, enhancing strengths through investment and mergers and acquisitions, and firmly developing multi-channel integrated financial services for supply chain.

BUSINESS REVIEW

Steadily Developing Traditional Businesses with a Prudent Approach

In the first half of 2022, threatened by more complex and severe economic environment, the Group continued to adopt prudent and steady operating strategies, further improved business structure, conducted businesses selectively, and slowed down the development of traditional businesses, so as to ensure the steady and sustained development of the Group.

Management Discussion and Analysis

In terms of the guarantee business, as at the end of June 2022, the Local Financial Supervision and Administration Regulation (《地方金融監督管理條例》) 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 its pace of business development. On one hand, the Group continued to consolidate its business foundation, further optimize its business structure and adapt to changes in 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 its 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. Seizing 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, propelling 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 the 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.

Management Discussion and Analysis

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 market hogs have been officially slaughtered, and the number of market 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 started solicitation while the second phase of construction was in progress according to the renovation plan. The construction progress and influence have aroused public attention.

USE OF PROCEEDS

On 1 February 2018, the Company issued convertible bonds in an aggregate principal amount of HKD154 million under general mandate. The net proceeds, after deducting the administration fee of HKD1,540,010, were HKD152,459,990, and had been fully used as at 31 August 2019.

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*

The Group’s financial guarantee services include traditional financial guarantee services and online financial guarantee services. Revenue from the 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%.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 RMB'000	2021 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 officially 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 and the operating expenses were analyzed in details as follows:

	For the six months ended 30 June	
	2022 RMB'000	2021 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	34,803	27,047

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.

Management Discussion and Analysis

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. 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.

Management Discussion and Analysis

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 on 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.

Management Discussion and Analysis

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.

HUMAN RESOURCES AND REMUNERATION POLICIES

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

The Group maintained stable relationship with its employees. As at 30 June 2022, the Group had 124 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to five social insurance and one housing fund, employer's liability insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB14.2 million for the six months period ended 30 June 2022.

The Group has adopted a Pre-IPO Share Option Scheme and a Post-IPO Share Option Scheme as incentives to the Directors and eligible employees. Please refer to the section headed 'Share Option Scheme' on the following pages for details.

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.

Management Discussion and Analysis

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 effective implementation of the stimulus package for stabilizing growth and to promote the sustainable and healthy economic development. In Hong Kong, the government has launched a series of anti-pandemic relief plans and continuously increasing fiscal stimulus plans. As the pandemic situation in Hong Kong is easing and members of a new government are appointed, 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, and so 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.

Management Discussion and Analysis

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 outline of "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, to ensure having a favorable position in the 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 the 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, propelling the development of 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.

Review Report of Interim Financial Information

Review report to the board of directors of China Success Finance Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 19 to 73 which comprises the consolidated statement of financial position of China Success Finance Group Holdings Limited (the “Company”) and its subsidiaries (“the Group”) as of 30 June 2022 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

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

30 August 2022

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

The notes on pages 26 to 73 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company attributable to the profit for the period are set out in note 28(a).

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 RMB'000	2021 RMB'000
(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	(2,617)	1,303
Total comprehensive (loss)/income for the period	(67,898)	6,273
Attributable to:		
Equity shareholders of the Company	(65,194)	9,498
Non-controlling interests	(2,704)	(3,225)
Total comprehensive (loss)/income for the period	(67,898)	6,273

The notes on pages 26 to 73 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2022 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Assets			
Cash and bank deposits	8	163,064	185,440
Pledged bank deposits	9	85,730	110,608
Trade and other receivables	10	198,580	252,355
Factoring receivables	11	27,627	36,021
Finance lease receivables	12	11,349	24,652
Interests in associates	14	24,337	25,646
Biological assets	15	47,588	26,737
Inventories	16	4,143	1,555
Property, plant and equipment	17	194,193	185,109
Financial assets measured at fair value through profit or loss (FVPL)	18	46,587	46,673
Deferred tax assets	19(b)	30,102	27,386
Goodwill	20	–	–
Total assets		833,300	922,182
Liabilities			
Liabilities from guarantees	21	85,909	123,533
Pledged deposits received	22	125,617	150,006
Interest-bearing borrowings	23	137,975	105,000
Liability component of convertible bonds	24	49,450	58,653
Accruals and other payables	25	53,489	44,912
Current tax	19(a)	16,491	16,473
Lease liabilities	26	13,339	14,129
Total liabilities		482,270	512,706
NET ASSETS		351,030	409,476

The notes on pages 26 to 73 form part of this interim financial report.

Consolidated Statement of Financial Position

at 30 June 2022 – unaudited (continued)

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
CAPITAL AND RESERVES			
Share capital	28(b)	4,419	4,343
Reserves		361,209	417,027
Total equity attributable to equity shareholders of the Company		365,628	421,370
Non-controlling interests		(14,598)	(11,894)
TOTAL EQUITY		351,030	409,476

Approved and authorised for issue by the board of directors on 30 August 2022.

張鐵偉
Zhang Tiewei
Director

李斌
Li Bin
Director

The notes on pages 26 to 73 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Accumulated losses			
	RMB'000 Note 28(b)	RMB'000 Note 28(c)	RMB'000 Note 28(d)	RMB'000 Note 28(e)	RMB'000 Note 28(f)	RMB'000 Note 28(g)	RMB'000			
Balance at 1 January 2021	4,266	453,048	322,952	56,997	30,988	14,199	(402,093)	480,357	(454)	479,903
Changes in equity for the six months ended 30 June 2021:										
Profit for the period	-	-	-	-	-	-	8,195	8,195	(3,225)	4,970
Exchange differences on translation of financial statements of operations outside the mainland China	-	-	-	-	-	1,303	-	1,303	-	1,303
Total comprehensive income	-	-	-	-	-	1,303	8,195	9,498	(3,225)	6,273
Surplus reserve appropriation	28(e)	-	-	(5,005)	-	-	5,005	-	-	-
Convertible bonds converted to share capital & exercise share option	28(b) & (c)	77	7,135	-	-	-	-	7,212	-	7,212
Shares issued under share option scheme	28(d)	-	-	1,998	-	-	-	1,998	-	1,998
Balance at 30 June 2021	4,343	460,183	324,950	51,992	30,988	15,502	(388,893)	499,065	(3,679)	495,386
Changes in equity for the six months ended 31 December 2021:										
Loss for the period	-	-	-	-	-	-	(79,373)	(79,373)	(8,215)	(87,588)
Exchange differences on translation of financial statements of operations outside the mainland China	-	-	-	-	-	249	-	249	-	249
Total comprehensive loss	-	-	-	-	-	249	(79,373)	(79,124)	(8,215)	(87,339)
Surplus reserve appropriation	28(e)	-	-	5,005	-	-	(5,005)	-	-	-
Convertible bonds converted to share capital & exercise share option	28(b) & (c)	-	-	-	-	-	-	-	-	-
Shares issued under share option scheme	28(d)	-	-	1,429	-	-	-	1,429	-	1,429
Balance at 31 December 2021	4,343	460,183	326,379	56,997	30,988	15,751	(473,271)	421,370	(11,894)	409,476

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited (continued)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity	
	Share capital	Share premium	Capital reserve	Surplus reserve	Regulatory reserve	Exchange reserve	Accumulated losses				
	RMB'000 Note 28(b)	RMB'000 Note 28(c)	RMB'000 Note 28(d)	RMB'000 Note 28(e)	RMB'000 Note 28(f)	RMB'000 Note 28(g)	RMB'000				
Balance at 1 January 2022	4,343	460,183	326,379	56,997	30,988	15,751	(473,271)	421,370	(11,894)	409,476	
Changes in equity for the six months ended 30 June 2022:											
Loss for the period	-	-	-	-	-	-	(62,577)	(62,577)	(2,704)	(65,281)	
Exchange differences on translation of financial statements of operations outside the mainland China	-	-	-	-	-	(2,617)	-	(2,617)	-	(2,617)	
Total comprehensive loss	-	-	-	-	-	(2,617)	(62,577)	(65,194)	(2,704)	(67,898)	
Surplus reserve appropriation	28(e)	-	-	-	-	-	-	-	-	-	
Convertible bonds converted to share capital & Recognition of new Convertible bonds	28(b), (c) & (d)	76	8,298	(18,357)	-	-	18,435	8,452	-	8,452	
Shares issued under share option scheme	28 (d)	-	-	1,000	-	-	-	1,000	-	1,000	
Balance at 30 June 2022		4,419	468,481	309,022	56,997	30,988	13,134	(517,413)	365,628	(14,598)	351,030

The notes on pages 26 to 73 form part of this interim financial report.

Consolidated Cash Flow Statement

for the six months ended 30 June 2022 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations		(20,622)	(33,835)
Tax paid	19(a)	(138)	(2,560)
Net cash used in operating activities		(20,760)	(36,395)
Investing activities			
Payments for purchase of equipment	17(a)	(5,577)	(9,371)
Payment for constructions		(3,155)	(53,276)
Interest received		3,396	1,850
Net cash used in investing activities		(5,336)	(60,797)
Financing activities			
Proceeds from bank loans	23(a)	64,980	110,000
Payments on bank loans		(32,000)	(55,000)
Interest paid		(118)	(3,461)
Payment on redemption of convertible bonds		(41)	—
Increase in lease liabilities		48	—
Capital and Interest element of lease rentals paid		(1,201)	(1,796)
Net cash generated from financing activities		31,668	49,743
Net increase/(decrease) in cash and cash equivalents		5,572	(47,449)
Cash and cash equivalents at 1 January	8	29,723	86,582
Effect of foreign exchanges rates changes		(960)	(143)
Cash and cash equivalents at 30 June	8	34,335	38,990

The notes on pages 26 to 73 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 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. KPMG's independent review report to the Board of Directors is included on page 18.

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:

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

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 RMB'000	2021 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
Gross guarantee fee income	61,462	121,337
Less: guarantee service fee	(46,675)	(76,938)
Net guarantee fee income	14,787	44,399
Service fee from consulting services	615	24
Sales of market hogs	31,066	27,820
Total	46,468	72,243

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

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

	Financial services		Yangmianshan		Total	
	Six months ended 30 June					
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

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

	Financial services		Yangmianshan Six months ended 30 June		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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	583,794	705,803	249,506	216,379	833,300	922,182

	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	222,825	291,348	259,445	221,358	482,270	512,706

(iii) Geographic information

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE

	Note	Six months ended 30 June	
		2022 RMB'000	2021 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		8,546	4,020

- (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 support mainly from Foshan Municipal Bureau of Finance. The entitlement of the government grants were under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. 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 RMB'000	2021 RMB'000
Provision charged/(written back) for guarantees issued	21(a)	10,392	(4,201)
Impairment allowances charged/(written back) for:			
– receivables from guarantee payments	10(a)(ii)	24,530	(35)
– factoring receivables	11(b)	3,396	(254)
– finance lease receivables	12(b)	13,303	(573)
– trade and other receivables		7,023	–
Total		58,644	(5,063)

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5 (LOSS)/PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs

	Six months ended 30 June	
	2022 RMB'000	2021 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	14,239	14,257

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

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

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

(c) Other items

	Six months ended 30 June	
	2022 RMB'000	2021 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.

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(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Six months ended 30 June	
	2022 RMB'000	2021 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)

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

	Six months ended 30 June	
	2022 RMB'000	2021 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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

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

- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed 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

(a) Basic 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

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

(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).

Notes to the Unaudited Interim Financial Report

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8 CASH AND CASH EQUIVALENTS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Demand deposits and term deposits with banks with original maturity less than three months	34,221	29,669
Restricted customer pledged deposits	61	61
Restricted third-party pledged deposits	125,556	149,945
Other restricted funds	3,112	5,711
Cash on hand	114	54
Cash and bank deposits in the consolidated statement of financial position	163,064	185,440
Restricted customer pledged deposits	(61)	(61)
Restricted third-party pledged deposits	(125,556)	(149,945)
Other restricted funds	(3,112)	(5,711)
Cash and cash equivalents in the consolidated cash flow statement	34,335	29,723

As at 30 June, the restricted pledged deposits received were maintained as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Restricted third-party pledged deposits	125,556	149,945
Restricted customer pledged deposits:		
– designated custodian bank accounts	56	56
– the Group's bank accounts	5	5
Total	125,617	150,006

9 PLEDGED BANK DEPOSITS

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

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10 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	31(b)	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

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10 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Aging analysis of trade receivables

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

	Note	At 30 June 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

(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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Aging analysis of trade receivables *(continued)*

(ii) Trade receivables that are impaired *(continued)*

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 10(a). These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, allowances for the doubtful debts were recognised as follows:

	2022 Lifetime ECL credit- impaired RMB'000
As at 31 December 2021	98,989
Impairment allowances	24,530
As at 30 June 2022	123,519

	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)
As at 31 December 2021	98,989

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(Expressed in Renminbi unless otherwise indicated)

10 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)
Total	–	–

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)
Total	–	–

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.

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(Expressed in Renminbi unless otherwise indicated)

10 TRADE AND OTHER RECEIVABLES *(continued)*

(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)
Total	84,928	98,437
Amounts due from related parties	27,113	27,113
Less: allowances	(25,363)	(25,363)
Total	1,750	1,750

Aging analysis

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

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

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10 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)
As at 30 June 2022	(98,356)
	2021 Lifetime ECL credit- impaired RMB'000
As at 31 December 2020	(91,333)
Net re-measurement of loss allowance	–
As at 31 December 2021	(91,333)

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.

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11 FACTORING RECEIVABLES

	Note	At 30 June 2022		
		12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Factoring receivables		19,730	45,000	64,730
Interest receivable from factoring receivables		2,067	4,507	6,574
Less: allowances for factoring receivables	(a)/(b)	(1,595)	(42,082)	(43,677)
Carrying amount of factoring receivables		20,202	7,425	27,627

	Note	At 31 December 2021		
		12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Factoring receivables		24,728	45,000	69,728
Interest receivable from factoring receivables		2,067	4,507	6,574
Less: allowances for factoring receivables	(a)/(b)	(2,862)	(37,419)	(40,281)
Carrying amount of factoring receivables		23,933	12,088	36,021

(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 RMB'000	At 31 December 2021 RMB'000
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	71,304	76,302
Less: allowances for factoring receivables	(43,677)	(40,281)
Total	27,627	36,021

Notes to the Unaudited Interim Financial Report

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11 FACTORING RECEIVABLES *(continued)*

(b) Impairment of factoring receivables

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

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

	2022		
	12-month ECL RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
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 RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
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

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12 FINANCE LEASE RECEIVABLES

	<i>Note</i>	2022 Lifetime ECL credit-impaired RMB'000
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
<hr/>		
	<i>Note</i>	2021 Lifetime ECL credit-impaired RMB'000
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

(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 RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Overdue	165,222	165,222	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

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12 FINANCE LEASE RECEIVABLES (continued)

(b) Impairment allowances charged for finance lease receivables

	2022		
	12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
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 RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at 31 December 2020 and 1 January 2021	4,772	144,568	149,340
Net re-measurement of loss allowance	(4,772)	21,699	16,927
Written-off	–	(25,697)	(25,697)
Balance at 31 December 2021	–	140,570	140,570

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

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

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13 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Double Chance Developments Limited ("Double Chance")	BVI Ltd	8 February 2012	1 share of USD1 each	100%	100%	–	Investment holding
China Success Capital Limited ("Success Capital")	BVI Ltd	29 June 2016	1 share of USD1 each	100%	100%	–	Investment holding
China Success Finance Holdings Limited ("Success Finance")	Hong Kong Ltd	18 November 2011	10,000 shares of HKD1 each	100%	–	100%	Investment holding
China Success Capital (HK) Limited ("Success Capital (HK)")	Hong Kong Ltd	1 August 2016	–	100%	–	100%	Provision of asset management and merger services outside the PRC
Guangdong Success Asset Management Company Limited ("Success Asset")	The PRC Ltd	23 June 2004	RMB 170,270,000	99.27%	–	99.27%	Provision of asset management and financial consultancy services in the PRC
Guangdong Success Finance Guarantee Company Limited ("Success Guarantee")	The PRC Ltd	26 December 1996	RMB 430,000,000	99.27%	–	100%	Provision of financial guarantee services in the PRC
Shenzhen Success Financial Leasing Company Limited ("Success Financial Leasing")	The PRC Ltd	6 June 2014	USD 28,000,000	100%	–	100%	Provision of financial leasing services in the PRC
Shenzhen Success Equity Investment Fund Management Limited ("Success Equity Fund")	The PRC Ltd	6 September 2014	RMB 15,000,000	100%	–	100%	Equity investment in the PRC
Foshan Success Cloud Technology Company Limited ("Success Cloud")	The PRC Ltd	9 January 2019	RMB 1,000,000	69.49%	–	70%	Provision of cloud technology development services in the PRC

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13 INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation and kind of legal entity	Date of incorporation	Fully paid-up capital	Proportion of ownership interest			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Success Number One Equity Investment Fund Limited Partnership ("Success Fund")	The PRC LLP	14 January 2015	RMB 194,000,000	100%	–	100%	Equity investment in the PRC
Shenzhen Qianhai Success Housing Wealth Management Company Limited ("Qianhai Success Housing")	The PRC Ltd	8 July 2015	RMB 61,000,000	100%	–	100%	Provision of real estate financial services in the PRC
Foshan Success Financial Services Outsourcing Limited ("Success Financial Services")	The PRC Ltd	15 October 2015	RMB 30,126,000	60%	–	60%	Provision of real estate financial services in the PRC
Guangzhou Hengyue Number Six Investment Limited Partnership ("Hengyue Number Six")	The PRC LLP	23 February 2017	RMB 45,070,027	99.34%	–	100%	Equity investment in the PRC
T. M. Management Limited ("T. M. Management")	Hong Kong Ltd	4 March 1986	HKD 100,000	100%	–	100%	Provision of portfolio management services such as stocks, funds, bonds and so on outside the PRC
Yangmianshan Company Limited	The PRC Ltd	15 December 2017	RMB 3,000,000	51%	–	51%	Provision of agricultural development services in the PRC

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14 INTERESTS IN ASSOCIATES

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

Name of associate	Form of business structure	Place of incorporation and operation	Fully paid-up capital by all investors	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by a subsidiary	
Guangzhou Hengsheng Fund Management Co., Ltd. ("Guangzhou Hengsheng") 廣州恒晟基金管理有限公司(「恒晟基金」)	Incorporated	The PRC	RMB23,900,000	40%(note 1)	40%	Equity fund management
Guangzhou Rongdacheng Information Technology Service Co., Ltd. ("Guangzhou Rongdacheng") 廣州融達成信息技術服務有限公司(「廣州融達成」)	Incorporated	The PRC	RMB8,000,000	30%(note 2)	30%	Information technology
Kelly Integration (Guangdong) Holding Co., Ltd (Original name "Guangzhou Success Capital") 凱利集成(廣東)控股有限公司* (原名「廣州集成資本」)	Incorporated	The PRC	RMB4,000,000	30%(note 3)	30%	Business Service
Foshan Chancheng Success Micro Credit Co., Ltd. ("Success Credit") 佛山市禪城集成小額貸款有限公司(「集成貸款」)	Incorporated	The PRC	RMB250,000,000	27.08%(note 4)	27.28%	Micro credit financing

* The English translation of the names is for reference only. The official names of the entities are in Chinese.

Note 1 Together with two entities, Success Fund established Guangzhou Hengsheng on 23 November 2015. Success Fund had fully paid up its subscribed capital of RMB20,000,000, which accounted for 40% of the total subscribed capital. In 2017, Xizang Xuekunfushen Investment Co., Ltd. (西藏雪坤富神投資有限公司), one of its shareholders, has paid up RMB3,900,000 of its subscribed capital.

Note 2 Together with two entities and two individuals, Success Fund established Guangzhou Rongdacheng on 20 July 2016. Success Fund had fully paid up its subscribed capital of RMB3,000,000, which accounted for 30% of the total subscribed capital.

Note 3 Together with three entities, Qianhai Success Housing established Guangzhou Success Capital on 24 July 2019. Qianhai Success Housing had paid RMB4,000,000, which is half of its subscribed capital, and Qianhai Success Housing accounted for 40% of the total subscribed capital. In 2021, the holding percentage of Qianhai Success Housing was changed to 30%.

Note 4 The management made full impairment of interest in Success Credit in the year 2020.

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

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15 BIOLOGICAL ASSETS

	Current biological assets Market hogs	Non-current biological assets Breeding stock	Total
	RMB'000	RMB'000	RMB'000
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 assets

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.

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15 BIOLOGICAL ASSETS *(continued)*

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

	At 30 June 2022 (Heads)	At 31 December 2021 (Heads)
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

(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.

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15 BIOLOGICAL ASSETS *(continued)*

(iv) Fair value measurement of biological assets *(continued)*

Fair value hierarchy *(continued)*

Information about Level 3 fair value measurement:

	Significant unobservable inputs	At 30 June 2022	At 31 December 2021
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.

16 INVENTORIES

	At 30 June 2022	At 31 December 2021
	RMB'000	RMB'000
Raw materials	4,143	1,555

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17 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Pig farm RMB'000	Motor vehicles RMB'000	Office and other equipment RMB'000	Improvements RMB'000	Construction in Progress RMB'000	Other properties leased for own use RMB'000	Total equipment RMB'000
Cost							
At 1 January 2021	-	4,055	2,177	-	85,705	20,127	112,064
Additions	-	104	15,629	1,412	68,623	4,502	90,270
Transfer from construction in progress to fixed assets	107,346	-	46,607	-	(153,953)	-	-
Disposals	-	-	(16)	-	-	(856)	(872)
Exchange adjustments	-	(38)	(24)	-	-	-	(62)
At 31 December 2021 and 1 January 2022	107,346	4,121	64,373	1,412	375	23,773	201,400
Additions	5,577	-	-	-	9,546	48	15,171
Transfer from construction in progress to fixed assets	-	460	53	-	(513)	-	-
Disposals	-	-	(273)	-	-	-	(273)
Exchange adjustments	-	60	2	-	-	-	62
At 30 June 2022	112,923	4,641	64,155	1,412	9,408	23,821	216,360
Accumulated depreciation							
At 1 January 2021	-	(3,844)	(1,359)	-	-	(3,112)	(8,315)
Charge for the year	(4,025)	(167)	(2,974)	(22)	-	(1,716)	(8,904)
Written back on disposal	-	-	15	-	-	855	870
Exchange adjustments	-	32	23	-	-	3	58
At 31 December 2021 and 1 January 2022	(4,025)	(3,979)	(4,295)	(22)	-	(3,970)	(16,291)
Charge for the period	(2,684)	(47)	(2,119)	(27)	-	(858)	(5,735)
Written back on disposal	-	-	273	-	-	-	273
Exchange adjustments	(348)	(57)	(1)	-	-	(8)	(414)
At 30 June 2022	(7,057)	(4,083)	(6,142)	(49)	-	(4,836)	(22,167)
Net book value							
At 30 June 2022	105,866	558	58,013	1,363	9,408	18,985	194,193
At 31 December 2021	103,321	142	60,078	1,390	375	19,803	185,109

(b) Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a number of lease agreements for use of house, and therefore recognised the additions to right-of-use assets of RMB48,000 (six months ended 30 June 2021: RMB3,562,000).

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18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Financial assets measured at FVPL		
– Unlisted equity investment	44,698	44,698
– Repurchase option	32	32
– Conversion option embedded in convertible bonds	1,857	1,943
Total	46,587	46,673

At 30 June 2022, the carrying amount of equity investment was RMB44,698,000 (31 December 2021: RMB44,698,000), 3.5% of the value of Shengshi Junen Enterprise Management Company Limited (“Shengshi Junen Enterprise Management”) and 12.9% of the value of Guangdong Mupai Technology Company Limited (“Guangdong Mupai”).

19 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)
At 30 June/31 December		16,491	16,473

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19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised

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

	Deferred income	Impairment allowances for trade and other receivables	Accrued expenses	Interest receivables	Long-term unamortised expenses	Fair value change gains and losses	Re-guarantee fee	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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)
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
At 30 June 2022	14,490	30,880	490	(1,398)	(14,112)	(164)	(84)	30,102

20 GOODWILL

On 14 February 2018, the Group acquired 100% ordinary shares of T. M. Management Limited, which is licensed to carry out business of Type 9 Regulated activities as defined in the Securities and Futures Ordinance. The total consideration of the transaction was HKD6,897,000 which was paid in cash, of which HKD1,290,000 has been prepaid as at 31 December 2017. This has resulted in a goodwill arising on a business combination amounted to HKD6,500,000. Since T. M. Management conduct no business activities until 31 December 2019, the Group has charged full impairment for the goodwill of T.M. Management.

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21 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

22 PLEDGED DEPOSITS RECEIVED

Pledged deposits received represent deposits received from customers or third parties as collateral security for the online financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contract, these deposits are expected to be settled within one year.

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23 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.

24 LIABILITY COMPONENT OF CONVERTIBLE BONDS

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

	Liability component RMB'000	Equity component RMB'000
At 1 January 2020	66,771	12,596
Conversion during the year	(7,129)	(1,500)
Interest charge	13,817	–
Net increase in interest payable	(4,186)	–
Net increase in administrative fee paid in advance	(737)	–
Interest paid	(2,541)	–
Administrative fee paid	(840)	–
Exchange adjustment	(5,140)	–
At 31 December 2020 and 1 January 2021	60,015	11,096

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24 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

	Liability component	Equity component
	RMB'000	RMB'000
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)	–
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	–
At 31 December 2021	58,653	1,525
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	–
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	–
At 30 June 2022	49,450	3,230

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24 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

- (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.
 - (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’.

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24 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

- (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.

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24 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 (see note 18) 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.

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24 LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

- (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 (see note 18) 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 RMB4,039,000 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 RMB4,259,000 share premium.

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25 ACCRUALS AND OTHER PAYABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Accruals and other payables	53,489	44,912

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

26 LEASE LIABILITIES

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

	At 30 June 2022		At 31 December 2021	
	Present Value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present Value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	1,836	1,915	1,832	1,875
After 1 year but within 2 years	1,555	1,697	1,624	1,753
After 2 years but within 5 years	2,232	2,654	2,638	3,080
After 5 years	7,716	16,611	8,035	17,285
	11,503	20,962	12,297	22,118
	13,339	22,877	14,129	23,993
Less: total future interest expenses		(9,538)		(9,864)
Present value of lease liabilities		13,339		14,129

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27 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

(a) The terms and conditions of the grants are as follows:

Date granted	Vesting date	Expiry date	Number of share options granted			Contractual life of options
			Director	Employees	Total	
18 May 2020	18 May 2020	17 May 2030	3,600,000	3,155,400	6,755,400	10 years
	31 March 2021	17 May 2030	–	6,250,000	6,250,000	10 years
	31 March 2022	17 May 2030	–	8,750,000	8,750,000	10 years
	31 March 2023	17 May 2030	–	10,000,000	10,000,000	10 years
			3,600,000	28,155,400	31,755,400	
6 November 2013	30 June 2014	5 November 2023	500,000	4,500,000	5,000,000	10 years
	30 June 2016	5 November 2023	300,000	2,700,000	3,000,000	10 years
	30 June 2018	5 November 2023	200,000	1,800,000	2,000,000	10 years
			1,000,000	9,000,000	10,000,000	

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27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

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

	At 30 June 2022		At 31 December 2021	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Date granted 18 May 2020				
Granted and outstanding on grant day	HKD 0.84	31,605	HKD 0.84	31,755
Forfeited during the period/year	HKD 0.84	(30)	HKD 0.84	(120)
Exercised during the period/year	HKD 0.84	–	HKD 0.84	(30)
Granted and outstanding at the end of the period/year	HKD 0.84	31,575	HKD 0.84	31,605
Exercisable at the end of the period/year	HKD 0.84	31,575	HKD 0.84	31,605

	At 30 June 2022		At 31 December 2021	
	Exercise price	Number of options '000	Exercise price	Number of options '000
Date granted 6 November 2013				
Granted and outstanding at the beginning of the period/year	HKD1.90	6,448	HKD1.90	6,473
Forfeited during the period/year	HKD1.90	–	HKD1.90	(25)
Exercised during the period/year	HKD1.90	–	HKD1.90	–
Granted and outstanding at the end of the period/year	HKD1.90	6,448	HKD1.90	6,448
Exercisable at the end of the period/year	HKD1.90	6,448	HKD1.90	6,448

Note: The options outstanding at 30 June 2022 had an exercise price of HKD0.84 or HKD1.90 and a weighted average remaining contractual life of 7.9 years or 1.3 years (31 December 2021: 8.4 years or 1.8 years).

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27 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(c) Fair value of share options and assumptions:

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value and assumptions of share options granted on 18 May 2020

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

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

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

The expected volatility is based on the historic volatilities of the share prices of the comparable companies in recent years around the date of valuation. Changes in the subjective input assumptions could materially affect the fair value estimate.

The risk-free rate of interest with expected term shown above was taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date.

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

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28 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	800,000	8,000	6,512	800,000	8,000	6,512
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	9,174	92	76	9,204	92	77
At 30 June/31 December	552,187	5,522	4,419	543,013	5,430	4,343

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

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

(c) Share premium

Under the Companies Law of the Cayman Islands, the funds in the Company's share premium account are distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

28 SHARE CAPITAL AND RESERVES *(continued)*

(d) Capital reserve

The capital reserve comprises the following:

- The amendment resulted in the derecognition of the Amendment Deed CBs as a whole, and the recognition of new financial liability and equity components. The difference between new equity components of convertible bonds and original equity components of convertible bonds.
- the difference between the nominal value of share capital of the Company and the paid-up capital of Success Guarantee, plus the net assets acquired from the inserting companies (holding companies of Success Guarantee, including the Company, Double Chance, Success Finance and Success Asset) pursuant to a Group reorganisation completed on 17 September 2012;
- the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment;
- the amount allocated to the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes.
- the waiver of debts from related parties in 2013.
- Contribution from shareholder: the difference between the acquisition price and the fair value of Guangdong Mupai's equity (see note 18).
- On 18 May 2020, the Group granted 31,755,400 share options to directors and key personnel. Amortization of the share options in the current period form the amounts.

(e) Surplus reserve

Surplus reserve comprises statutory surplus reserve and discretionary surplus reserve.

The entities established in the PRC are required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises (2006) and other relevant regulations issued by the Ministry of Finance of the PRC ("MOF"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

28 SHARE CAPITAL AND RESERVES *(continued)*

(e) Surplus reserve *(continued)*

Subject to the approval of equity holders of the entities established in the PRC, statutory surplus reserves may be used to net off with accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital.

After making the appropriation to the statutory surplus reserve, the Group may also appropriate its net profit to the discretionary surplus reserve upon approval by shareholders. Subject to the approval of shareholders, discretionary surplus reserves may be used to make good previous years' losses, if any, and may be converted into capital.

(f) Regulatory reserve

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

(g) Exchange reserve

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

(h) Distributability of reserves

At 30 June 2022, the aggregate amounts of reserves available for distribution to equity shareholders of the Company was RMB390,113,000 (31 December 2021: RMB379,579,000).

The directors had not proposed any dividends distribution for the six months ended 30 June 2022 and the years ended 31 December 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Financial assets and liabilities measured at fair value

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

As at 30 June 2022, the Group's held other financial assets, which were measured at FVPL (see note 18), with fair value measurement categorised into Level 3.

Information about Level 3 fair value measurements

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(i) Financial assets and liabilities measured at fair value *(continued)*

Information about Level 3 fair value measurements *(continued)*

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

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Financial assets measured at FVTPL:		
At 1 January	46,673	64,187
Additional investment acquired	–	–
Conversion option embedded in convertible bonds	(86)	1,943
Repurchase option	–	32
Exchange adjustment	–	–
Changes in fair value recognised in profit or loss during the period/year	–	(19,489)
At 30 June/31 December	46,587	46,673

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and as at 31 December 2021.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

29 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(ii) Fair values of financial assets and liabilities carried at other than fair value *(continued)*

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

Trade and other receivables, factoring receivable and finance lease receivable are initially recognised at fair value and thereafter stated at amortised cost less allowances for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date.

(ii) **Guarantees issued**

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iii) **Interest rates used for determining fair value**

The market interest rates adopted for determining the fair value of trade and other receivables are ranging from 1.77% to 2.49% as at 30 June 2022 (2021: 2.03% to 2.57%).

30 COMMITMENTS

There are no capital commitments outstanding at 30 June 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties transactions

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Services fee expense	700	800
Total	700	800

(b) Balances with related parties

At the end of the reporting period, the Group had the following balances with related parties:

Amounts due from related parties

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Success Credit	(i)	–	–
Success Data		1,750	1,750
Total		1,750	1,750

- (i) On 20 March 2014, the shareholders of Success Credit approved to make a dividend with an amount of RMB15,000,000 to its shareholders. Success Guarantee was entitled to receive the dividend with an amount of RMB2,730,000. On 30 June 2022, the balance on borrowings from Success Guarantee to Success Credit is RMB23,210,000, which includes a principal of RMB20,480,000 and the dividend of RMB2,730,000. Based on the operating condition of Success Credit, impairment has been made for both dividend and interest receivables.

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

INTEREST IN THE SHARES OF THE COMPANY

Name of Director	Nature of interests	Notes	Number of shares held	Number of underlying shares	Total interests (long position)	Approximate percentage of shareholding <small>(Note 8)</small>
Mr. Zhang Tiewei	Beneficial interest, interests held jointly with other persons and interest in a controlled corporation	1, 2, 9	267,672,000	400,000	268,072,000	48.55%
Mr. Xu Kaiying	Interests held jointly with other persons and interest in a controlled corporation	3, 4, 9	267,672,000	400,000	268,072,000	48.55%
Mr. Pang Haoquan	Interests held jointly with other persons and interest in a controlled corporation	5, 6, 9	267,672,000	400,000	268,072,000	48.55%
Mr. Li Bin	Beneficial Interest	7	–	1,400,000	1,400,000	0.25%
Ms. Dai Jing	Beneficial Interest	7	–	1,300,000	1,300,000	0.24%
Mr. Tsang Hung Kei	Beneficial Interest	7	–	400,000	400,000	0.07%
Mr. Au Tien Chee Arthur	Beneficial Interest	7	–	400,000	400,000	0.07%
Mr. Xu Yan	Beneficial Interest	7	–	400,000	400,000	0.07%
Mr. Zhou Xiaojiang	Beneficial Interest	7	–	400,000	400,000	0.07%

Other Information

Notes:

1. Mr. Zhang Tiewei, Chairman and executive Director, directly held 1,638,000 shares and 121,490,000 shares are held indirectly by him through Expert Depot Limited, a company incorporated in the British Virgin Islands which is wholly owned by him. By virtue of the SFO, he is also deemed to be interested in 144,544,000 Shares through an acting in concert confirmation dated 31 May 2015.
2. Mr. Zhang Tiewei's interest under equity derivatives was 400,000 share options.
3. Mr. Xu Kaiying, an executive Director, indirectly held 67,868,000 shares through Bliss Success Investments Limited, a company incorporated in the British Virgin Islands which is wholly owned by him. He is also deemed to be interested in 199,804,000 Shares through an acting in concert confirmation dated 31 May 2015 by virtue of the SFO.
4. Mr. Xu Kaiying's interest under equity derivatives was 400,000 share options.
5. Mr. Pang Haoquan, an executive Director, indirectly held 60,876,000 Shares through Novel Heritage Limited, a company incorporated in the British Virgin Islands which is wholly owned by him. He is also deemed to be interested in 206,796,000 Shares through an acting in concert confirmation dated 31 May 2015 by virtue of the SFO.
6. Mr. Pang Haoquan's interest under equity derivatives was 400,000 share options.
7. The Company granted 1,000,000 and 900,000 options under the Pre-IPO Share Option Scheme to Mr. Li Bin and Ms. Dai Jing on 6 November 2013. On 18 May 2020, the Company granted 400,000 share options under the Post-IPO Share Option Scheme to each of the directors of the Board. Except for Mr. He Darong, the then non-executive director, the remaining directors all accepted the share options granted by the Company. None of the aforementioned Pre-IPO and Post-IPO share options granted was exercised, lapsed or cancelled during the six-month period ended 30 June 2022.
8. Calculated with reference to the number of issued Shares (552,187,936 shares) as at 30 June 2022.
9. Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. Hence, they are deemed to be interested in 268,072,000 shares, representing approximately 48.55% of the total issued share capital of the Company as at 30 June 2022 by virtue of the SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company or their respective associates had any interests and short positions in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Other Information

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Name of director	Date of grant	Exercise Period (subject to vesting period)	Exercise price per share HKD	Exercised during the period	Number of shares subject to outstanding options as at 30 June 2022	Approximate percentage of our Company's issued capital
Zhang Tiewei	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Li Bin	6 November 2013	30 June 2014 –5 November 2023 <i>(Note 1)</i>	1.9	Nil	1,000,000	0.18%
	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Dai Jing	6 November 2013	30 June 2014 –5 November 2023 <i>(Note 2)</i>	1.9	Nil	900,000	0.16%
	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Xu Kaiying	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Pang Haoquan	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Tsang Hung Kei	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Au Tien Chee Arthur	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Xu Yan	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%
Zhou Xiaojiang	18 May 2020	18 May 2020–17 May 2030	0.84	Nil	400,000	0.07%

Notes:

- 500,000 share options, 300,000 share options and 200,000 share options are exercisable from 30 June 2014, 30 June 2016 and 30 June 2018, respectively. The share options are all exercisable until 5 November 2023.
- 450,000 share options, 270,000 share options and 180,000 share options are exercisable from 30 June 2014, 30 June 2016 and 30 June 2018, respectively. The share options are all exercisable until 5 November 2023.

Save as disclosed above, at no time during the six-month period ended 30 June 2022 was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

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

As at 30 June 2022, so far as is known to the Directors or chief executives of the Company, the following persons other than a Director or chief executive of the Company had an interest or a short position in the Shares and underlying Shares which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name of Shareholder	Nature of interests	Notes	Number of Shares	Equity Derivatives	Total Equity (Long Position)	Approximate Percentage of Shareholding ^(Note 7)
Expert Depot Limited	Beneficial interest	1, 6	121,490,000	–	121,490,000	22.00%
Bliss Success Investments Limited	Beneficial interest	2, 6	67,868,000	–	67,868,000	12.29%
Novel Heritage Limited	Beneficial interest	3, 6	60,876,000	–	60,876,000	11.02%
Insider Solution Limited	Beneficial interest	4, 6	15,000,000	–	15,000,000	2.72%
New Maestro Investments Limited	Beneficial interest	5	45,000,000	–	45,000,000	8.15%
Chance Talent Management Limited	Beneficial interest	8	4,587,156	49,082,548	53,669,704	9.72%

Notes:

- Expert Depot Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Zhang Tiewei, our Chairman and an executive Director.
- Bliss Success Investments Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Xu Kaiying, an executive Director.
- Novel Heritage Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Pang Haoquan, an executive Director.
- Insider Solution Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. Chen Guoxian.
- New Maestro Investments Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by Mr. He Darong.
- Pursuant to an acting in concert confirmation dated 31 May 2015, Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian confirmed they have been acting in concert, in exercising and implementing the management and operation of the Group with each other and reached consensus before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis. They are deemed to be interested in 268,072,000 shares, representing approximately 48.55% of the total issued share capital of the Company as at 30 June 2022 by virtue of the SFO.
- Calculated with reference to the number of issued Shares (552,187,936 shares) as at 30 June 2022.

Other Information

8. On 1 February 2018, the Company issued convertible bonds in the aggregate principal amount of HK\$154 million to Chance Talent Management Limited (“**Chance Talent Management**”).

On 18 January 2022 and 13 June 2022, the Company received conversion notices from Chance Talent Management for the partial conversion of convertible bonds in an aggregate principal amount of HK\$10,000,000 at the conversion price of HK\$1.09 per Share. As a result of the Conversion, the Company allotted and issued a total of 9,174,312 conversion shares (the “**Conversion Shares**”). The issued share capital of the Company has been increased to 552,187,936 shares upon allotment and issue of the Conversion Shares. The aggregate outstanding principal amount of the Convertible Bonds is reduced from HK\$58,500,000 to HK\$53,500,000.

Assuming full conversion of the remaining balance of the convertible bonds at a conversion price of HK\$1.09 per share, 49,082,548 shares (the “**Convertible Shares**”) will be converted, issued and allotted to Chance Talent Management. For this purpose, Chance Talent Management is deemed to be interested in the Convertible Shares under the SFO.

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who has the interests or short positions in any Shares or underlying Shares of the Company which would be required to be disclosed to the Company pursuant to Part XV of the SFO.

SHARE OPTION SCHEME

Our Company maintains two share option schemes, namely the Pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and the Post-IPO share option scheme (the “**Post-IPO Share Option Scheme**”), together with the Pre-IPO Share Option Scheme, collectively referred as the “**Share Option Schemes**”). The schemes were adopted pursuant to a written resolution of shareholders of our Company passed on 18 October 2013 (the “**Adoption Date**”).

The Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to directors, senior management and employees of the Group to recognize their contribution to the Group, to retain and to motivate them. Our Board may, at its discretion, offer any employee of our Group, options to subscribe for shares in our Company subject to the terms and conditions of the Pre-IPO Share Option Scheme.

The number of options to be granted to each grantee under the Pre-IPO Share Option Scheme was determined by the Board based upon a number of factors, including but not limited to, years of experience of the employee, length of service, performance of the grantee and their contribution to the Group.

On 6 November 2013, our Company granted 10,000,000 options under the Pre-IPO Share Option Scheme, being the total number of shares available for issue under the Pre-IPO Share Option Scheme. Accordingly, no further options can be granted under the Pre-IPO Share Option Scheme. Share options which had been granted during the life of the Pre-IPO Share Option Scheme shall continue to be valid and exercisable until lapse. Our directors, senior management and other employees were granted options representing 1,000,000 shares, 3,000,000 shares and 6,000,000 shares, respectively.

During the six months period ended 30 June 2022, none of the Pre-IPO Share Options granted have been exercised, cancelled or lapsed.

Other Information

During the six-month period ended 30 June 2022, the movements of the options which have been granted under the Pre-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting period	Exercise period	Outstanding as at 1 January 2022	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2022
Category 1 – Director							
Li Bin	6 November 2013 - 30 June 2014	30 June 2014 - 5 November 2023	500,000	-	-	-	500,000
	6 November 2013 - 30 June 2016	30 June 2016 - 5 November 2023	300,000	-	-	-	300,000
	6 November 2013 - 30 June 2018	30 June 2018 - 5 November 2023	200,000	-	-	-	200,000
Dai Jing <i>(Note 3)</i>	6 November 2013 - 30 June 2014	30 June 2014 - 5 November 2023	450,000	-	-	-	450,000
	6 November 2013 - 30 June 2016	30 June 2016 - 5 November 2023	270,000	-	-	-	270,000
	6 November 2013 - 30 June 2018	30 June 2018 - 5 November 2023	180,000	-	-	-	180,000
Sub-Total			1,900,000	-	-	-	1,900,000
Category 2 – Employees under continuous employment contract							
	6 November 2013 - 30 June 2014	30 June 2014 - 5 November 2023	2,168,000	-	-	-	2,168,000
	6 November 2013 - 30 June 2016	30 June 2016 - 5 November 2023	1,428,000	-	-	-	1,428,000
	6 November 2013 - 30 June 2018	30 June 2018 - 5 November 2023	952,000	-	-	-	952,000
Sub-Total			4,548,000	-	-	-	4,548,000
Total			6,448,000	-	-	-	6,448,000

Notes:

- The date of grant of the options is 6 November 2013.
- The options have an exercise price of HK\$1.90.
- Ms. Dai Jing was a member of the senior management of the Company i.e. an employee under continuous employment contract when the share options were granted. Accordingly, her share options have been reclassified from the employees under continuous employment contract category to director category since her appointment as an executive Director of the Group on 18 May 2018.

The Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to participants including but not limited to employees, directors, consultants and business partners and to align their interests with the Group to further the development of the Group's business.

On 18 May 2020 (the "**Date of Grant**"), the Company granted 32,155,400 share options at an exercise price of HK\$0.84 per share under the Post-IPO share option scheme adopted by the Company on 18 October 2013, subject to the acceptance of the relevant grantees. Of 32,155,400 share options, 4,000,000 share options have been granted to all the directors of the Board (except for the then non-executive director Mr. He Darong, the other directors all accepted the share options granted by the Company), 3,155,400 share options have been granted to the core employees of the Group, and 25,000,000 share options have been granted to the employees of the Group who have been set specific performance targets as an incentive.

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

For the employees with performance assessment, the share options granted to them may be exercised only after the employees with performance assessment have achieved the specific performance targets. The performance targets were determined by the Board and were determined based on a number of factors such as the position held by the employee within the Group and their years of experience.

Other Information

During the six months period ended 30 June 2022, no options have been granted under the Post-IPO Share Option Scheme and none of the Post-IPO Share Options granted have been exercised or cancelled. Post-IPO Share Options to subscribe for 30,000 shares were lapsed.

During the six-month period ended 30 June 2022, the movements of the options which have been granted under the Post-IPO Share Option Scheme are set out below:

Category and name of participants	Vesting period	Exercise period	Outstanding as at 1 January 2022	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2022
Category 1 – Director							
Zhang Tiwei	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Li Bin	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Dai Jing	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Xu Kaiying	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Pang Haoquan	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Tsang Hung Kei	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Au Tien Chee Arthur	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Xu Yan	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Zhou Xiaojiang	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	400,000	–	–	–	400,000
Sub-Total			3,600,000	–	–	–	3,600,000

Other Information

Category and name of participants	Vesting period	Exercise period	Outstanding as at 1 January 2022	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 30 June 2022
Category 2 – Employees under continuous employment contract							
	18 May 2020 – 17 May 2030	18 May 2020 – 17 May 2030	3,005,400	–	(30,000)	–	2,975,400
Sub-Total			3,005,400	–	(30,000)	–	2,975,400
Category 3 – Employees with performance evaluation							
	31 March 2021 – 17 May 2030	31 March 2021 – 17 May 2030	6,250,000	–	–	–	6,250,000
	31 March 2022 – 17 May 2030	31 March 2022 – 17 May 2030	8,750,000	–	–	–	8,750,000
	31 March 2023 – 17 May 2030	31 March 2023 – 17 May 2030	10,000,000	–	–	–	10,000,000
Sub-Total			25,000,000	–	–	–	25,000,000
Total			31,605,400	–	(30,000)	–	31,575,400

Notes:

- The date of grant of the options is 18 May 2020.
- The options have an exercise price of HK\$0.84.

CORPORATE GOVERNANCE

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.

CHANGES IN DIRECTORS’ INFORMATION

During the six-month period ended 30 June 2022, there was no change in directors’ information.

Other Information

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

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

In response to the specific enquiry made by the Company, all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and there are no non-compliance with the required standard set out in the Model Code for the six-month period ended 30 June 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 report had been reviewed by the Audit Committee and the external auditor, 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 also 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.

CONVERTIBLE BONDS OF THE COMPANY ISSUED ON 1 FEBRUARY 2018

Pursuant to the terms and conditions of the convertible bond, the convertible bond matured on 31 January 2022. A principal amount of HK\$59,000,000 together with all accrued and unpaid interests remains payable by the Company to Chance Talent Management Limited (the “**Purchaser**”). The Company repaid an aggregate principal amount of HK\$500,000, together with all interests and fees to the Purchaser and the terms and conditions of the Convertible Bonds were further amended on 10 June 2022 by the Third Supplemental Deed of Amendment.

The Convertible Bonds in an aggregate principal amount of HK\$10,000,000 were converted into shares of the Company on 18 January 2022 and 14 June 2022. As a result of the conversion, the Company allotted and issued a total of 9,174,312 conversion shares to the Purchaser, representing approximately 1.66% of the total number of issued shares of the Company as enlarged by the allotment and issuance of the conversion shares. The aggregate outstanding principal amount of the Convertible Bonds was reduced to HK\$53,500,000.

For details of the convertible bond, please refer to the announcements of the Company dated 25 January 2018, 1 February 2018, 27 December 2018, 31 December 2018, 11 January 2019, 13 November 2020, 28 January 2021, 29 January 2021, 24 September 2021, 24 November 2021, 18 January 2022, 28 January 2022, 16 May 2022, 10 June 2022 and 14 June 2022.

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.

COMPEITION AND CONFLICT OF INTERESTS

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

PUBLIC FLOAT

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

Other Information

PLEDGING OF SHARES BY CONTROLLING SHAREHOLDER

During the Reporting Period, pursuant to the Third Supplemental Deed of Amendment of convertible bonds, Expert Depot has agreed to pledge the 110,000,000 Shares in its CCBI Account in favour of the Purchaser to secure the then remaining outstanding principal amount of the convertible bonds in the amount of HK\$58,500,000 and all sums that remain due and payable under the convertible bonds by the Company to the Purchaser. As at the date of this report, Expert Depot holds a total of 121,490,000 Shares, representing approximately 22.0% of the total issued shares and the pledged shares represent approximately 19.92% of the total issued shares. Expert Depot is directly wholly owned by Mr. Zhang Tiewei (the chairman and executive director of the Company), who is a controlling shareholder of the Company as at the date of this report.

SUPPLEMENTAL INFORMATION TO 2021 ANNUAL REPORT

The Company would like to provide supplemental information to its 2021 Annual Report to further assist its shareholders and potential investors to appraise the Company's position for the financial year ended 31 December 2021.

The Group's Guarantee Business

The major terms of the traditional financial guarantee contracts the Group enter into with its customers are the following:

- (a) terms of the guarantees are between approximately 1 year and up to 3 years;
- (b) the customer shall pay a fee to the Group for the guarantee services provided (the "**Guarantee Fee**"), calculated based upon between approximately 0.3% and 3.5% of the total sum guaranteed by the Group;
- (c) In the event that the Group repays the lender the principal amount and/or interest (the "**Repaid Sum**") for its customer in accordance with the guarantee contract, the customer shall pay the Group the Repaid Sum together with daily interest of 0.05% on the Repaid Sum.

The collateral coverage rate and default rate (i.e. the default payment during the year over the guarantee amount released) of the Group's guarantee business are approximately 95.61% and 0.96%, respectively.

Credit Risk Assessment Policy

The Group acts prudently in its assessments and approval of guarantee and adopts stringent credit risk assessment policy to mitigate against credit risk. The credit risk assessment procedure would commence with the project manager collecting identification and relevant corporate and financial documents from the customer. The project manager conducts due diligence on the customer and prepare and provide the risk management department an initial assessment report and due diligence report. The risk management department will review the reports together with the information collected from the customer and may request further information from the customer for credit risk assessment. Members of the risk management department may verify the information collected by conducting further due diligence on the customer. Once approval from the risk management department is obtained, recommendation will be made to the guarantee assessment committee for further approval of the guarantee. Members of the guarantee assessment committee may conduct further due diligence on the customer as and when appropriate.

The Group would

- (a) identify and assess the background, credit status and reputation of the customer and the counter guarantor such as their financial status, shareholders background and business reputation;
- (b) ascertain and investigate the purpose of the guarantee and the source of repayment;
- (c) conduct due diligence on the business of the customer and the counter guarantor such as their operating history and business operations; and
- (d) conduct due diligence on the financials of the customer and counter guarantor and the collateral offered.

The Group, in performing credit risk assessment on its customers and the counter guarantor, would typically review:

- (a) background and credit search reports on the customer and the counter guarantor;
- (b) corporate information on the customer and counter guarantor;
- (c) investigation report on the purpose for which the guarantee was sought from the Group (if applicable);
- (d) due diligence report on the business of the customer and the counter guarantor;
- (e) financial information of the customer and the counter guarantor; and
- (f) public search results on the customer, the counter guarantor and the collateral offered.

Other Information

The Group would consider the following factors during its credit risk assessment before entering into the guarantee contracts:

- (a) the background, credit status, reputation and business operations of the guarantee applicant and the counter guarantor (if applicable);
- (b) source of repayment and repayment abilities of the guarantee applicant and the counter guarantor (if applicable);
- (c) the value and nature of the collateral offered and the underlying purpose of the guarantee;
- (d) cost of making guarantee payment;
- (e) credit and other business risks of a guarantee;
- (f) expected rate of return; and
- (g) the loan-to-value ratio.

In considering a guarantee application, the Group primarily focuses on considering the loan repayment capability and creditworthiness of a customer. The value of collaterals provided for a guarantee application is supplementary assurance. The Group's customers are first required to pass the lender's credit and risk assessments before engaging the Group's guarantee services. The Group provides guarantee services based on assessment of the customers' loan repayment capability according to the Group's analysis of their operational and financial information gathered in the due diligence process. As such, the Group did not adopt prescribed loan-to-value ratio to assess guarantee applications. The loan-to-value ratio is generally required to be below 100% for successful guarantee applications i.e. the outstanding guarantee amount is fully secured by the value of the relevant collaterals.

Credit Limit Internal Control

The project manager, in conducting due diligence on the customer and preparing the initial assessment report, will provide the risk management department with an initial suggested credit limit for the guarantee. The risk management department, upon reviewing the initial assessment report and due diligence report prepared by the project manager, will determine the credit limit for the customer prior to granting approval and submitting to the guarantee assessment committee for further approval. Professional judgment is made by the management of the Group's guarantee business on the customer's credit limit based on the information gathered from due diligence and results of the customer's credit risk assessment.

Credit Approval Internal Control

Upon confirming the principal terms of the guarantee with the customer, the business and operations department of the Group's guarantee business will submit project report to the risk management department for approval. If approval is obtained, recommendation will be made to the guarantee assessment committee for further approval. Upon securing the approvals of the guarantee assessment committee and the executive director, the guarantee agreement and relevant document will be prepared based on the negotiated and approved terms.

Monitoring of collection of receivables from guarantee payments

The Group closely monitors collection of receivables from guarantee payments. The project managers assigned to each guarantee monitor the post-guarantee status of the customers. Information collected from due diligence and credit risk assessment on the customer are reviewed, updated and documented on a regular basis to monitor their abilities to make payment to the Group. The frequency of the review conducted by the Group depends on the industry the customer operates in, seasonality of the customer's business (if applicable) and the purpose for which the guarantee was seek from the Group. The Group generally conducts a review on its customers on a monthly or quarterly basis.

Steps the Group would take to monitor collection of receivables from guarantee payments include:

- a) conducting searches in the public domain on the customer and counter guarantor to obtain updated public information on them;
- b) obtaining and reviewing updated assets proof and financial information on the customer and counter guarantor; and
- c) understanding the customer's operation and financials through visiting their premises, reviewing their sale contracts, sale invoices, value added tax filing documents, utility bills, bank statements and other relevant documents.

The Group timely implements appropriate measures in the event that there is material deterioration in the customer's and counter guarantor's financial circumstances that affect their repayment abilities. In such event, the project manager and members of the risk assessment and guarantee assessment committees will have discussions with the customer or counter guarantor and conduct site visits on their business premises to understand the reason behind the material deterioration in their financial circumstances. Once the customer is determined to be facing material deterioration in their financial circumstances, the Group may demand its customers to provide further collaterals or counter guarantee in accordance with the terms of the guarantee contract, and the Group will also conduct frequent review on the customer as part of its monitoring of receivables from guarantee payments.

Other Information

Actions the Company took to safeguard the Company's interest in the receivables from guarantee payments and to recover the Write-Off

The Group closely monitors the customer's financial condition, business operation, counter-guarantee condition and performance of obligations under the guarantee contract, and will conduct regular assessment of the customer's business operation and/or assets and liabilities.

To safeguard the Company's interest in the receivables from guarantee payments and to recover the Write-Off, in the event that the customer faces difficulty with making payment to the Group, discussions will be held with the customer to understand their financial circumstances and to formulate repayment plan and debt restructuring plan for the outstanding payment.

The Group will, as last resort, commence legal action against all relevant counterparties (the customers and their counter guarantors) and apply for enforcement and auction sale from the relevant court thereafter to recover the receivables from guarantee payment and/or to realize the collaterals to satisfy the debt.

Impairment Loss On Receivables From Guarantee Payment

The Group recognized RMB16.89 million as impairment loss charged on receivables from guarantee payments for the financial year ended 31 December 2021 is primarily due to the increase in risk of recovery of four guarantee agreements, which led to the increase in provision ratio (each, the "**Impaired Agreement**", collectively, the "**Impaired Agreements**").

The counter parties to the Impaired Agreements as set out below are independent third parties and not connected to the Company and its connected persons and the Impaired Agreements have no bearing on the related parties of the Company. A breakdown of the impairment loss recognised for the financial year ended 31 December 2021 in respect of such Impaired Agreement are as follows:

	Counter party	Type of Receivables	impairment loss for 2021 (RMB million)
1	Relevant Party A	Overdue and credit-impaired	3.06
2	Relevant Party B	Overdue and credit-impaired	5.99
3	Relevant Party C	Overdue and credit-impaired	5.99
4	Relevant Party D	Overdue and credit-impaired	1.85
		Total	16.89

Relevant Party A

The Company entered into a guarantee agreement with Relevant Party A in 2017. Pursuant to the guarantee agreement, the Company fulfilled its guarantee obligation while Relevant Party A defaulted on the bank loans. The carrying amount of the receivables from guarantee payments from Relevant Party A was RMB3.23 million as at 31 December 2019. Relevant Party A repaid RMB0.17million during 2020. In 2021, the outstanding amount of receivable was RMB3.06 million before fully charging impairment loss.

Reason for impairment recognition

As of 31 December 2021, Relevant Party A had ended operation and all collaterals have been executed, there are no other ways to recover the receivable. The Company is of the opinion that Relevant Party A is unlikely to repay the Company. Impairment loss of RMB3.06 million was recognised and the receivable had been written off.

Relevant Party B, Relevant Party C and Relevant Party D

Relevant Party D was the lead contractor who received the construction project from Evergrande Real Estate Group and other real estate developers. It subcontracted work to Relevant Party B and Relevant Party C. Furthermore, Relevant Party D provided guarantee for Relevant Party B and Relevant Party C with its credit limit approved by the Company.

In 2021, pursuant to the guarantee agreements, the Company fulfilled its guarantee obligations while the bank loans of Relevant Party B, Relevant Party C and Relevant Party D were defaulted, which amounted to RMB15.01 million, RMB15.03 million and RMB4.64 million, respectively.

Reason for impairment recognition

Due to the default of Evergrande Real Estate Group and other real estate developers, Relevant Party B, Relevant Party C and Relevant Party D faced severe cash flow issues and defaulted on their bank loans in 2021.

Considering that the net realizable values of the collaterals are less than the carrying amount of the receivables from guarantee payments, the Company is of the opinion that Relevant Party B, Relevant Party C and Relevant Party D are unlikely to repay receivables from guarantee payments to the Company in full with proceeds from disposal of the collaterals, and thus impairment losses of RMB5.99 million, RMB5.99 million and RMB1.85 million were recognised for receivables due from Relevant Party B, Relevant Party C and Relevant Party D, respectively, during 2021 based on the difference between their carrying amounts and net realizable values of the collaterals.

Other Information

Valuation inputs used or key assumptions adopted in the impairment valuation and the valuation method adopted and the reason(s) for adopting such method

For receivables from guarantee payments, the Company performed impairment assessment at the end of the reporting period using the expected credit loss (“ECL”) model as required by HKFRS 9, and the accounting policy, key assumptions and inputs as stated in Notes 1(l)(i) and 12(a)(ii) to the consolidated financial statements in the Company’s 2021 Annual Report.

As stated in Note 12(a) to the consolidated financial statements in the Company’s 2021 Annual Report, receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired. Therefore, ECLs are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The Company estimated the future cash flows to be received based on the estimated net realisable value of collaterals provided for the Impaired Agreements or amounts expected to be recovered from the counter guarantors. The determination of the estimated net realizable value of the collaterals takes into account the nature of the collateral, its geographical location, its rate of depreciation, cost of disposal, time required for disposing the collateral and the estimated internal rate of return of the Impaired Agreement.

Details of the key assumptions and inputs adopted in the impairment assessment of each of the Impaired Agreements are set out below.

Relevant Party B, Relevant Party C and Relevant Party D

Estimated value of collaterals:

Pursuant to the collateral contracts, the properties and the residential land collateralized shall be liquidated through a public auction process. The valuation of the properties was based on the indicative auction starting price in the auction announcement issued by the court. The valuation of the residential land was prepared by the Company based on the recent auction price of residential land in the same district. As receivables from Relevant Party B, Relevant Party C and Relevant Party D are collateralized by the same assets, the estimated net realisable value of the collaterals was apportioned to each relevant Impaired Agreement according to Relevant Parties’ relative amount outstanding as at 31 December 2021.

Discount on the valuation of the collaterals:

The Directors have applied a discount rate to the valuation taking into consideration factors such as the difficulty of disposal, estimated time and cost of disposal, as well as the time value of money.

There is no significant change in the value of inputs or assumptions from those previously adopted.

Write-off

The six guarantee agreements of RMB44.1 million were written off for the financial year ended 31 December 2021 (each, the “**Written Off Agreement**”, collectively, the “**Written Off Agreements**”) in accordance to the provisions of the Hong Kong Financial Reporting Standards, with reference to factors, amongst others, such as the duration of the uncollectible accounts, the nature of the accounts and the number of competing claims as against the relevant counter party.

No.	Counter party	Nature	Written-off (RMB million)	Outstanding balance
1	Relevant Party A	Business transaction in ordinary course of Relevant Party A's business	3.06	Nil
2	Relevant Party E	Business transaction in ordinary course of Relevant Party E's business	26.14	Nil
3	Relevant Party F	Business transaction in ordinary course of Relevant Party F's business	5.56	Nil
4	Relevant Party G	Business transaction in ordinary course of Relevant Party G's business	5.20	Nil
5	Relevant Party H	Business transaction in ordinary course of Relevant Party H's business	4.82	Nil
6	Relevant Party I	Business transaction in ordinary course of Relevant Party I's business	3.54	Nil
7	Others	Recovery of write off from previous period	(4.22)	
Total			44.10	

Other Information

Basis for write off

As stated in Note 1(l)(i) to the consolidated financial statements in the Annual Report 2021 of the Company, the gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

No.	Counter party	Events and circumstances leading to write off
1.	Relevant Party A	<p>Litigation was brought against the counterparty in 2019, and a judgement was awarded in favour of the Company. In October 2020, the judgement against Relevant Party A has been executed, but only a small part of the debt was recovered.</p> <p>Considering that the debt has been overdue for more than 3 years, the Directors are of the opinion that there is no reasonable expectation of recovering such debt.</p>
2.	Relevant Party E	<p>Relevant Party E was a freight forwarder for infrastructure construction contractors and its account receivable was charged to the Group as collateral. In June 2021, as Relevant Party E was not paid the account receivable and suffered cash flow issue, the charge over the account receivable could not be executed. The Directors are of the opinion that there is no reasonable expectation of recovering such debt.</p>
3.	Relevant Party F	<p>Relevant Party F was a raw materials supplier and charged its account receivables from a cable manufacturer to the Group as collateral. In March 2019, as Relevant Party F was not paid the account receivable, the charge over the account receivable could not be executed. The Group discussed the recoverability of the receivable with Relevant Party F. The cable manufacturer was wound up and the Group managed to recover a small part of the debt.</p> <p>Considering that the debt has now been overdue for more than 3 years and the cable manufacturer has now been wound up, the Directors are of the opinion that there is no reasonable expectation of recovering such debt.</p>

Other Information

No.	Counter party	Events and circumstances leading to write off
4.	Relevant Party G	<p>Relevant Party G was a contractor for infrastructure construction and its account receivable was charge to the Group as collateral. In June 2021, as Relevant Party G was not paid the account receivable and suffered cash flow issue, the charge over the account receivable could not be executed. The Directors are of the opinion that there is no reasonable expectation of recovering such debt.</p>
5.	Relevant Party H	<p>Litigation was brought against the counterparty and a judgement was awarded in favour of the Company in June 2019. In July 2019, judgment against the counterparty was executed and part of the debt was recovered. Due to a lack of enforceable assets, the execution procedure was brought to an end in August 2020.</p> <p>Considering that the debt has been overdue for more than 3 years, the Directors are of the opinion that there is no reasonable expectation of recovering such debt.</p>
6.	Relevant Party I	<p>Litigation was brought against the counterparty and a judgement was awarded in favour of the Company in September 2019. In March 2020, judgment against the counterparty was executed. Due to a lack of enforceable assets, the execution procedure was brought to an end in May 2021.</p> <p>The Directors are of the opinion that there is no reasonable expectation of recovering such debt.</p>

Other Information

Risk Assessment Performed In Relation to Receivables Being Written Off

Prior to entering into the guarantee contracts the receivables of which are being written off, the Company conducted the following risk assessment procedures:

Counter Party	Risk Assessment conducted
Relevant Party A	<ol style="list-style-type: none">1. Obtained and reviewed sale and purchase contracts, operational and financial information of Relevant Party A such as bank balance and the accounts receivable assigned to the Group as collateral;2. Obtained and reviewed the tenancy agreement of the property (the “Rented Property”) of which right to rental income was charged to the Group;3. Conducted site visits on the Rented Property, machineries and equipment and properties charged in favour of the Group;4. Conducted site visit at the Relevant party A’s premises to verify the validity of its business;5. Conducted interviews with the ultimate beneficial owner(s) and financial and operation personnel of Relevant Party A;6. Conducted background searches on Relevant Party A and its ultimate beneficial owner(s) on areas such as credit and property statuses, litigation, business scope, number of employees, the business model via public searches;7. Obtained corporate information and documents of Relevant Party A and copies of licenses required for its business; and8. Reviewed the due diligence report on findings on Relevant Party A and its ultimate beneficial owner(s) and the initial assessment report for the guarantee.

Other Information

Counter Party	Risk Assessment conducted
Relevant Party E	<ol style="list-style-type: none">1. Obtained and reviewed sale and purchase contracts, operational and financial information of Relevant Party E such as bank balance and the accounts receivable assigned to the Group as collateral;2. Conducted site visits on the inventory and machineries and equipment charged in favour of the Group;3. Conducted site visit at the Relevant party E's premises to verify the validity of its business;4. Conducted interviews with the ultimate beneficial owner(s) and financial and operation personnel of Relevant Party E;5. Obtained corporate information and documents of Relevant Party E and copies of licenses required for its business; and6. Reviewed the due diligence report on findings on Relevant Party E and its ultimate beneficial owner(s) and the initial assessment report for the guarantee.
Relevant Party F	<ol style="list-style-type: none">1. Obtained and reviewed sale and purchase contracts, operational and financial information of Relevant Party F such as bank balance and the accounts receivable assigned to the Group as collateral;2. Conducted site visits on the inventory charged in favour of the Group;3. Conducted site visit at the Relevant party F's premises to verify the validity of its business;4. Conducted interviews with the ultimate beneficial owner(s) and financial and operation personnel of Relevant Party F;5. Conducted background searches on Relevant Party F and its ultimate beneficial owner(s) on areas such as credit and property statuses, litigation, business scope, number of employees, the business model via public searches;6. Obtained corporate information and documents of Relevant Party F and copies of licenses required for its business; and7. Reviewed the due diligence report on findings on Relevant Party F and its ultimate beneficial owner(s) and the initial assessment report for the guarantee.

Other Information

Counter Party	Risk Assessment conducted
Relevant Party G	<ol style="list-style-type: none"> 1. Obtained and reviewed sale and purchase contracts, operational and financial information of Relevant Party G such as bank balance and the accounts receivable assigned to the Group as collateral; 2. Conducted site visits on inventory charged in favour of the Group; 3. Conducted site visit at the Relevant party G's premises to verify the validity of its business; 4. Conducted interviews with the ultimate beneficial owner(s) and financial and operation personnel of Relevant Party G; 5. Obtained corporate information and documents of Relevant Party G and copies of licenses required for its business; and 6. Reviewed the due diligence report on findings on Relevant Party G and its ultimate beneficial owner(s) and the initial assessment report for the guarantee.
Relevant Party H	<ol style="list-style-type: none"> 1. Obtained and reviewed sale and purchase contracts, operational and financial information of Relevant Party H such as bank balance and the accounts receivable assigned to the Group as collateral; 2. Conducted site visits on properties, inventory and machineries and equipment charged in favour of the Group; 3. Conducted site visit at the Relevant party H's premises to verify the validity of its business; 4. Conducted interviews with the ultimate beneficial owner(s) and financial and operation personnel of Relevant Party H; 5. Conducted background searches on Relevant Party H and its ultimate beneficial owner(s) on areas such as credit and property statuses, litigation, business scope, number of employees, the business model via public searches; 6. Obtained corporate information and documents of Relevant Party H and copies of licenses required for its business; and 7. Reviewed the due diligence report on findings on Relevant Party H and its ultimate beneficial owner(s) and the initial assessment report for the guarantee.

Other Information

Counter Party	Risk Assessment conducted
Relevant Party I	<ol style="list-style-type: none">1. Obtained and reviewed sale and purchase contracts, operational and financial information of Relevant Party I such as bank balance and the accounts receivable assigned to the Group as collateral;2. Conducted site visits on the properties, machineries and equipment and inventory charged in favour of the Group;3. Conducted site visit at the Relevant party I's premises to verify the validity of its business;4. Conducted interviews with the ultimate beneficial owner(s) and financial and operation personnel of Relevant Party I;5. Conducted background searches on Relevant Party I and its ultimate beneficial owner(s) on areas such as credit and property statuses, litigation, business scope, number of employees, the business model via public searches;6. Obtained corporate information and documents of Relevant Party I and copies of licenses required for its business; and7. Reviewed the due diligence report on findings on Relevant Party I and its ultimate beneficial owner(s) and the initial assessment report for the guarantee.

Other Information

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 report.

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

APPRECIATION

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

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

Hong Kong, 23 September 2022

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