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China Success Finance Group Holdings Limited

中國金融發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		
	2023 (RMB'000)	2022 (RMB'000)	Change In %
REVENUE	2,926	46,468	-93.7%
OTHER REVENUE	2,709	8,546	-68.3%
LOSS BEFORE TAXATION	(31,041)	(67,841)	-54.2%
LOSS FOR THE PERIOD	(34,898)	(65,281)	-46.5%
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(36,327)	(67,898)	-46.5%
BASIC LOSS PER SHARE (RMB PER SHARE)	(0.05)	(0.11)	-54.5%
	AT 30 JUNE 2023 (RMB'000)	AT 31 DECEMBER 2022 (RMB'000)	Change In %
TOTAL ASSETS	665,396	739,547	-10.0%
TOTAL EQUITY	300,856	336,857	-10.7%

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Success Finance Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022. The interim financial information for the six months ended 30 June 2023 has not been audited, but has been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

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

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Guarantee income		19,068	61,462
Less: guarantee service fee		(17,305)	(46,675)
Net guarantee fee income		<u>1,763</u>	<u>14,787</u>
Sales of market hogs		<u>1,151</u>	<u>31,066</u>
Service fee from consulting services		<u>12</u>	<u>615</u>
Revenue	3	2,926	46,468
Other revenue	4	2,709	8,546
Cost of market hogs sold		(5,759)	(28,602)
Impairment and provision credited/(charged)	5(a)	938	(58,644)
Operating expenses		(25,127)	(34,011)
Research and development costs		(592)	(792)
Interest expenses		(7,909)	(8,889)
Net changes in fair value on financial assets		–	(216)
Net changes in fair value of biological assets		3,091	9,608
Share of losses of associates		(1,318)	(1,309)
Loss before taxation	6(b)	(31,041)	(67,841)
Income tax	6(a)	(3,857)	2,560
Loss for the period		<u>(34,898)</u>	<u>(65,281)</u>
Attributable to:			
Equity shareholders of the Company		(28,896)	(62,577)
Non-controlling interests		(6,002)	(2,704)
Loss for the period		<u>(34,898)</u>	<u>(65,281)</u>
Loss per share (RMB per share)			
Basic	7(a)	<u>(0.05)</u>	<u>(0.11)</u>
Diluted	7(b)	<u>(0.05)</u>	<u>(0.11)</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2023 – unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the period	(34,898)	(65,281)
Other comprehensive loss for the period (after tax and reclassification adjustments)		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the mainland China	<u>(1,429)</u>	<u>(2,617)</u>
Total comprehensive loss for the period	<u>(36,327)</u>	<u>(67,898)</u>
Attributable to:		
Equity shareholders of the Company	<u>(30,325)</u>	<u>(65,194)</u>
Non-controlling interests	<u>(6,002)</u>	<u>(2,704)</u>
Total comprehensive loss for the period	<u>(36,327)</u>	<u>(67,898)</u>

Consolidated Statement of Financial Position
at 30 June 2023 – unaudited
(Expressed in Renminbi)

		At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Assets			
Cash and bank deposits		130,413	158,351
Pledged bank deposits		72,340	74,610
Trade and other receivables	8	174,749	203,618
Factoring receivables	9	26,540	27,090
Finance lease receivables	10	19,378	20,470
Interests in associates		21,418	22,736
Biological assets	11	725	2,841
Inventories		1,388	1,908
Property, plant and equipment		186,069	191,714
Financial assets measured at fair value through profit or loss (FVPL)		6,964	6,964
Deferred tax assets	12(b)	25,412	29,245
Goodwill		—	—
Total assets		665,396	739,547
Liabilities			
Liabilities from guarantees	13	20,607	39,384
Pledged deposits received		106,914	119,979
Interest-bearing borrowings	14	142,286	133,980
Liability component of convertible bonds	15	38,060	44,226
Accruals and other payables		27,647	35,666
Current tax	12(a)	16,491	16,468
Lease liabilities		12,535	12,987
Total liabilities		364,540	402,690
NET ASSETS		300,856	336,857

Consolidated Statement of Financial Position
at 30 June 2023 – unaudited (continued)
(Expressed in Renminbi)

		At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
	<i>Note</i>		
CAPITAL AND RESERVES			
Share capital	16(b)	4,420	4,420
Reserves		<u>322,620</u>	<u>352,619</u>
Total equity attributable to equity shareholders of the Company		327,040	357,039
Non-controlling interests		<u>(26,184)</u>	<u>(20,182)</u>
TOTAL EQUITY		<u>300,856</u>	<u>336,857</u>

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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2(a).

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 2022 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.

2 Changes in accounting policies

(a) New and amended HKFRSs

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

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these amendments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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	
	2023	2022
	RMB'000	RMB'000
Guarantee fee income		
– Income from online financial guarantees	18,803	60,421
– Income from performance guarantees	144	471
– Income from financial guarantees	121	505
– Income from litigation guarantees	–	65
	<hr/>	<hr/>
Gross guarantee fee income	19,068	61,462
Less: guarantee service fee	(17,305)	(46,675)
	<hr/>	<hr/>
Net guarantee fee income	1,763	14,787
	<hr/>	<hr/>
Service fee from consulting services	12	615
Sales of market hogs	1,151	31,066
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Total	2,926	46,468
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The principal activities of the Group are the provision of guarantees, financial leasing, factoring, sales of market hogs and financial consultancy services.

(b) Segment reporting

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

- Financial services: providing guarantee service, factoring service, financial leasing service and consulting service in the People's Republic of China (the "PRC").
- Pig selling: start with year 2020, the Group acquired Yangmianshan Company Limited ("Yangmianshan") to diversify the business of the Group. The main business of Yangmianshan is sales of market hogs in the PRC.

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(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.

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

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

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

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

	Financial services		Yangmianshan		Total	
			Six months ended 30 June			
	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Over time:						
Guarantee income	19,068	61,462	-	-	19,068	61,462
Inter-segment revenue	-	-	-	-	-	-
Less: guarantee service fee	(17,305)	(46,675)	-	-	(17,305)	(46,675)
Net guarantee fee income	1,763	14,787	-	-	1,763	14,787
Service fee from consulting services	12	615	-	-	12	615
Point in time:						
Sales of market hogs	-	-	1,151	31,066	1,151	31,066
Reportable segment revenue	1,775	15,402	1,151	31,066	2,926	46,468
Other revenue	1,366	8,351	1,343	195	2,709	8,546
Cost of market hogs sold	-	-	(5,759)	(28,602)	(5,759)	(28,602)
Impairment and provision charged	938	(58,644)	-	-	938	(58,644)
Operating expenses	(16,886)	(20,230)	(8,241)	(13,781)	(25,127)	(34,011)
Research and development costs	(592)	(792)	-	-	(592)	(792)
Interest expenses	(4,155)	(5,442)	(3,754)	(3,447)	(7,909)	(8,889)
Net changes in fair value on financial assets	-	(216)	-	-	-	(216)
Net changes in fair value of biological assets	-	-	3,091	9,608	3,091	9,608
Reportable segment loss before taxation	(17,554)	(61,571)	(12,169)	(4,961)	(29,723)	(66,532)
Income tax	(3,857)	2,560	-	-	(3,857)	2,560
Reportable segment loss for the period	(21,411)	(59,011)	(12,169)	(4,961)	(33,580)	(63,972)
Share of losses of associates	(1,318)	(1,309)	-	-	(1,318)	(1,309)
Consolidated loss for the period	(22,729)	(60,320)	(12,169)	(4,961)	(34,898)	(65,281)
As at 30 June/31 December						
Reportable segment assets	516,065	561,150	187,486	197,019	703,551	758,169
Reportable segment liabilities	187,194	213,621	245,840	243,204	433,034	456,825

3 Revenue and segment reporting (continued)

(b) Segment reporting (continued)

(ii) Reportable segment assets and liabilities

	Financial services		Yangmianshan		Total	
	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Assets						
Reportable segment assets	516,065	561,150	187,486	197,019	703,551	758,169
Elimination of inter-segment receivables	(84,985)	(70,603)	–	–	(84,985)	(70,603)
Interests in associates	21,418	22,736	–	–	21,418	22,736
Deferred tax assets	25,412	29,245	–	–	25,412	29,245
Consolidated total assets	<u>477,910</u>	<u>542,528</u>	<u>187,486</u>	<u>197,019</u>	<u>665,396</u>	<u>739,547</u>

	Financial services		Yangmianshan		Total	
	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Liabilities						
Reportable segment liabilities	187,194	213,621	245,840	243,204	433,034	456,825
Elimination of inter-segment payable	–	–	(84,985)	(70,603)	(84,985)	(70,603)
Current tax liabilities	16,491	16,468	–	–	16,491	16,468
Consolidated total liabilities	<u>203,685</u>	<u>230,089</u>	<u>160,855</u>	<u>172,601</u>	<u>364,540</u>	<u>402,690</u>

(iii) Geographic information

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

4 Other revenue

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Fair value gain on modification of the terms of convertible bonds		–	6,938
Interest income from bank deposits		1,144	1,807
Government grants	(a)	477	218
Others		1,088	(417)
Total		<u>2,709</u>	<u>8,546</u>

4 Other revenue (continued)

(a) Government grants

- (i) 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 2023 was RMB192,000.
- (ii) Foshan Success Cloud Technology Company Limited (“Success Cloud”) received funding support mainly from the Economic Promotion Bureau of Shunde District of Foshan City. The entitlement of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to promote the development of high-tech enterprises and information technology enterprises. For the six months ended 30 June 2023, a government grant amounted to RMB200,000 (30 June 2022: nil) was rewarded to Success Cloud.

5 Loss before taxation

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

(a) Impairment and provision - (credited)/charged

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Provision (credited)/charged for guarantees issued	13(a)	(2,036)	10,392
Impairment allowances charged/(credited) for:			
– receivables from guarantee payments	8(a)ii	297	24,530
– factoring receivables	9(b)	550	3,396
– finance lease receivables	10(b)	1,092	13,303
– deposit and other receivables	8(c)	159	7,023
– amounts due from related parties		(1,000)	–
Total		<u>(938)</u>	<u>58,644</u>

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries, wages and other benefits	9,832	12,808
Contributions to defined contribution retirement plan	334	431
Equity settled share-based payment expenses	326	1,000
Total	<u>10,492</u>	<u>14,239</u>

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in defined contribution retirement benefit schemes (the “Schemes”) organized 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.

5 Loss before taxation (continued)

(b) Staff costs (continued)

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

	Note	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
Depreciation charge		2,657	913
– right-of-use assets		815	807
– owned equipment		1,842	106
Operating lease charges in respect of leasing of properties	(i)	98	44
Auditors' remuneration		474	1,700
Net foreign exchange loss		386	960
Loss of inventory	(ii)	4,207	9,571

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

(ii) The main business of Yangmianshan is sales of market hogs in the PRC. The loss of inventory as at 30 June 2023 is RMB 4,207,000 (30 June 2022: RMB 9,571,000) represents the cost arising from the loss of hogs.

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	
	2023	2022
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax for the period	–	–
Tax filing differences	(24)	(155)
Deferred tax		
Origination and reversal of temporary differences	(3,833)	2,715
Total	(3,857)	2,560

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

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Loss before taxation	<u>(31,041)</u>	<u>(67,841)</u>
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	7,760	16,961
Tax effect of unused tax losses not recognised	(10,799)	(14,080)
Tax effect of non-deductible expenses	(794)	(166)
Tax filing differences	<u>(24)</u>	<u>(155)</u>
Actual tax (expense)/income	<u>(3,857)</u>	<u>2,560</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.
- (ii) Hong Kong has proposed Foreign Source Income Exemption for the Company and the subsidiaries located in Hong Kong, but the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.
- (iii) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

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

- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed losses from 1 January 2008 of the PRC subsidiaries amounted to RMB467,317,000 as at 30 June 2023 (31 December 2022: RMB 436,277,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 Losses per share

(a) Basic losses per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB28,896,000 (loss for six months ended 30 June 2022: RMB 62,577,000) and the weighted average of 552,158,000 ordinary shares (six months ended 30 June 2022: 547,571,000 ordinary shares) in issue during the period, calculated as follows:

7 Losses per share (continued)

(a) Basic losses per share (continued)

Weighted average number of ordinary shares

	Six months ended 30 June	
	2023 '000	2022 '000
Issued ordinary shares at 1 January	552,158	542,305
Effect of convertible bonds transferred to shares	–	5,266
Weighted average number of ordinary shares at 30 June	<u>552,158</u>	<u>547,571</u>

(b) Diluted losses per share

The Group has convertible bonds as dilutive potential ordinary shares during the period ended 30 June 2023. Diluted loss per share for the period ended 30 June 2023 is (0.05) ((2022):(0.11)).

8 Trade and other receivables

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Receivables from guarantee payments	(a)(i)	139,062	139,062
Less: allowances for doubtful debts	(a)(ii)	(116,769)	(115,512)
		<u>22,293</u>	<u>23,550</u>
Trade debtors from consultancy services		1,573	1,736
Trade debtors from guarantees		837	1,055
Trade debtors from sales of biological assets		246	–
		<u>2,656</u>	<u>2,791</u>
Trade receivables	(a)	24,949	26,341
Down payments for investments net of impairment allowances	(b)	–	–
Deposit and other receivables, net of impairment allowances	(c)	103,994	127,168
Amounts due from related parties		5,910	6,614
		<u>134,853</u>	<u>160,123</u>
Deferred expenses of online financial guarantee business		2,536	18,106
Prepayments to online financial guarantees		–	3,656
Prepayments for constructions		32,281	15,999
Prepayments to third parties		1,944	2,507
Mortgage assets		2,563	2,655
Others		572	572
Total		<u>174,749</u>	<u>203,618</u>

8 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:

	<i>Note</i>	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Within 1 month		523	741
Over 1 month but less than 3 months		246	–
Over 3 months but less than 1 year		–	20,668
More than 1 year		140,949	120,444
Total		141,718	141,853
Less: allowances for doubtful debts	(ii)	(116,769)	(115,512)
Total		24,949	26,341

(i) Receivables from guarantee payments

Receivables from guarantee payments represented payments made by the Group to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurred because the customers fail to make payments when due in accordance with the terms of the corresponding debt instruments. Receivables from guarantee payments were interest-bearing and the Group holds certain collaterals over certain customers.

(ii) Trade receivables that are impaired

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

At 30 June 2023, the Group’s debtors of RMB141,718,000 (31 December 2022: RMB141,853,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 8(a). These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Consequently, allowances for the doubtful debts were recognised as follows:

	2023 Lifetime ECL credit- impaired RMB'000
As at 31 December 2022	115,512
Impairment allowances	1,257
Reversal	(960)
Recoveries	960
As at 30 June 2023	116,769

8 Trade and other receivables (continued)

(a) Aging analysis of trade receivables (continued)

(ii) Trade receivables that are impaired (continued)

	2022 Lifetime ECL credit- impaired RMB'000
As at 31 December 2021	98,989
Impairment allowances	17,760
Reversal	(1,237)
Written-off	—
	<hr/>
As at 31 December 2022	<u>115,512</u>

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

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Down payments for investments	50,550	50,550
Less: allowances	(50,550)	(50,550)
	<hr/>	<hr/>
Total	<u>—</u>	<u>—</u>

Ageing analysis

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
More than 1 year	50,550	50,550
Less: allowances	(50,550)	(50,550)
	<hr/>	<hr/>
Total	<u>—</u>	<u>—</u>

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 30 June 2023, the Group's debtors had impairment allowances of RMB50,550,000 of down payments for investments (31 December 2022: RMB50,550,000). 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.

8 Trade and other receivables (continued)

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

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Deposit	10,164	17,178
Other receivables (i)	178,396	194,397
Less: allowances for other receivables	<u>(84,566)</u>	<u>(84,407)</u>
Total	<u><u>103,994</u></u>	<u><u>127,168</u></u>
Amounts due from related parties	10,543	12,247
Less: allowances	<u>(4,633)</u>	<u>(5,633)</u>
Total	<u><u>5,910</u></u>	<u><u>6,614</u></u>

Ageing analysis

	At 30 June 2023 <i>RMB'000</i>	At 31 December 2022 <i>RMB'000</i>
Deposit and other receivables		
Less than 1 year	1,839	69,247
More than 1 year	<u>186,721</u>	<u>142,328</u>
Total	----- 188,560	----- 211,575
Less: allowances	----- (84,566)	----- (84,407)
Total	<u><u>103,994</u></u>	<u><u>127,168</u></u>
Amounts due from related parties		
Less than 1 year	-	-
More than 1 year	<u>10,543</u>	<u>12,247</u>
Total	----- 10,543	----- 12,247
Less: allowances	----- (4,633)	----- (5,633)
Total	<u><u>5,910</u></u>	<u><u>6,614</u></u>

- (i) Other receivables are mainly the prepayments of cooperation funds, deposits for rentals and other non-business related receivables. The prepayments of cooperation funds are provided by the Group to the unrelated third parties for joint business in the bidding or preparation stage. If the contract is not completed within the agreed dates, the unrelated third parties will return the funds to the Group.

8 Trade and other receivables (continued)

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

Ageing analysis (continued)

	2023 Lifetime ECL credit- impaired RMB'000
As at 31 December 2022	(84,407)
Impairment allowances	(159)
	<hr/>
As at 30 June 2023	(84,566)
	<hr/> <hr/>
	 2022
	Lifetime
	ECL credit-
	impaired
	RMB'000
As at 31 December 2021	(91,333)
Impairment allowances	(7,474)
Written-off	14,400
	<hr/>
As at 31 December 2022	(84,407)
	<hr/> <hr/>

As at 30 June 2023, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB84,566,000 (31 December 2022: RMB84,407,000) for which a full impairment allowance had been provided.

As of 30 June 2023 and 31 December 2022, management adopted a lifetime ECL credit impaired assessment on the Group's amounts due from related parties amounting to RMB 4,633,000 (31 December 2022: RMB5,633,000) for which a full impairment allowance had been provided.

9 Factoring receivables

				At 30 June 2023			
				12-month	Lifetime		
				ECL	ECL credit-		
				RMB'000	impaired		
				RMB'000	RMB'000		
				Total			
				RMB'000			
<i>Note</i>							
	Factoring receivables			18,675	40,000	58,675	
	Interest receivable from factoring receivables			2,067	4,215	6,282	
	Less: allowances for factoring receivables	(a)/(b)		(2,331)	(36,086)	(38,417)	
	Carrying amount of factoring receivables			<u>18,411</u>	<u>8,129</u>	<u>26,540</u>	
				At 31 December 2022			
				12-month	Lifetime		
				ECL	ECL credit-		
				RMB'000	impaired		
				RMB'000	RMB'000		
				Total			
				RMB'000			
<i>Note</i>							
	Factoring receivables			18,675	40,000	58,675	
	Interest receivable from factoring receivables			2,067	4,215	6,282	
	Less: allowances for factoring receivables	(a)/(b)		(2,239)	(35,628)	(37,867)	
	Carrying amount of factoring receivables			<u>18,503</u>	<u>8,587</u>	<u>27,090</u>	

(a) Aging analysis

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

	At 30 June	At 31 December
	2023	2022
	RMB'000	RMB'000
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	20,742	20,742
Overdue	44,215	44,215
Total	64,957	64,957
Less: allowances for factoring receivables	(38,417)	(37,867)
Total	26,540	27,090

9 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:

	2023		
	12-month ECL RMB'000	Lifetime ECL credit- impaired RMB'000	Total RMB'000
Balance at 31 December 2022 and 1 January 2023	2,239	35,628	37,867
Net re-measurement of loss allowance	92	458	550
Balance at 30 June 2023	2,331	36,086	38,417
	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	(623)	3,500	2,877
Written-off	–	(5,291)	(5,291)
Balance at 31 December 2022	2,239	35,628	37,867

10 Finance lease receivables

	<i>Note</i>	2023 Lifetime ECL credit- impaired RMB'000
Net amount of finance lease receivables		165,222
Less: allowances for finance lease receivables	(a)/(b)	(145,844)
Carrying amount of finance lease receivables		19,378
		2022 Lifetime ECL credit- impaired RMB'000
Net amount of finance lease receivables		165,222
Less: allowances for finance lease receivables	(a)/(b)	(144,752)
Carrying amount of finance lease receivables		20,470

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

	<u>At 30 June 2023</u>		<u>At 31 December 2022</u>	
	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
Total	165,222	165,222	165,222	165,222
Less: allowances for finance lease receivables	(145,844)	(145,844)	(144,752)	(144,752)
Net investment in finance lease receivables	19,378	19,378	20,470	20,470

10 Finance lease receivables (continued)

(b) Impairment allowances charged for finance lease receivables

	2023	
	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2022 and 1 January 2023	144,752	144,752
Net re-measurement of loss allowance	1,092	1,092
Balance at 30 June 2023	145,844	145,844
	2022	
	Lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at 31 December 2021 and 1 January 2022	140,570	140,570
Net re-measurement of loss allowance	4,182	4,182
Balance at 31 December 2022	144,752	144,752

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

	At 30 June 2023				At 31 December 2022			
	Overdue over			Total	Overdue over			Total
	Overdue within 3 months <i>RMB'000</i>	3 months but within 1 year <i>RMB'000</i>	Overdue Over 1 year <i>RMB'000</i>		Overdue within 3 months <i>RMB'000</i>	3 months but within 1 year <i>RMB'000</i>	Overdue Over 1 year <i>RMB'000</i>	
Finance lease receivables	-	-	165,222	165,222	-	-	165,222	165,222

11 Biological assets

	Current biological assets Market hogs RMB'000	Non-current biological assets Breeding stocks RMB'000	Non-current biological assets Agricultural produces RMB'000	Total RMB'000
At 1 January 2022 (audited)	11,536	14,656	545	26,737
Increase due to purchasing/raising	74,695	890	180	75,765
Decrease due to sales/disposal	(83,382)	(17,791)	–	(101,173)
Changes in fair value less costs to sell	(733)	2,245	–	1,512
At 31 December 2022 and 1 January 2023 (audited)	2,116	–	725	2,841
Increase due to purchasing/raising	4,759	–	–	4,759
Decrease due to sales/disposal	(9,966)	–	–	(9,966)
Changes in fair value less costs to sell	3,091	–	–	3,091
At 30 June 2023 (unaudited)	<u>–</u>	<u>–</u>	<u>725</u>	<u>725</u>

(i) Non-current biological assets

Non-current stocks are agricultural products which are eucalyptus.

(ii) Current biological assets

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

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

	At 30 June 2023 (Heads)	At 31 December 2022 (Heads)
Current biological assets		
– piglets	–	–
– growing hogs	–	1,616
	<u>–</u>	<u>1,616</u>
Non Current biological assets		
– gilts	–	–
– sows	–	–
	<u>–</u>	<u>–</u>

12 Income tax in the consolidated statement of financial position

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

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
At 1 January		16,468	16,473
Provision for PRC income tax for the period/year	6(a)	24	155
PRC income tax paid		(1)	(160)
		<u>16,491</u>	<u>16,468</u>
At 30 June/31 December		<u>16,491</u>	<u>16,468</u>

(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 tax assets				Deferred tax liabilities					
	Deferred income	Impairment allowances for trade and other receivables	Accrued expenses	Fair value change gains and losses	Total	Long-term unamortised expenses	Interest receivables	Re-guarantee fee	Total	Net
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	26,539	24,747	1,323	(164)	52,445	(23,193)	(1,796)	(70)	(25,059)	27,386
(Charged)/credited to profit or loss	(21,379)	4,131	(900)	1,180	(16,968)	18,662	179	(14)	18,827	1,859
At 31 December 2022 and 1 January 2023	5,160	28,878	423	1,016	35,477	(4,531)	(1,617)	(84)	(6,232)	29,245
(Charged)/credited to profit or loss	(4,136)	(4,904)	(267)	-	(9,307)	3,892	1,498	84	5,474	(3,833)
At 30 June 2023	<u>1,024</u>	<u>23,974</u>	<u>156</u>	<u>1,016</u>	<u>26,170</u>	<u>(639)</u>	<u>(119)</u>	<u>-</u>	<u>(758)</u>	<u>25,412</u>

13 Liabilities from guarantees

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Deferred income		5,899	22,640
Provision of guarantee losses	(a)	14,708	16,744
Total		<u>20,607</u>	<u>39,384</u>

(a) Provision of guarantee losses

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
At 1 January		16,744	14,998
(Credited)/charged for the period/year	5(a)	(2,036)	1,746
At 30 June/31 December		<u>14,708</u>	<u>16,744</u>

14 Interest-bearing borrowings

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Bank borrowings	(a)	142,286	133,980
Total		<u>142,286</u>	<u>133,980</u>

(a) Bank borrowings

As at 30 June 2023, a short-term interest-bearing loan of RMB50,000,000 were repayable within one year was secured.

As at 30 June 2023, banking facilities of the Group totaling RMB153,479,000 (31 December 2022: RMB140,000,000) were utilised to the extent of RMB142,286,000 (31 December 2022: RMB133,980,000).

No covenants relating to the Group or the subsidiary's financial ratios were required by the bank as of 30 June 2023.

15 Liability component of convertible bonds

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 10 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 RMB2,961,000 for the early redemption option.

The 3rd Amendment Deed CBs contain two components, the liability and equity components. The initial fair value of the liability component was estimated to be approximately HKD54,803,000 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 HKD6,235,000, was presented in equity under the heading ‘capital reserve’.

Pursuant to the Third Supplemental Deed of Amendment, Expert Depot has agreed to pledge the 110,000,000 Shares in its CCBI Account in favour of the Purchaser to secure all sums that remain due and payable under the Convertible Bonds by the Company to the Purchaser. As at the date of this announcement, Expert Depot holds a total of 121,490,000 Shares, representing approximately 22.19% of the total issued Shares and the pledged shares represent approximately 20.09% of the total issued Shares. Expert Depot is directly wholly owned by Mr. Zhang Tiewei.

- the Group has converted HKD5,000,000 to 4,587,156 ordinary shares on 18 January 2022. The converted ordinary shares account for 0.83% of all ordinary shares, and increased RMB 4,039,000 share premium.
- the Group has repaid the convertible bonds including interest amounted of HKD501,095 in February 2022.
- the Group has converted HKD5,000,000 to 4,587,156 ordinary shares on 13 June 2022. The converted ordinary shares account for 0.83% of all ordinary shares, and increased RMB 4,259,000 share premium.
- the Group has repaid the convertible bonds including interest amounted of HKD4,621,200 in August 2022.
- The convertible bonds have expired on 31 January 2023.
- the Group has repaid the convertible bonds including interest amounted of HKD9,636,904 in January 2023.
- The Company entered into a fourth amendment deed on 30 June 2023 and amendment completion took place on 18 July 2023.

15 Liability component of convertible bonds (continued)

The movements of components of the CBs and 3rd Amendment Deed CBs during the period is set out below:

	Liability component RMB'000	Equity component RMB'000
1 January 2022	58,653	1,525
Conversion during the Period	(4,588)	(119)
Net change in interest and fees payable	(1,058)	–
Repayment of CBs	(408)	–
Exchange adjustment	5,059	–
	<hr/>	<hr/>
At 16 May 2022 before modification	57,658	1,406
Derecognition of the CBs	(57,658)	(1,406)
Recognition of the New CBs upon modification	47,384	5,390
Conversion after modification	(4,184)	(458)
Repayment of CBS	(3,950)	–
Net change in interest and fees payable	972	–
Exchange adjustment	4,004	–
	<hr/>	<hr/>
At 31 December 2022	44,226	4,932
Repayment of CBS	(7,781)	–
Net change in interest and fees payable	(1,041)	–
Exchange adjustment	2,656	–
	<hr/>	<hr/>
At 30 June 2023	<u>38,060</u>	<u>4,932</u>

16 Share capital and reserves

(a) Dividends

The Company did not declare dividend through six months ended 30 June 2023 and the period ended 30 June 2022. Thus, there is no balance for dividend payable at 30 June 2023.

(b) Share capital

(i) Authorised and issued share capital

	At 30 June 2023			At 31 December 2022		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
Authorised:						
Ordinary shares of HKD0.01 each	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>
Ordinary shares, issued and fully paid:						
At 1 January	552,307	5,523	4,420	543,013	5,430	4,343
Convertible bonds convert to share capital&exercise share option	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,294</u>	<u>93</u>	<u>77</u>
At 30 June/31 December	<u>552,307</u>	<u>5,523</u>	<u>4,420</u>	<u>552,307</u>	<u>5,523</u>	<u>4,420</u>

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Below sets out the summary of the business, finance, liquidity and capital resources as well as prospect and outlook of the Company extracted from the interim report of the Company for the six months ended 30 June 2023. Further information may be included in the relevant parts (if any) of the interim report. Shareholders and potential investors are advised to read the Company's interim report carefully, to evaluate the situation of the Company in the above areas.

BUSINESS REVIEW

Steadily Developing Traditional Businesses with a Prudent Approach

In the first half of 2023, the major economies throughout the world have basically walked out from the epidemic. However, the recovery of the global industry chain was slow and the global manufacturing industry kept depressed. Many factors such as scar effect left by the epidemic, the continuity of Russia - Ukraine conflict, as well as the high inflation, increased uncertainties to the overall recovery of the world economy. In the first half of 2023, departments of China stuck to the overall working principle of making progress while maintaining stable, which, coupled with macro policies, enabling a positive situation of recovery in China's economy and steady advancement of high quality development. Nevertheless, the current economy faces new difficulties and challenges, mainly including insufficient domestic demand, many risks hidden in key areas, and complicated external environment.

In the first half of 2023, faced with complicated internal and external economic environment, the Group maintained stable policy and adhered to the operational strategy of "adjusting structure and controlling risks" based on its comprehensive analysis and research on the market, to steadily develop traditional businesses, and drove the stable and orderly carrying out of various businesses by way of facilitating integrated services for the Greater Bay Area, expanding and reinforcing cooperation channels and optimizing supply chain financial services.

In terms of the guarantee business, the Group adopted a "risk first, business second" approach as its business strategy and paid close attention to market trends. By considering the market demand, the Group constantly optimize its product structure and business structure, to provide its customers with higher quality and more efficient financial services. Besides, the Group increased investment in the field of financial technology, strengthen cooperation with financial institutions and technology companies, and explore more diversified ways of cooperation. For the traditional guarantee business field, the Group actively made plans to explore new potential for cooperation where risk is under control, and continued to enrich the content of products. In the first half of 2023, the overall guarantee business decreased compared to the same period of last year.

For financial leasing, commercial factoring and mega asset management businesses, in the first half of 2023, the Group adhered to the operating principle of "Dos and Don'ts" to conduct business with caution.

Developing Integrated Services for the Greater Bay Area

Guangdong-Hong Kong-Macao Greater Bay Area, an important area linking the domestic and overseas markets and leading two-way opening-up at home and abroad, plays a supporting and leading role in the national economic development and opening-up. With the issuance of the Hengqin-Qianhai “30 Financial Measures (金融30條)”, the Guangdong-Hong Kong-Macao Greater Bay Area will embrace greater development opportunities. The Group will give full play to its own advantages, seize economic development opportunities, actively engage itself into the strategic construction of the Greater Bay Area, empower enterprises within this area, and provide specialized integrated financial services.

Expanding and Reinforcing Cooperation Channels

In the first half of 2023, the Group continued to pay attention to channels of cooperation, and proactively sought for new opportunities of cooperation by strengthening communication with financial institutions and technology and finance companies, and constantly conducted innovation on products of financial services to provide customers with specialized financial services.

Adjusting and Optimizing Integrated Financial Services for the Supply Chain

Since 2023, the situation of high supply and weak demand in the hog market intensified, and the hog price and pork price have been maintaining at low place for a long time and continue to decrease. In terms of supply, as affected by the low price, hog farmers’ expectations on hog price was weakened, and due to the recent frequent epidemic outbreaks in the south, farmers enthusiasm for slaughtering hogs increased, thus increased the supply of hogs; in terms of demand, impacted by the overall moderate household consumption since the beginning of the year, the recover momentum of pork demand is weak, coupled with the limited storage of frozen products in slaughter enterprises and the poor follow-up of consumption, aggravating the situation of oversupply.

The Board paid close attention to the situation of hog market. In view of the overcapacity of hogs, the poor market condition and the high breeding costs, in order to enhance the risk defensive ability and walk across the depressed period, in the first half of 2023, the Group made promptly adjustment to the business strategy, timely narrowed down the breeding scale, initiatively reduced capacity and production to lower losses, and, at the same time, conducted assessment on the biological safety in the breeding farms and upgraded accordingly, so as to improve the breeding level and wait for the change.

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 2023, the Group's revenue was approximately RMB2.9 million (for the six months period ended 30 June 2022: approximately RMB46.5 million), representing a decrease of approximately 93.8%. Detailed analysis of the Group's revenue is as follows:

1. *Financial guarantee services*

Revenue from the Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the six months period ended 30 June 2023, the Group's net revenue generated from financial guarantee services was approximately RMB1.6 million (for the six months period ended 30 June 2022: approximately RMB14.3 million), representing a decrease of approximately 88.8%.

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) as the financial guarantee services were affected by multiple factors such as changes in the market conditions and demand of the industry, and product adjustments by partner institutions, the Group continued its prudent and steady operating principles during the period, further optimizing its product mix and business model, selectively carrying out traditional businesses in a pragmatic manner under the premise of controllable risks, and slowing down the development of traditional businesses, which resulted a lower business volume; 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 2023, the Group's revenue generated from the non-financial guarantee services decreased by approximately 80.0% to approximately RMB0.1 million (for the six months period ended 30 June 2022: approximately RMB0.5 million).

Revenue from the non-financial guarantee services during the reporting period experienced a substantial decline as non-financial guarantee services were affected by the changes in the market condition of the industry and the increasing industry competition.

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 2023, the Group's revenue generated from financial consultancy services was approximately RMB0.01 million (for the six months period ended 30 June 2022: approximately RMB0.6 million).

During the reporting period, the Group closely monitored market development and operated its business with caution.

4. *Revenue from Sales of Market Hogs*

For the six months period ended 30 June 2023, the Group's revenue from sales of market hogs was approximately RMB1.2 million (for the six months period ended 30 June 2022: approximately RMB31.1 million).

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of market hogs	1,151	31,066
Cost of market hogs sold	(5,759)	(28,602)
Net income	<u>(4,608)</u>	<u>2,464</u>

During the reporting period, due to the continued low market prices of hogs under the influence of excess supply and weak demand, coupled with the rising breeding costs and the increased cost of pandemic prevention and control, the Group had to adjust its business strategy timely and assessed market risks scientifically. Moreover, we have reduced the scale of breeding timely and proactively downsized its production capacity to minimize the scale of losses. At the same time, biosafety assessment and renovation were conducted in farms to improve breeding quality and efficiency. The Group will continue to pay close attention to industry trends and policy guidance, sit tight for cyclical inflection point and operate in a timely manner depending on market conditions and comprehensive 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 2022 and 2023, the Group's other revenue was approximately RMB8.5 million and RMB2.7 million, respectively, representing a decrease of approximately 68.2%.

The significant decrease 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 in the first half of 2022.

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, deposit and other receivables, amounts due from related parties where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered.

Operating Expenses

For the six months period ended 30 June 2023, the Group's operating expenses (including research and development costs) was approximately RMB25.7 million (for the six months period ended 30 June 2022: approximately RMB34.8 million), decreased by approximately RMB9.1 million or approximately 26.1% when compared with the corresponding period of the last year. The Group upheld the cost-efficient principle, the operating expenses was analyzed in details as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Salaries	10,492	14,239
Audit fee	474	1,700
Amortization charges	—	—
Depreciation charges	2,657	913
Rentals	98	44
Intermediary consulting expenses	1,905	3,056
Office, travel and entertainment expenses	3,144	2,286
Exchange loss/(gains)	386	960
Others	6,563	11,605
Total	<u>25,719</u>	<u>34,803</u>

The decrease in salaries as compared to the same period of last year was mainly due to the staff and salaries adjustment of the Group for certain employees due to its development needs.

The decrease in the intermediary consulting expenses as compared to the same period of last year was mainly due to the decrease in service fees arising from the consultation of lawyers by the Group during the reporting period.

The significant decrease in others compared to the same period of last year was mainly due to the value of approximately RMB4.2 million of culling hogs from Yangmianshan Company Limited, a subsidiary of the Group (for the six months period ended 30 June 2022: approximately RMB9.6 million).

Changes in Fair Value of the Biological Assets

During the reporting period, the changes in fair value of the biological assets were mainly attributable to the carrying forward of the evaluation impairment of the biological assets sold in the last year of approximately RMB3.1 million.

Share of Losses of Associates

The share of losses of associates amounted to a loss of approximately RMB1.3 million for the six months period ended 30 June 2023, which was basically the same as a loss of approximately RMB1.3 million for the six months period ended 30 June 2022.

During the reporting period, the share of results of the associates by the Group did not meet expectations, and the Group will continue to pay attention to the operating conditions of associates.

Loss before Taxation

Loss before taxation decreased by approximately RMB36.8 million, or approximately 54.3%, from a loss of approximately RMB67.8 million for the six months period ended 30 June 2022 to a loss of approximately RMB31.0 million for the six months period ended 30 June 2023.

The loss before taxation during the reporting period was primarily due to the significant decrease in the net revenue from the financial guarantee service and the net revenue from sales of market hogs of the Group in the first half of 2023 compared to the same period of last year.

Income Tax

For the six months period ended 30 June 2023, the Group's income tax amounted to approximately RMB3.9 million, representing an increase of approximately 250.0% from approximately RMB-2.6 million in the corresponding period of 2022.

The increase in income tax was mainly due to the reversal of the deferred income tax assets corresponding to the provision for impairment losses during the reporting period, which resulted in a great influence of deferred income tax expenses on the overall income tax.

Trade and Other Receivables – Receivables from Guarantee Payments

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of its customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of the customer. The Group will then subsequently request repayment from the customer or take possession of the counter-guarantee assets provided by such customer to recover the outstanding balance. Receivables from guarantee payments were interest-bearing, and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments decreased from approximately RMB23.6 million as at 31 December 2022 to approximately RMB22.3 million as at 30 June 2023. The provision for impairment losses of receivables from guarantee payments as at 30 June 2023 was approximately RMB0.3 million (as at 30 June 2022: provision of approximately RMB24.5 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 2023, the current pledged bank deposits amounted to approximately RMB72.3 million (as at 31 December 2022: approximately RMB74.6 million), representing a decrease of approximately RMB2.3 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB130.4 million (31 December 2022: approximately RMB158.4 million), representing a decrease of approximately RMB28.0 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 conducting business between the Group and its customers.

Interest Rate Risk and Foreign Exchange Risk

As at 30 June 2023, 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 2023 were principally conducted in RMB, while most of the Group's assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group, and currently the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Gearing Ratio

The Group's gearing ratio (total liabilities divided by total equity) increased from approximately 119.5% as at 31 December 2022 to approximately 121.2% as at 30 June 2023, which was mainly due to the decrease in total equity. The decrease in total equity was mainly attributable to the effect of the decrease in total assets on total equity, resulting from the decrease in cash and bank deposits and trade and other receivables.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to the second half of 2023, there are still many risks and uncertainties in the world economy, such as outflow risk of high inflation, the escalation of geopolitical and military conflicts, the global debt crisis and trade protectionism, all hindering the recovery of the world economy.

At present, the foundation for the sustained recovery and development of China's economy is not yet solid, and economic transformation and upgrading are facing new obstacles. However, the economy still enjoys strong resilience, tremendous potential and great vitality. The fundamentals sustaining its long-term growth have remained strong. The meeting of the Political Bureau of the Central Committee held in July 2023 emphasized the need to stay true to the general principle of pursuing progress while ensuring stability, the need for precise and forceful macroeconomic regulation, and focusing on strengthening counter-cyclical regulation and adopting more policy options. The meeting called for the continuation of a proactive fiscal policy and a prudent monetary policy and pointed up active expansion of domestic demand, further giving play to the role of consumption in driving economic growth, and the continuous efforts in deepening reform and opening-up. The meeting also emphasized the need to effectively prevent and defuse risks in key areas to strive for the established annual economic growth target. With the implementation of various economic revitalization policies of the SAR government and its active integration into the overall national development, the recovery of Hong Kong's economy will move forward steadily.

In the second half of 2023, the external environment remains uncertain. The Group will continue to operate in a prudent manner as to persist in the construction of the Greater Bay Area and enhance our overall core competitiveness by actively exploring new areas of cooperation and improving strength, at the time of steadily advancing traditional businesses.

Steadily Developing Traditional Businesses

For guarantee business, the Group will further optimise the product structure and consolidate the business foundation in light of market demand; continue the deployment of fintech strategies, and seek more diversified ways of cooperation with financial institutions and technology companies, in a bid to meet the personalized and comprehensive financial needs of customers. To broaden the revenue streams for the Group, we will intensify efforts to expand traditional guarantee business in identifying the evolving needs of customers and exploring new product designs with financial institutions for a comprehensive product chain.

Regarding financial leasing and commercial factoring businesses, the Group will adjust its business target customers and business ideas appropriately based on the comprehensive study and judgment of the external economic environment and market demand.

Adjusting and Optimizing Integrated Financial Services for the Supply Chain

The healthy and stable development of hogs breeding is crucial to the overall development of China's agriculture and the supply of the "Vegetable Basket" for the people. In recent years, the central government has continuously strengthened monitoring and early warning, continued to track and monitor indicators such as the hog-grain price ratio, and the brood sow stocks, and scientifically guided production through the introduction of breeding subsidy policies and frozen pork reserve adjustments to stabilize industry expectations. Looking ahead to the second half of 2023, the Group expects that the market supply and demand will probably remain unchanged, the prices weak, and the upside limited. In addition, factors such as the African swine fever and the fluctuation of feed prices may continue to affect the breeding costs. In response to the market expectations of low prices and high costs, the Group has carefully assessed the risks to conduct business and will operate in a timely manner depending on market conditions.

Developing Integrated Services for the Greater Bay Area

Guangdong-Hong Kong-Macao Greater Bay Area is a strategic fulcrum of the new development pattern, a demonstration zone of high-quality development, and a pioneer of Chinese modernization. The Group will continue to seize the development opportunities in the Greater Bay Area, seek opportunities for the development of comprehensive financial services in the Greater Bay Area, provide enterprises in the Greater Bay Area with characteristic financial service support, and participate in the promotion of the construction and development of the Greater Bay Area.

Focusing on New Areas and Exploring New Paths

Recently, carbon neutrality has become the goal and vision of the joint efforts of all countries in the world, and green and low-carbon development has become an international consensus. China has firmly implemented the Paris Agreement and actively participated in global climate governance. With the promotion of the "double carbon" target, the renewable energy industry has benefited from the supportive policies, and the energy storage business has flourished in the rapidly evolving market competition. Based on development opportunities in the market and long-term strategic planning, the Group will actively respond to the concept of low-carbon economy and focus on international energy storage supply chain business. Relying on its robust financial service capabilities, the Group closely collaborates with energy storage manufacturers to offer customers tailored financial products that align with industry characteristics. This not only supports entities in their financing needs but also drives green transformation and development, thereby bolstering the Group's driving force of high-quality growth.

OTHER INFORMATION

Dividends

The Board has resolved not to declare an interim dividend by the Company for the six months period ended 30 June 2023.

Corporate Governance

Save as disclosed below, the Company has adopted and complied with the code provisions in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the six months period ended 30 June 2023.

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

Model Code of Securities Transactions by Directors

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

In response to the specific enquiry made by the Company, all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and there are no non-compliance with the required standard set out in the Model Code for the six months period ended 30 June 2023.

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. Zhou Xiaojiang, all of whom are independent non-executive Directors. Mr. Tsang Hung Kei is the chairman of the Audit Committee.

This interim announcement had been reviewed by the Audit Committee.

Purchase, Sale or Redemption of Listed Securities

Prior to the listing of shares in the share capital of our Company (“**Shares**”) on the Stock Exchange, our Company granted options to subscribe for an aggregate of 10,000,000 Shares (the “**Pre-IPO Share Options**”) pursuant to a share option scheme adopted on 18 October 2013. None of the Pre-IPO Share Options granted have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 495,000 shares were lapsed during the six months period ended 30 June 2023. As at 30 June 2023, the Pre-IPO Share Options to subscribe for 5,913,000 Shares remained unexercised.

Save for the Pre-IPO Share Options, our Company has actually granted options to subscribe for an aggregate of 31,755,400 Shares (the “**Post-IPO Share Options**”) pursuant to the Post-IPO share option scheme adopted on 18 October 2013. None of the Post-IPO Share Options granted have been exercised and the Post-IPO Share Options to subscribe for 480,000 shares were lapsed as well as 25,000,000 shares were cancelled during the six months period ended 30 June 2023. As at 30 June 2023, the Post-IPO Share Options to subscribe for 5,975,400 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.

Save as disclosed above, during the six months period ended 30 June 2023, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company’s listed securities.

Competition and Conflict of Interests

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

Public Float

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

Events After the Reporting Period

The Company entered into a fourth amendment deed on 30 June 2023 and amendment completion took place on 18 July 2023. Amongst other amendments, the Company would repay the remaining bond balance by 31 July 2024. On 26 July 2023, the Company repaid principal of convertible bonds in the amount of HK\$12,000,000 and the remaining outstanding principal amount was HK\$28,000,000. Assuming there is no change in the total number of shares of the Company in issue prior to the Purchaser’s exercise of conversion right and there is no adjustment to the conversion price of HK\$1.09 per share, a total of 25,688,073 conversion shares will be allotted and issued to the Purchaser upon the exercise of the Purchaser’s conversion right in full, representing approximately 4.65% of the issued shares of the Company as at the date of this announcement and approximately 4.44% of the issued shares of the Company as enlarged by the allotment and issuance of the conversion shares.

Publication of the Interim Report

The interim report of the Company for the six months period ended 30 June 2023 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Company (<http://www.chinasuccessfinance.com>) and the designated website of the Stock Exchange (www.hkexnews.hk) in due course.

Appreciation

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

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

Hong Kong, 30 August 2023

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