China Success Finance Group Holdings Limited
中國金融發展(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS	**FOR THE YEAR ENDED 31 DECEMBER 2020** ***(RMB'000)***	FOR THE YEAR ENDED 31 DECEMBER 2019 *(RMB'000)*	**Change In %**
REVENUE	**143,377**	69,043	107.7%
OTHER REVENUE	**14,763**	17,306	-14.7%
LOSS BEFORE TAXATION	**(67,253)**	(463,393)	-85.5%
LOSS FOR THE YEAR	**(84,556)**	(431,249)	-80.4%
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(78,257)**	(433,177)	-81.9%
LOSS PER SHARE *(RMB PER SHARE)*	**(0.16)**	(0.82)	-80.5%
	AS AT 31 DECEMBER 2020 ***(RMB'000)***	AS AT 31 DECEMBER 2019 *(RMB'000)*	**Change In %**
TOTAL ASSETS	**1,198,874**	2,151,341	-44.3%
TOTAL EQUITY	**479,903**	546,949	-12.3%

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Success Finance Group Holdings Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 together with the comparative figures for preceding financial year, as follows:

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

	Note	**2020**	2019
		RMB'000	*RMB'000*
Guarantee income		**890,147**	1,419,386
Less: guarantee service fee		**(732,046)**	(1,338,833)
Net guarantee fee income		**158,101**	80,553
Interest income		**1,950**	9,754
Less: interest expenses		**(28,578)**	(22,518)
Net interest expenses		**(26,628)**	(12,764)
Sales of market hogs		**8,922**	–
Service fee from consulting services		**2,982**	1,254
Revenue	3	**143,377**	69,043
Other revenue	4	**14,763**	17,306
Cost of market hogs sold		**(3,553)**	–
Impairment and provision charged	5(a)	**(192,346)**	(471,989)
Operating expenses		**(67,740)**	(55,028)
Net fair value gain on other financial assets		**20,434**	4,336
Net changes in fair value of biological assets		**17,566**	–
Share of gains/(losses) of associates		**246**	(27,061)
Loss before taxation		**(67,253)**	(463,393)

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

	Note	**2020**	2019
		RMB'000	*RMB'000*
Income tax	6(a)	**(17,303)**	32,144
Loss for the year		**(84,556)**	(431,249)
Attributable to:			
Equity shareholders of the Company		**(83,419)**	(430,061)
Non-controlling interests		**(1,137)**	(1,188)
Loss for the year		**(84,556)**	(431,249)
Loss per share *(RMB per share)*			
Basic	8(a)	**(0.16)**	(0.82)
Diluted	8(b)	**(0.16)**	(0.82)

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2020
(Expressed in Renminbi)

	2020 *RMB'000*	2019 *RMB'000*
Loss for the year	**(84,556)**	(431,249)
Other comprehensive income/ (loss) for the year (after tax and reclassification adjustments)		
Item that may be reclassified to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	**6,299**	(1,928)
Total comprehensive loss for the year	**(78,257)**	(433,177)
Attributable to:		
Equity shareholders of the Company	**(77,120)**	(431,989)
Non-controlling interests	**(1,137)**	(1,188)
Total comprehensive loss for the year	**(78,257)**	(433,177)

Consolidated statement of financial position
at 31 December 2020
(Expressed in Renminbi)

	Note	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
Assets			
Cash and bank deposits		**354,105**	1,067,291
Pledged bank deposits		**175,495**	95,289
Trade and other receivables	9	**302,342**	705,669
Factoring receivable	10	**56,084**	59,112
Finance lease receivable	11	**41,579**	45,339
Interests in associates		**25,482**	68,541
Biological assets	12	**28,399**	–
Property, plant and equipment		**103,749**	1,217
Intangible assets		**1**	3
Other financial assets		**64,187**	43,753
Deferred tax assets		**47,451**	65,127
Goodwill		**–**	–
Total assets		**1,198,874**	2,151,341
Liabilities			
Liabilities from guarantees	13	**273,308**	486,645
Pledged deposits received		**239,818**	766,997
Interest-bearing borrowings	14	**50,000**	38,555
Liability component of convertible bonds	15	**60,015**	66,771
Accruals and other payables		**65,393**	223,450
Current tax		**18,908**	21,305
Lease liabilities		**11,529**	669
Total liabilities		**718,971**	1,604,392
NET ASSETS		**479,903**	546,949

Consolidated statement of financial position (Continued)
at 31 December 2020
(Expressed in Renminbi)

	Note	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**4,266**	4,187
Reserves		**476,091**	542,079
Total equity attributable to equity shareholders of the Company		**480,357**	546,266
Non-controlling interests		**(454)**	683
TOTAL EQUITY		**479,903**	546,949

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

– investments in debt and equity securities;

– derivative financial instruments; and

– biological assets.

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

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

(c) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*

- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has adopted the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

2 SEGMENT REPORTING

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

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

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

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

3. REVENUE

(a) Revenue

The principal activities of the Group are the provision of guarantees, financial leasing, factoring, sales of market hogs and financial consultancy services. The amount of each significant category of revenue recognised during the year is as follows:

	2020	2019
	RMB'000	*RMB'000*
Guarantee fee income		
– Income from financial guarantees	**3,025**	8,447
– Income from online financial guarantees	**886,390**	1,409,603
– Income from performance guarantees	**711**	1,279
– Income from litigation guarantees	**21**	57
Gross guarantee fee income	**890,147**	1,419,386
Less: guarantee service fee	**(732,046)**	(1,338,833)
Net guarantee fee income	**158,101**	80,553
Interest income/ (expenses)		
– Interest income from receivables	**–**	305
– Interest income from finance leasing	**–**	5,381
– Interest income from factoring	**1,950**	4,068
Less: interest expenses	**(28,578)**	(22,518)
Net interest expenses	**(26,628)**	(12,764)
Service fee from consulting services	**2,982**	1,254
Sales of market hogs	**8,922**	–
Total	**143,377**	69,043

During the year 2020, the Group's largest single customer contributed 2.87% of the Group's revenue (2019: 10.45%); while the percentage of the Group's top 5 customers' revenue was 6.94% (2019: 17.33%).

During the year 2020, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 58.25% (2019: 33.98%) of the Group's revenue; while the percentage of the Group's top 5 cooperation third parties that referring customers to the Group have referred customers' revenue was 89.12% (2019: 77.72%).

(b) Segment reporting

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

- Financial services: providing guarantee service, factoring service, financial leasing service and consulting service in the People's Republic of China (the "PRC"). Income of guarantee service takes major portion of financial services in year 2020.

- 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. Even if the sales of market hogs takes portion less than 10% of the total revenue of the Group, based on its nature the Group has presented it as a reportable segment.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets, interests in associates, investments in financial assets, deferred tax assets and biological assets. Segment liabilities include liabilities from guarantees, pledged deposits received, interest-bearing borrowings, liability component of convertible bonds, accruals and other payables, current tax and lease liabilities.

Revenue and expenses are separate recognized to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates.

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

Disaggregation of revenue by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource assessment of segment performance for the years ended 31 December 2020 is set out below:

	Financial services	**Yangmianshan**	**Total**
	2020	**2020**	**2020**
	RMB'000	***RMB'000***	***RMB'000***
Disaggregated by timing of revenue recognition			
Over time:			
Guarantee income	**890,423**	**–**	**890,423**
Inter-segment revenue	**(276)**	**–**	**(276)**
Less: guarantee service fee	**(732,046)**	**–**	**(732,046)**
Net guarantee fee income	**158,101**	**–**	**158,101**
Interest income	**1,950**	**–**	**1,950**
Less: interest expenses	**(26,136)**	**(2,442)**	**(28,578)**
Net interest expenses	**(24,186)**	**(2,442)**	**(26,628)**
Service fee from consulting services	**2,982**	**–**	**2,982**
Point in time:			
Sales of market hogs	**–**	**8,922**	**8,922**
Reportable segment revenue	**136,897**	**6,480**	**143,377**

	Financial services 2020 *RMB'000*	Yangmianshan 2020 *RMB'000*	Total 2020 *RMB'000*
Other revenue	**14,756**	**7**	**14,763**
Cost of market hogs sold	**–**	**(3,553)**	**(3,553)**
Impairment and provision charged	**(192,346)**	**–**	**(192,346)**
Operating expenses	**(63,445)**	**(4,767)**	**(68,212)**
Inter-segment operating expenses	**–**	**472**	**472**
Net fair value gain on other financial assets	**20,434**	**–**	**20,434**
Net changes in fair value of biological assets	**–**	**17,566**	**17,566**
Share of gains of associates	**246**	**–**	**246**
Reportable segment (loss)/profit before taxation	**(83,458)**	**16,205**	**(67,253)**
Income tax	**(17,303)**	**–**	**(17,303)**
Reportable segment (loss)/profit for the year	**(100,761)**	**16,205**	**(84,556)**
Reportable segment assets	**992,011**	**133,930**	**1,125,941**
Reportable segment liabilities	**584,005**	**115,862**	**699,867**

(ii) Reportable segment assets and liabilities

	Financial services 2020 *RMB'000*	Yangmianshan 2020 *RMB'000*	Total 2020 *RMB'000*
Assets			
Reportable segment assets	**992,011**	**133,930**	**1,125,941**
Interests in associates	**25,482**	**–**	**25,482**
Deferred tax assets	**47,451**	**–**	**47,451**
Consolidated total assets	**1,064,944**	**133,930**	**1,198,874**

	Financial services 2020 *RMB'000*	Yangmianshan 2020 *RMB'000*	Total 2020 *RMB'000*
Liabilities			
Reportable segment liabilities	**584,005**	**115,862**	**699,867**
Elimination of deferred income	**196**	**–**	**196**
Current tax liabilities	**18,908**	**–**	**18,908**
Consolidated total liabilities	**603,109**	**115,862**	**718,971**

(iii) Geographic information

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

4 OTHER REVENUE

	Note	**2020**	2019
		RMB'000	*RMB'000*
Fair value gain on modification of the terms of convertible bonds		**–**	4,274
Interest income from bank deposits		**11,580**	12,073
Government grants	(a)	**1,563**	922
Gain from investment in Yangmianshan		**1,602**	–
Others		**18**	37
Total		**14,763**	17,306

(a) Guangdong Success Finance Guarantee Company Limited ("Success Guarantee") received funding support mainly from the Econimic Promition Bureau of Chancheng District of Foshan City. The entitlement of the government grants was under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the year ended 31 December 2020, a government grant amounted to RMB1,547,191 (2019: RMB865,672) was rewarded to Success Guarantee.

5 LOSS BEFORE TAXATION

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

(a) Impairment and provision – charged

	Note	**2020**	2019
		RMB'000	*RMB'000*
Provision charged for guarantees issued	13(a)	**6,209**	2,945
Impairment allowances charged for:			
– receivables from guarantee payments	9(a)(ii)	**66,185**	167,185
– trade debtors receivables	9(a)(ii)	**(40)**	11,975
– down payments for investments	9(b)	**24,850**	50,000
– deposit and other receivables	9(c)	**22,972**	62,261
– amounts due from related parties	9(c)	**20,480**	4,883
– factoring receivable	10(b)	**5,094**	26,446
– finance lease receivable	11(b)	**3,289**	140,471
Impairment of Investment in associate		**43,307**	–
Impairment of goodwill		**–**	5,823
Total		**192,346**	471,989

(b) Staff costs

	2020	2019
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**22,689**	21,597
Contributions to defined contribution retirement plan	**381**	610
Equity settled share-based payment expenses	**5,875**	–
Total	**28,945**	22,207

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

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge	**2,088**	1,469
– right-of-use assets	**1,797**	903
– owned equipment	**291**	566
Amortisation	**145**	173
Operating lease charges in respect of leasing of properties	**193**	1,890
Auditors' remuneration	**3,722**	2,920
– audit services	**2,396**	1,798
– other services	**1,326**	1,122
Net foreign exchange loss	**2,013**	291

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax for the year	**(5,543)**	(30,818)
Tax filing differences	**5,916**	5,050
Deferred tax		
Origination and reversal of temporary differences	**(17,676)**	57,912
Total	**(17,303)**	32,144

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

	2020	2019
	RMB'000	*RMB'000*
Loss before taxation	**(67,253)**	(463,393)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	**16,813**	115,848
Tax effect of unused tax losses not recognised	**(28,079)**	(88,486)
Tax effect of non-deductible expenses	**(11,953)**	(268)
Tax filing differences	**5,916**	5,050
Actual tax expense	**(17,303)**	32,144

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.

(ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.

(iii) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Group's PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

(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 RMB289,023,000 as at 31 December 2020 (2019: RMB221,771,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 DIVIDENDS

The Company did not declare dividend through the year of 2020 and 2019. Thus, there is no balance for dividend payable at 31 December 2020.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB83,419,000 (2019 loss: RMB430,061,000) and the weighted average of 525,938,000 ordinary shares (2019: 524,635,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
	'000	'000
Issued ordinary shares at 1 January	**524,635**	524,635
Effect of convertible bonds transferred to shares	**1,303**	–
Weighted average number of ordinary shares at 31 December	**525,938**	524,635

(b) Diluted loss per share

The Group has convertible bonds as dilutive potential ordinary shares during the year ended 31 December 2020.

As the Group's convertible bonds have an anti-dilutive effect to the basic earnings per share calculation for the year ended 31 December 2020, and, therefore, diluted loss per share are the same as the basic loss per share.

9 TRADE AND OTHER RECEIVABLES

	Note	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
Receivables from guarantee payments	(a)(i)	**137,233**	245,197
Less: allowances for doubtful debts	(a)(ii)	**(134,171)**	(181,617)
		3,062	63,580
Trade debtors from consultancy services		**819**	369
Trade debtors from guarantees		**1,621**	79,947
		2,440	80,316
Trade receivables	(a)	**5,502**	143,896
Down payments for investments net of impairment allowances	(b)	**–**	24,857
Deposit and other receivables, net of impairment allowances	(c)	**44,740**	70,540
Amounts due from related parties	(c)	**1,750**	20,480
		51,992	259,773
Deferred expenses of online financial guarantee business		**190,131**	425,580
Prepayments to online financial guarantees		**19,663**	(832)
Prepayments for constructions		**19,469**	–
Prepayments to third parties		**17,498**	17,377
Mortgage assets		**3,017**	3,199
Others		**572**	572
Total		**302,342**	705,669

(a) Ageing analysis of trade receivables

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

	Note	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
Within 1 month		**451**	66,275
Over 1 month but less than 3 months		**–**	3,233
Over 3 months but less than 1 year		**3,162**	12,464
More than 1 year		**136,060**	243,541
Total		**139,673**	325,513
Less: allowances for doubtful debts	(ii)	**(134,171)**	(181,617)
Total		**5,502**	143,896

(i) ***Receivables from guarantee payments***

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

During the year ended 31 December 2020, the Group did not dispose of receivables from guarantee payments.

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

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

At 31 December 2020, the Group's debtors of RMB139,673,000 (2019: RMB325,513,000) of receivables from guarantee payments were determined to be stage 3 lifetime ECL credit-impaired, see note 9(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:

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

	2019 Lifetime ECL credit-impaired *RMB'000*
As at 31 December 2018	14,432
Net re-measurement of loss allowance	167,185
As at 31 December 2019	181,617

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

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Down payments for investments	**81,550**	81,557
Less: allowances	**(81,550)**	(56,700)
Total	**–**	24,857

Ageing analysis

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
More than 1 year	**81,550**	81,557
Less: allowances	**(81,550)**	(56,700)
Total	**–**	24,857

Down payments for investments represented the down payments for the acquisition project that the Group is conducting. At 31 December 2020, the Group's debtors had impairment allowances of RMB81,550,000 of down payments for investments. These related to customers or other parties that were in financial difficulties and management assessed that the receivables are not expected to be fully recovered. Down payments for investments were determined to be stage 3 lifetime ECL credit-impaired.

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

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Deposit and other receivables	**136,073**	138,901
Less: allowances for other receivables	**(91,333)**	(68,361)
Total	**44,740**	70,540
Amounts due from related parties	**27,113**	25,363
Less: allowances	**(25,363)**	(4,883)
Total	**1,750**	20,480

Ageing analysis

Deposit and other receivables	**31 December 2020**	31 December 2019
	RMB'000	*RMB'000*
Less than 1 year	**14,602**	31,508
More than 1 year	**121,471**	107,393
Total	**136,073**	138,901
Less: allowances	**(91,333)**	(68,361)
Total	**44,740**	70,540

Amounts due from related parties	**31 December 2020**	31 December 2019
	RMB'000	*RMB'000*
Less than 1 year	**1,750**	–
More than 1 year	**25,363**	25,363
Total	**27,113**	25,363
Less: allowances	**(25,363)**	(4,883)
total	**1,750**	20,480

Deposit and other receivables	**2020 Lifetime ECL credit-impaired**
	RMB'000
As at 31 December 2019	**(68,361)**
Net re-measurement of loss allowance	**(22,972)**
As at 31 December 2020	**(91,333)**

Amounts due from related parties	**2020 Lifetime ECL credit-impaired**
	RMB'000
As at 31 December 2019	**(4,883)**
Net re-measurement of loss allowance	**(20,480)**
As at 31 December 2020	**(25,363)**

Deposit and other receivables	2019 Lifetime ECL credit-impaired *RMB'000*
As at 31 December 2018	(6,100)
Net re-measurement of loss allowance	(62,261)
As at 31 December 2019	(68,361)

Amounts due from related parties	2019 Lifetime ECL credit-impaired *RMB'000*
As at 31 December 2018	–
Net re-measurement of loss allowance	(4,883)
As at 31 December 2019	(4,883)

As at 31 December 2020, management adopted a lifetime ECL credit impaired assessment on the Group's debtor's amounting to RMB91,333,000 (2019: RMB68,361,000).

10 FACTORING RECEIVABLE

		31 December 2020		
	Note	**12-month ECL** ***RMB'000***	**Lifetime ECL credit-impaired** ***RMB'000***	**Total** ***RMB'000***
Factoring receivable		56,559	26,950	83,509
Interest receivable from factoring receivable		2,172	4,986	7,158
Less: allowances for factoring receivable		(2,647)	(31,936)	(34,583)
Carrying amount of factoring receivable		56,084	–	56,084

		31 December 2019		
	Note	12-month ECL *RMB'000*	Lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
Factoring receivable		56,559	26,950	83,509
Interest receivable from factoring receivable		196	4,896	5,092
Less: allowances for factoring receivable	(a)/(b)	(1,577)	(27,912)	(29,489)
Carrying amount of factoring receivable		55,178	3,934	59,112

(a) Ageing analysis

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

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Within 1 month	**277**	105
Over 1 month but less than 3 months	**517**	–
Over 3 months but less than 1 year	**37,937**	36,560
More than 1 year	**51,936**	51,936
Total	**90,667**	88,601
Less: allowances for factoring receivable	**(34,583)**	(29,489)
Total	**56,084**	59,112

(b) Impairment of factoring receivable

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

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

	2020		
	12-month ECL	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Balance at 31 December 2019 and 1 January 2020	1,577	27,912	29,489
Net re-measurement of loss allowance	1,070	4,024	5,094
Balance at 31 December 2020	2,647	31,936	34,583

	2019		
	12-month ECL	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2019	1,569	1,474	3,043
Net re-measurement of loss allowance	8	26,438	26,446
Balance at 31 December 2019	1,577	27,912	29,489

11 FINANCE LEASE RECEIVABLE

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

	Note	31 December 2019		
		12-month ECL	Lifetime ECL credit-impaired	Total
		RMB'000	*RMB'000*	*RMB'000*
Net amount of finance lease receivable		46,823	144,567	191,390
Less: allowances for finance lease receivable	(a)/(b)	(1,484)	(144,567)	(146,051)
Carrying amount of finance lease receivable		45,339	–	45,339

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

	31 December 2020		31 December 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Overdue	**144,568**	**144,568**	145,039	145,039
Within 1 year	**46,351**	**50,892**	46,351	50,898
Total	**190,919**	**195,460**	191,390	195,937
Less: allowances for finance lease receivable	**(149,340)**	**(149,340)**	(146,051)	(146,051)
Net investment in finance lease receivable	**41,579**	**46,120**	45,339	49,886

(b) **Impairment allowances charged for finance lease receivable**

	2020		
	12-month ECL	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Balance at 31 December 2019 and 1 January 2020	**1,483**	**144,568**	**146,051**
Net re-measurement of loss allowance	**3,289**	**–**	**3,289**
Balance at 31 December 2020	**4,772**	**144,568**	**149,340**

	2019		
	12-month ECL	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2019	1,389	4,191	5,580
Net re-measurement of loss allowance	95	140,376	140,471
Balance at 31 December 2019	1,484	144,567	146,051

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

	31 December 2020				31 December 2019			
	Overdue within 3 months	**Overdue over 3 months but within 1 year**	**Over 1 year**	**Total**	Overdue within 3 months	Overdue over 3 months but within 1 year	Over 1 year	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Finance lease receivable	–	–	144,568	144,568	38,985	95,830	10,224	145,039

12 BIOLOGICAL ASSETS

	2020	2019
Current biological assets	***RMB'000***	*RMB'000*
At 1 January	**–**	–
Increase due to purchasing	**14,558**	–
Decrease due to sales/culling	**(3,725)**	–
Changes in fair value less costs to sell	**17,566**	–
At 31 December	**28,399**	–

(i) Current biological assets

Current-commercial stocks include market hogs which are raised for sale.

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

	At 31 December 2020 (Heads)
Current biological assets	
– Market hogs	**5,950**

(iii) 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 2020, 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 31 December 2020. 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 have discussion with the Valuer on the valuation assumptions and valuation results when the valuation was performed at the end of the reporting period.

Information about Level 3 fair value measurement:

	Significant unobservable inputs	**At 31 December 2020**
Current biological assets		
– Finishing hogs (*Note*)	Market price	RMB36.5 per kilogram

Note:

Market prices were adopted for finishing hogs as there were active markets for the finishing hogs.

As at 31 December 2020, if market price cost increases by 10%, the estimated fair value of biological assets would have increased by RMB2,840,000, and if market price decreases by 10%, the estimated fair value of biological assets would have decreased by RMB2,840,000.

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.

13 LIABILITIES FROM GUARANTEES

	Note	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
Deferred income		**256,988**	476,534
Provision of guarantee losses	(a)	**16,320**	10,111
Total		**273,308**	486,645

(a) Provision of guarantee losses

	Note	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
At 1 January		**10,111**	7,166
Charged for the year	5 (a)	**6,209**	2,945
At 31 December		**16,320**	10,111

14 INTEREST-BEARING BORROWINGS

	Note	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
Note payables	(a)	**–**	38,555
Bank borrowings	(b)	**50,000**	–
Total		**50,000**	38,555

(a) Note payables

Note payables arose from the amendment deed regarding to the convertible bonds (note 15) on 11 January 2019. The fair value of Note payable was HKD46,057,000 on 11 January 2019. The maturity date of note payable is 31 January 2020, upon which the Company can apply for one year extension subject to the Purchaser's approval. 31 January 2020, the Purchaser agrees to extend the maturity date to 31 July 2020. On 27 February 2020 and 28 May 2020, the Group redeemed the principal of Note payables of HKD20,000,000 and HKD20,000,000 respectively. As at 31 December 2020, all the Note payable has been repaid by the Group.

(b) Bank borrowings

As at 31 December 2020, the bank borrowings of RMB50,000,000 were repayable within one year and secured. The bank borrowings were secured by the Group's bank deposits of RMB50,800,000.

As at 31 December 2020, banking facilities of the Group totaling RMB60,000,000 were utilized to the extent of RMB50,000,000.

No covenants relating to the Group or the subsidiary's financial ratios were required by the bank as of 31 December 2020.

15 LIABILITY COMPONENT OF CONVERTIBLE BONDS

(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) per cent;

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 amortised cost using effective interest rate method. The effective interest rate of the liability component of CBs is 17.8% per annum. The residual amount less allocated transaction costs representing the value of the equity component of approximately HKD37,128,000, was presented in equity under the heading 'capital reserve'.

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

The amendment resulted in the derecognition of the original CBs as a whole and the recognition of (i) an interest-bearing borrowing at fair value of RMB41,257,000 for the Note payable at 31 December 2019 and all the Note payable has been repaid by the Company at 31 December 2020 (note 14); (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 HKD21,326,000, HKD21,870,000 and HKD11,119,500, as per the repayment schedule of the Note payables in February 2020, May 2020 and July, respectively.

– the Group has converted HKD10,000,000 to 9,174,312 ordinary shares in 10 November 2020. The converted ordinary shares account for 1.72% of all ordinary shares, and increased RMB8,470,000 share premium.

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 the date of issue	93,660	29,695
Interest charge	16,224	–
Net increase in interest payable	(3,001)	–
Net increase in administrative fee paid in advance	112	–
Interest paid	(4,015)	–
Administrative fee paid	(1,238)	–
Exchange adjustment	8,898	–
At 1 January 2019	110,640	29,695
Interest charge	602	–
Net increase in interest payable	(245)	–
Net increase in administrative fee paid in advance	(41)	–
Exchange adjustment	2,068	–
At 11 January 2019 before modification	113,024	29,695
Derecognition of the CBs	(113,024)	(29,695)
Recognition of the New CBs upon modification	59,878	12,596
Interest charge	11,277	–
Net increase in interest payable	(1,873)	–
Net increase in administrative fee paid in advance	(11)	–
Interest paid	(2,505)	–
Administrative fee paid	(752)	–
Exchange adjustment	757	–
At 31 December 2019 and 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	60,015	11,096

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2020 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In 2020, in response to COVID-19, lockdown measures were imposed in countries around the world over a prolonged period of time, which subsequently caused disruptions of global industrial and supply chains. Investments in international trade shrank and unemployment rates soared, resulting in the worst global economic recession since the Great Depression. Regarding the domestic market, faced with the huge impact induced by the pandemic and the adverse challenges in both domestic and foreign markets, the Chinese government promptly coordinated and imposed various measures to contain the spread of pandemic and to facilitate social and economic development. Such measures effectively restored normal production and helped its people resume normal lives, thus setting the stage for China to stand out from the rest of the world by ensuring economic recovery, making China the only major economy with positive economic growth. China's positive long-term economic fundamentals remained intact and emerging. In Hong Kong, due to multiple factors such as the pandemic and international political situation, the local economy was hit hard, causing an unprecedented shock across sectors.

Amidst severe straits brought by the pandemic, and the complexity and unpredictability in domestic and global markets, the Group adopted multi-pronged measures to coordinate with a pandemic caution and adhered to prudent and steady development strategies in 2020. While taking risk prevention, the Group prudently developed its traditional businesses and enhanced integrated services for the Greater Bay Area. It also reinforced cooperation channels and its competitiveness through investments, mergers and acquisitions, in order to provide customers with comprehensive, professional and efficient financial services, and cope with the negative impacts of the macro environment.

INDUSTRY AND BUSINESS REVIEW

Steadily Developing Traditional Businesses

In 2020, threatened by the pandemic and complex macroeconomic environment, the Group adopted prudent and steady business development strategies, leading to a slowdown in the development of traditional businesses. Nevertheless, no substantive impact has been observed so far. In accordance with changes in national economic policies and market conditions, the Group leveraged its own advantages and harnessed the power of technology, so as to assist customers to overcome hardships during the pandemic.

In terms of guarantee business, following the completion of business license renewals in the industry, a healthier and more systematic development with stringent standards in China's financing guarantee industry was witnessed. In order to further improve the off-site supervision of financing guarantee enterprises, the China Banking and Insurance Regulatory Commission ("**CBIRC**") issued the "Procedures for the Off-site Supervision of Financing Guarantee Companies" in July 2020, which improved the supervision reports and indicator interpretations for financing guarantee enterprises. It also unified the regulatory indicator statistics and requirements of the regulatory system, benefiting to the supervision over the operation of financing guarantee companies and fostering better support to the development of financial inclusion from these companies.

On February 23, 2020, by passing the new standards, license for financing guarantee business of the Group's subsidiary Success Guarantee was renewed by Guangdong Local Financial Supervision and Administration Bureau, further affirming its competitiveness in the market. Besides, Success Guarantee became one of the first three cooperative guarantee institutions of Foshan Financing Guarantee Fund in February 2020, contributing to the promotion of economic development in Foshan, as well as assisting SMEs to overcome financing difficulties.

While adopting pandemic precautions, the Group continued to deepen its intensive efforts in financial technology and increased investments in hiring technicians and upgrading equipment, so as to upgrade its business system. To cope with the pandemic, the Group strengthened communication with customers to meet their needs and improve their satisfaction. Meanwhile, the Group explored new service models through the application of technology, with a view to satisfying customer demand on personalized financial services. Also, responding to the policy trend, the Group continued to develop traditional guarantee businesses, strengthen interaction with financial institutions, expand business portfolio and enrich product chain to identify new profit drivers.

Regarding the financial leasing business, stricter supervision over the industry facilitated a stable operation of financial leasing enterprises, securing orderly development through industry standardization. CBIRC issued "Interim Measures for the Supervision and Administration of Financial Leasing Companies" in June 2020, which was instrumental in improving the regulatory system of the financial leasing industry. Through adopting measures including refining business operation rules, cranking up oversight of the fulfilment of regulatory standards and clarifying the division of supervising responsibilities, the supervision and management of financial leasing companies are expected to be strengthened, thereby expediting the orderly development of the financial leasing industry.

As regards asset management, after thorough consideration of the pandemic impacts and observing the new regulatory policy framework and new regulatory requirements for asset management, the People's Bank of China worked with National Development and Reform Commission, the Ministry of Finance, CBIRC, China Securities Regulatory Commission, State Administration of Foreign Exchange and other government authorities to extend the transition period of "Regulating the Asset Management Business of Financial Institutions" to the end of 2021 upon approval from the State Council. Meanwhile, incentive and disincentive mechanisms were established to optimize the supporting policy arrangements, promoting a steady and orderly development of the asset management industry.

Regarding financial leasing, factoring and asset management businesses, the Group adhered to the operating principle of "doing what should be done while leaving others alone" in 2020 to conduct business with caution.

Developing Integrated Services for the Greater Bay Area

Along with the implementation of "Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area", "Opinions Concerning Financial Support for the Establishment of Greater Bay Area", "Implementation Plan for Financial Support for the Establishment of Greater Bay Area" and policies supporting the establishment of the Greater Bay Area which were issued by government authorities within the district, the Group kept abreast of the latest policy trend and tapped the rising demand for the Greater Bay Area construction. It devised plans in developing integrated financing services in the Greater Bay Area, supporting the construction within the district.

Expanding and Reinforcing Cooperation Channels

Facing both opportunities and challenges arising from the pandemic in 2020, the Group continued to draw up plans for financial technology and actively sought opportunities to collaborate with financial institutions and financial technology companies, and develop diversified collaboration models, in order to provide customers with comprehensive and efficient integrated financial services.

Exploring New Category of Industry-finance Integration, while Investing in Livestock Farming Entities

Being one of the core industries which support national economy and people's livelihoods, the livestock farming industry has a huge market potential and stable demand growth. Currently, there is an ample room for further development and improvement in China's pig breeding industry considering the low industrial concentration and relatively low scaling level. In recent years, the Chinese government has repeatedly and strategically devised plans for the development of the pig breeding industry by setting it on the agenda of "Central Document No.1". A series of policies were launched to encourage the rapid and healthy development of the pig breeding industry, in hopes of accelerating the scale optimization and modernization of the industry.

In 2020, capitalizing on the beneficial policies, industry transformation, environmental protection and epidemic prevention, the Group actively explored opportunities in the integrated mode of "Finance & Entity". By acquiring shares of livestock farming entities, the Group invested in the construction of pig farms in the Greater Bay Area, and propelled the modernization, scale optimization and standardization of the pig breeding models. Through optimizing the business complementation of livestock farming and financial industries, the Group has laid a foundation for providing comprehensive financial services to upstream and downstream suppliers, and creating an agricultural ecosystem in the future.

Strengthening through Investments, Mergers and Acquisitions

In 2020, according to the transformation plan, the Group managed to propel construction work in Success Science and Technology Innovation Park Project, which is one of the benchmarking projects of "Three Olds Redevelopment" in Shunde District. The construction progress and influence have attracted public attention.

Besides, taking its future business development into account, the Group has purchased newly-built office properties in Foshan Xincheng District as self-use properties.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the Group's revenue was approximately RMB143.4 million (year ended 31 December 2019: approximately RMB69.0 million), representing an increase of approximately 107.7%. Detailed analysis of the Group's revenue is as follows:

Financial Guarantee Services

Revenue from the Group's financial guarantee services was mainly generated from the service fees charged for our financial guarantee services. For the year ended 31 December 2020, the Group's net revenue generated from financial guarantee services was approximately RMB157.4 million (year ended 31 December 2019: approximately RMB79.5 million), representing an increase of approximately 98.0%. In 2020, the Group adopted the prudent and sound business policy. On the one hand, the Group continued to intensively explore the financial technology field and apply technological strengths to improve its service efficiency; on the other hand, the Group continued to develop the traditional guarantee business to enrich the product chain. In 2020, the net income from the financial guarantee services increased significantly compared to that for the same period last year, which was mainly due to the fact that deferred income arising from the significant growth of financial guarantee business in 2019 was recognized on an accrual basis in 2020.

In 2020, the Group did not record any interest income from receivables (year ended 31 December 2019: approximately RMB0.3 million).

Non-financial Guarantee Services

Revenue from the Group's non-financial guarantee services was mainly generated from the service fees charged for providing customers with performance guarantees in relation to the performance of payment obligations and litigation guarantees. For the year ended 31 December 2020, the Group's revenue generated from non-financial guarantee services decreased by approximately 46.2% to approximately RMB0.7 million (year ended 31 December 2019: approximately RMB1.3 million). Revenue from the non-financial guarantee business decreased compared to that for the same period last year, which was mainly due to the fact that the Group adjusted the product structure according to the market needs and continued to focus mainly on the new business field, resulting in the changes in the amount and revenue incurred of the performance guarantee business and the litigation guarantee business.

Financial Consultancy Business

Revenue from the Group's financial consultancy services was mainly generated from the service fees charged for providing customers with financial consultancy services by the Group. For the year ended 31 December 2020, the Group's revenue generated from financial consultancy services was approximately RMB3.0 million (year ended 31 December 2019: approximately RMB1.3 million). Revenue from the financial consultancy services increased compared to that for the same period last year, which was mainly due to the fact that in 2020, the Group smoothly promoted the business development, proactively explored new businesses and continued to provide small and medium-sized enterprises with financial consultancy services.

Financial Leasing and Factoring Business

Revenue from the Group's financial leasing services was mainly generated from the rental fees charged by the Group in its provision of financial leasing services to customers. For the year ended 31 December 2020, the Group did not record any revenue from the financial leasing services (year ended 31 December 2019: approximately RMB5.4 million). Revenue from the factoring business in 2020 was approximately RMB2.0 million (year ended 31 December 2019: approximately RMB4.1 million).

The decrease in the revenue from the financial leasing and factoring services of the Group in 2020 as compared to 2019 was mainly due to (i) the maturity of most of the existing businesses, and (ii) the fact that affected by the macro-economic environment and in the face of the increasing market uncertainties throughout the year, the Group adopted the prudent and sound development strategy to carry out its business prudently.

Revenue from Sales of Market Hogs

For the year ended 31 December 2020, the Group's revenue from sales of market hogs was approximately RMB8.9 million.

Other Revenue

The Group's other revenue comprised fair value gain on modification of the terms of convertible bonds, interest income from bank deposits, government grants, proceeds from the investments on Yangmianshan and others. For the years ended 31 December 2019 and 2020, the Group's other revenue were approximately RMB17.3 million and RMB14.8 million, respectively, representing a decrease of approximately 14.5%. The decrease in other revenue as compared to the same period of last year was due to the one-off gains arising from the alteration of the terms and conditions of the convertible bonds completed by the Group in the first half of 2019.

Impairment and Provision (Charged)/Written Back

Impairment and provision mainly represents the provision charged/ (written back) for guarantees issued and the impairment provision for receivables from guarantee payments, factoring receivable and finance lease receivable, trade and other receivables, impairment of investment in associate where it is likely that the customers or other parties are in financial difficulties and recovery was considered to be remote. In the event that any impairment and provision was made in the previous years but subsequently recovered, impairment and provision previously made will be written back in the year in which the relevant amount is recovered. Due the impact from the COVID-19 epidemic, the Company made provision for impairment loss based the overall macro-economic conditions by use a more pessimistic scenario analysis as ever, resulting in an increase in the provision for impairment loss of RMB4.6 million made by using the three stages of the expected impairment loss model over last year.

Operating Expenses

For the year ended 31 December 2020, the operating expenses of the Group was approximately RMB67.7 million (for the year ended 31 December 2019: approximately RMB55.0 million). The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Salaries	**28,945**	22,207
Audit fee	**3,722**	2,920
Amortization charges	**145**	173
Depreciation charge	**2,088**	1,469
Rentals	**193**	1,890
Intermediary consulting expenses	**13,240**	16,546
Office, travel and entertainment expenses	**12,981**	6,371
Exchange loss	**2,013**	291
Others	**4,413**	3,161
Total	**67,740**	55,028

The increase in the salaries as compared to the corresponding period last year was mainly due to the expense incurred in relation to the share options granted by the Group to the directors and employees of the Group on 18 May 2020.

The significant increase in the office, travel and entertainment expenses as compared to the corresponding period last year was mainly due to the increase in the entertainment expenses incurred by the Group in its business development.

Share of Profits of Associates

The share of profits of associate amounted to a gain of approximately RMB0.2 for the year ended 31 December 2020, representing an increase of approximately RMB27.3 million from a loss of approximately RMB27.1 million for the year ended 31 December 2019. In 2019, the Group made provision for the impairment of Success Credit at associate level and recognized the investment loss under the equity method. In 2020, the Group made provision for the impairment of the long-term equity investment of Success Credit at group level and recognized impairment and provision charges.

Loss Before Taxation

The Group's loss before taxation decreased by approximately RMB396.1 million, or approximately 85.5%, from a loss of approximately RMB463.4 million for the year ended 31 December 2019 to a loss of approximately RMB67.3 million for the year ended 31 December 2020. Compared with the same period last year, the significant decrease in loss before taxation was mainly due to the provision for the impairment loss made by the Group in FY2020 of approximately RMB192.3 million, representing a significant decrease of approximately RMB279.7 million from the provision for impairment loss of approximately RMB472.0 million in FY2019.

The financial performance of the Group improved in FY2020. The loss before taxation was mainly due to the combined effect of the following factors: (i) the net income from the financial guarantee services of the Group in FY2020 increased significantly compared to that in FY2019; (ii) the fair value of the Group's financial assets and biological assets at fair value through current profits and losses increased significantly; (iii) the sales of market hogs business of the Group recorded net income; (iv) the Group made provision for the impairment of the long-term equity investment of Success Credit at group level in 2020; (v) the Group still had significant impairment and provision charges in 2020; and (vi) the Group recorded higher operating expenses in 2020 compared to the same period last year. The growth of the above income and assets value could not hedge against the effects of (iv), (v) and (vi) above.

Income Tax

For the year ended 31 December 2020, the Group's income tax expense amounted to approximately RMB17.3 million, representing an increase of approximately 153.9% from approximately RMB-32.1 million of income tax expense in the corresponding period of 2019. The increase in income tax was mainly attributable to the significant increase in the deferred income tax fee of the Group in 2020.

Trade and Other Receivables – Receivables from Guarantee Payments

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be firstly settled by the Group on behalf of the customer. The Group will then subsequently request repayment from the customer or take possession of the counter-guarantee assets provided by such customer to recover the outstanding balance. Receivables from guarantee payments were interest bearing and the Group holds certain collaterals over certain customers. The net book value of receivables from guarantee payments decrease from approximately RMB63.6 million as at 31 December 2019 to approximately RMB3.1 million as at 31 December 2020. The provision for impairment losses of receivables from guarantee payments in 2020 was approximately RMB66.2 million (2019: approximately RMB167.2 million).

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to utilise the Group's financial resources for obtaining a better return for the shareholders effectively, the Group's general approach is to seek some alternative investment opportunities which could provide a better return with limited risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 31 December 2020, the current pledged bank deposits amounted to approximately RMB175.5 million (31 December 2019: approximately RMB95.3 million), representing an increase of approximately RMB80.2 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB354.1 million (31 December 2019: approximately RMB1,067.3 million), representing a decrease of approximately RMB713.2 million, as compared to the end of last year. The decrease in cash and bank deposits was mainly attributable to (i) the decrease in pledged deposits placed by third parties as a result of the requirements for the business between the Group and its customers; and (ii) the early redemption by the Group of all of the remaining principal from the buyers of notes and the interest incurred thereon in 2020. The Company will have sufficient cash flow to fund its daily operating expenses and cover the outstanding balance of bonds.

Interest Rate Risk and Foreign Exchange Risk

As at 31 December 2020, the Group's interest rate primarily related to interest-bearing bank deposits and pledged bank deposits.

The Group's businesses for the year ended 31 December 2020 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group and currently, the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

Gearing Ratio

The Group's gearing ratio (total liabilities divided by total equity) decreased from approximately 293.3% as at 31 December 2019 to approximately 149.8% as at 31 December 2020, which was mainly due to the significant decrease in total liabilities. The decrease in total liabilities was mainly attributable to the decreases in guarantee liabilities (deferred income), pledged deposits payable to cooperative companies and accruals and other payables.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group recruits personnel from the open market and enters into employment contracts with them. The Group offers competitive remuneration packages to employees, including salaries and bonuses to qualified employees. The Group also provides training to the staff on a regular basis to enhance their knowledge of the financial products in the market and the applicable laws and regulations in relation to the industry in which the Group operates.

The Group maintained stable relationship with its employees. As at 31 December 2020, the Group had 61 full-time employees. Compensation of the employees primarily includes salaries, discretionary bonuses, contributions to social insurance and retirement benefit scheme. The Group incurred staff costs (including Directors' remuneration) of approximately RMB28.9 million for the year ended 31 December 2020.

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

On 18 May 2020, the Company has actually granted 31,755,400 share options at an exercise price of HK$0.84 per share under the Post-IPO share option scheme as an incentive, subject to the acceptance of the relevant grantees.

PROSPECTS AND OUTLOOK

Macro Outlook

Looking forward to 2021, the rollout of COVID-19 vaccines offers a promising hope to the epidemic control, and the globe economy is expected to witness a gradual pick-up. However, the recovery of the globe economy will be hindered by many factors such as ongoing trade tensions among major economies, uncertain geopolitical risks and political conflicts within several countries, and various risks caused by epidemic threats should not be overlooked. Regarding the domestic market, the fast-tracking of the establishment of a new development structure, which is driven primarily by the domestic cycle and complimented by the dual circulation of domestic and international economies, was proposed at the Central Economic Work Conference. However, dragged by uncertainties in the epidemic situation and external environment, there are obstacles to the development of circular economy. The exigent potential risks and serious concerns should not be neglected, and the escalating geopolitical tension is noteworthy. In Hong Kong, the epidemic is expected be eased. Notwithstanding, the future economic development will continue to experience challenges, given that the level and speed of recovery are largely determined by numerous uncertain factors, especially the epidemic condition.

In 2021, in the face of the sustained influence of the epidemic, the Group will adhere to its principle of "doing what should be done while leaving others alone" and adopt a prudent approach in growing its traditional businesses. While planning for the construction of the Greater Bay Area, the Group will enhance its competitiveness through investments, mergers and acquisitions, ensuring a steady growth of the Group.

Steadily Developing Traditional Businesses with a Prudent Approach

Amidst the normalization of epidemic prevention and control, the Group will seize the occasions where the government increases its financial support to micro, small and medium-sized enterprises, to steadily develop traditional businesses, whilst consolidating resources and giving full play to its own advantages from all subsidiaries for greater capability to provide customers with integrated financial services.

For guarantee business, the Group will adapt to the changes in economy and market demand, and double its efforts in developing financial technology business. It will explore new service models for its products and improve its service efficiency by harnessing the power of technology. Through grasping the opportunities arising from the introduction of new measures for the administration of online lending by commercial banks, the Group will strengthen its partnership with financial institutions and technology companies by establishing more in-depth and wide-ranging collaboration chances. In addition, riding on the government's policy which supports the development of micro, small and medium-sized enterprises and the establishment of government guarantee fund, the Group will continue to enrich its traditional guarantee business, make constant improvements in its risk management system through harnessing the power of technology, thus customizing more financing services and products to address clients' needs. The Group will offer a series of diverse, flexible and personalized financing services to enhance its competitiveness.

On the other hand, in light of the macro environment and policy guidance, the Group will prudently provide customers with professional and specialized financial services, including financial leasing, factoring and asset management, to cater to the demand for the construction of the Greater Bay Area.

Exploring a New Model of Industry-Finance Integration and Developing Integrated Financial Services for the Supply Chain

Agricultural development will remain the first priority of the Chinese government's policy in the next few years. According to the "Central Document No.1" issued by the Chinese government and the State Council in February 2021, with a view to expediting the modernization of the agricultural industry, it is necessary to accelerate the establishment of a modern breeding system and protect the basic production capacity of the pig breeding industry, so as to realize a stable and orderly long-term development of the pig breeding industry. On the other hand, the "One Belt One Road" policy will also help create a huge market and bring opportunities to the livestock farming industry.

The Group will closely follow the national policies. Leveraging its forward-looking strategies, precise judgment in grasping opportunities, efficient execution capabilities, scientific and technological strengths as well as professional teams, the Group will establish a modern farm that conforms to the industry's development trend. Looking forward, starting from a single breeding project, the Group will expand its comprehensive integrated financial services to the middle and downstream customers. The Group will cooperate with the entire industrial chain on a pilot basis, further exploring the development of financial product portfolio for the industrial chain. The Group targets to extend and replicate the success of the trial, striving to provide integrated financial services to the industrial chain, so as to enhance the Group's comprehensive competitiveness.

Propelling Integrated Services for the Greater Bay Area

The Group will continue to grasp development opportunities in the Greater Bay Area. Through seeking opportunities of integrated financial services for constructing the Greater Bay Area, the Group will provide specialized financial services and supports to regional enterprises, thereby participating in propelling the construction and development 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 by investments, equity purchases and acquisitions, aiming to explore new businesses and enhance its comprehensive competitiveness.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The wide spread of COVID-19 around the world since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. Since the outbreak of COVID-19, ongoing prevention and control measures have been carried out by the Chinese Government and Hong Kong SAR Government. These measures have affected the Group's business and are expected to continue to adversely impact the Group's financial performance in the coming financial year. As at end of the announcement date, the operating activities in the Group were resumed.

Given the evolving nature of the COVID-19 and the unpredictability of future developments, it is not practicable to provide a reasonable estimate of the impact of the pandemic on the Group's financial performance. The Group will closely monitor the economic impacts and respond to the development of the COVID-19.

COVID-19 Outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2020.

OTHER INFORMATION

Purchase, Sale or Redemption of Our Company's Listed Securities

Our Company has granted options to subscribe for an aggregate of 10,000,000 shares (the "**Pre-IPO Share Options**") pursuant to the Pre-IPO share option scheme. During the twelve-month period ended 31 December 2020, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 20,000 shares were lapsed. As at 31 December 2020, the Pre-IPO Share Options to subscribe for 6,473,000 shares remained outstanding.

Our Company has actually granted options to subscribe for an aggregate of 31,755,400 shares (the "**Post-IPO Share Options**") pursuant to the Post-IPO share option scheme. None of the Post-IPO Share Options have been exercised, cancelled or lapsed during the twelve-month period ended 31 December 2020. As at 31 December 2020, the Post-IPO Share Options to subscribe for 31,755,400 shares remained outstanding.

Save as disclosed above, during the twelve-month period ended 31 December 2020, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

Corporate Governance

Save as disclosed below, our Company has adopted and complied with the code provisions (the "**Code Provisions**") as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules for the year ended 31 December 2020. In respect of Code Provision A.6.7 of the CG Code, a non-executive director appointed a proxy to attend the annual general meeting of the Company held on 21 May 2020. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code of Securities Transactions by Directors

The Company has adopted the standard set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) (the "**Model Code**") to the Listing Rules, in relation to the dealings in securities of the Company by the Directors.

The Group has made specific enquiry to all Directors and each Director has confirmed that he/she has complied with the standard set out in the Model Code for the year ended 31 December 2020.

DIVIDENDS

The Board resolved not to declare any dividend for the year ended 31 December 2020.

Audit Committee

The Company established an audit committee (the "**Audit Committee**") on 18 October 2013 with terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor(s), review the financial statements and provide material advice in respect of financial reporting and oversee the internal control and risk management systems of the Company. As at 31 December 2020, the Audit Committee comprises Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei has been appointed as the chairman of the Audit Committee.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2020. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") for the year ended 31 December 2020 is scheduled to be held on 27 May 2021. A notice of AGM will be issued and disseminated to the shareholders of the Company in due course.

Closure of Register of Members

The Company's register of members will be closed from 24 May 2021 to 27 May 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 21 May 2021.

Publication of the annual results announcement and annual report

This announcement has been published on the website of the Company (http://www. chinasuccessfinance.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 30 March 2021

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, (ii) one non-executive director, namely, Mr. He Darong, and (iii) four independent non-executive directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur, Mr. Xu Yan and Mr. Zhou Xiaojiang.