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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)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>FOR THE YEAR ENDED 31 DECEMBER 2022 (RMB'000)</b>	<b>FOR THE YEAR ENDED 31 DECEMBER 2021 (RMB'000)</b>	<b>Change In %</b>
REVENUE	<b>88,479</b>	102,616	-13.8%
OTHER REVENUE	<b>14,493</b>	1,910	658.8%
LOSS BEFORE TAXATION	<b>(84,171)</b>	(63,084)	33.4%
LOSS FOR THE YEAR	<b>(82,467)</b>	(82,618)	-0.2%
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<b>(82,770)</b>	(81,066)	2.1%
LOSS PER SHARE <i>(RMB PER SHARE)</i>	<b>(0.13)</b>	(0.13)	0%
	<b>AS AT 31 DECEMBER 2022 (RMB'000)</b>	<b>AS AT 31 DECEMBER 2021 (RMB'000)</b>	<b>Change In %</b>
TOTAL ASSETS	<b>739,547</b>	922,182	-19.8%
TOTAL EQUITY	<b>336,857</b>	409,476	-17.7%

## 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 2022 together with the comparative figures for preceding financial year, as follows:

**Consolidated statement of profit or loss  
for the year ended 31 December 2022**  
(Expressed in Renminbi)

	<i>Note</i>	<b>2022</b> <b>RMB’000</b>	2021 <i>RMB’000</i>
Guarantee income		<b>81,425</b>	212,266
Less: guarantee service fee		<b>(63,447)</b>	(137,608)
Net guarantee fee income		<b>17,978</b>	74,658
Sales of market hogs		<b>69,886</b>	27,898
Service fee from consulting services		<b>615</b>	60
Revenue	3	<b>88,479</b>	102,616
Other revenue	4	<b>14,493</b>	1,910
Cost of market hogs sold		<b>(66,572)</b>	(14,752)
Impairment and provision charged	5(a)	<b>(15,561)</b>	(32,755)
Operating expenses		<b>(78,472)</b>	(56,783)
Research and development costs		<b>(1,370)</b>	(1,647)
Interest expenses	5(d)	<b>(22,635)</b>	(22,334)
Net changes in fair value on financial assets		<b>(3,624)</b>	(17,334)
Net changes in fair value of biological assets		<b>1,512</b>	(22,169)
Share of (losses)/gains of associates		<b>(421)</b>	164
<b>Loss before taxation</b>		<b>(84,171)</b>	(63,084)

**Consolidated statement of profit or loss (Continued)**  
**for the year ended 31 December 2022**  
*(Expressed in Renminbi)*

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Income tax	6(a)	<u>1,704</u>	<u>(19,534)</u>
<b>Loss for the year</b>		<b><u>(82,467)</u></b>	<b><u>(82,618)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<u>(74,179)</u>	(71,178)
Non-controlling interests		<u>(8,288)</u>	<u>(11,440)</u>
<b>Loss for the year</b>		<b><u>(82,467)</u></b>	<b><u>(82,618)</u></b>
<b>Loss per share (RMB per share)</b>			
Basic	8	<u>(0.13)</u>	<u>(0.13)</u>
Diluted	8	<u>(0.13)</u>	<u>(0.15)</u>

**Consolidated statement of profit or loss and other comprehensive income**  
**for the year ended 31 December 2022**  
*(Expressed in Renminbi)*

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Loss for the year</b>	<b>(82,467)</b>	<b>(82,618)</b>
<b>Other comprehensive income for the year</b> <b>(after tax and reclassification adjustments)</b>		
<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>(303)</u>	<u>1,552</u>
<b>Total comprehensive loss for the year</b>	<b><u>(82,770)</u></b>	<b><u>(81,066)</u></b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<u>(74,482)</u>	(69,626)
Non-controlling interests	<u>(8,288)</u>	<u>(11,440)</u>
<b>Total comprehensive loss for the year</b>	<b><u>(82,770)</u></b>	<b><u>(81,066)</u></b>

**Consolidated statement of financial position**  
**at 31 December 2022**  
*(Expressed in Renminbi)*

		<b>31 December</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Assets</b>			
Cash and bank deposits		<b>158,351</b>	185,440
Pledged bank deposits		<b>74,610</b>	110,608
Trade and other receivables	9	<b>230,618</b>	252,355
Factoring receivable	10	<b>27,090</b>	36,021
Finance lease receivable	11	<b>20,470</b>	24,652
Interests in associates		<b>22,736</b>	25,646
Biological assets		<b>2,841</b>	26,737
Inventories		<b>1,908</b>	1,555
Property, plant and equipment		<b>191,714</b>	185,109
Financial assets measured at fair value through profit or loss (FVPL)		<b>6,964</b>	46,673
Deferred tax assets		<b>29,245</b>	27,386
Goodwill		—	—
<b>Total assets</b>		<b>739,547</b>	922,182
<b>Liabilities</b>			
Liabilities from guarantees		<b>39,384</b>	123,533
Pledged deposits received		<b>119,979</b>	150,006
Interest-bearing borrowings		<b>133,980</b>	105,000
Liability component of convertible bonds		<b>44,226</b>	58,653
Accruals and other payables	12	<b>35,666</b>	44,912
Current tax		<b>16,468</b>	16,473
Lease liabilities		<b>12,987</b>	14,129
<b>Total liabilities</b>		<b>402,690</b>	512,706
<b>NET ASSETS</b>		<b>336,857</b>	409,476

**Consolidated statement of financial position (Continued)**  
**at 31 December 2022**  
*(Expressed in Renminbi)*

		<b>31 December</b>	31 December
		<b>2022</b>	2021
	<i>Note</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>4,420</b>	4,343
Reserves		<b>352,619</b>	417,027
<b>Total equity attributable to equity shareholders of the Company</b>		<b>357,039</b>	421,370
<b>Non-controlling interests</b>		<b>(20,182)</b>	(11,894)
<b>TOTAL EQUITY</b>		<b>336,857</b>	409,476

**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 2022 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 HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

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

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

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

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

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

## **2 SEGMENT REPORTING**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information 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 locations.

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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Guarantee fee income</b>		
– Income from financial guarantees	657	5,436
– Income from online financial guarantees	79,710	206,114
– Income from performance guarantees	968	669
– Income from litigation guarantees	90	47
	<hr/>	<hr/>
Gross guarantee fee income	81,425	212,266
Less: guarantee service fee	(63,447)	(137,608)
	<hr/>	<hr/>
<b>Net guarantee fee income</b>	17,978	74,658
	-----	-----
Service fee from consulting services	615	60
	-----	-----
Sales of market hogs	69,886	27,898
	-----	-----
Total	<u>88,479</u>	<u>102,616</u>

During the year 2022, the Group's largest single customer contributed 42.27% of the Group's revenue (2021: 15.82%); while the percentage of the Group's top 5 customers' revenue was 74.30% (2021: 23.18%).

During the year 2022, the Group's largest single cooperation third party that referring customers to the Group has referred customers' revenue of 7.37% (2021: 40.35%) 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 18.19% (2021: 65.70%).

During the year 2022, Sales of market hogs mainly come from Guangdong province.

**(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 2022.
- Hog selling: start with year 2020, the Group acquired Yangmianshan Company Limited ("Yangmianshan") to diversify the business of the Group. The main business of Yangmianshan is sales of market hogs in the PRC.

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

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

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

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 allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	Financial services		Yangmianshan		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
<b>Over time:</b>						
Guarantee income	81,425	212,627	-	-	81,425	212,627
Inter-segment revenue	-	(361)	-	-	-	(361)
Less: guarantee service fee	(63,447)	(137,608)	-	-	(63,447)	(137,608)
Net guarantee fee income	17,978	74,658	-	-	17,978	74,658
Service fee from consulting services	615	60	-	-	615	60
<b>Point in time:</b>						
Sales of market hogs	-	-	69,886	27,898	69,886	27,898
<b>Reportable segment revenue</b>	<b>18,593</b>	<b>74,718</b>	<b>69,886</b>	<b>27,898</b>	<b>88,479</b>	<b>102,616</b>
Other revenue	13,941	1,776	552	134	14,493	1,910
Cost of market hogs sold	-	-	(66,572)	(14,752)	(66,572)	(14,752)
Impairment and provision charged	(15,561)	(32,755)	-	-	(15,561)	(32,755)
Operating expenses	(39,261)	(47,910)	(39,211)	(9,038)	(78,472)	(56,948)
Inter-segment operating expenses	-	-	-	165	-	165
Research and development costs	(1,370)	(1,647)	-	-	(1,370)	(1,647)
Interest expenses	(15,260)	(17,049)	(7,375)	(5,285)	(22,635)	(22,334)
Net changes in fair value on financial assets	(3,624)	(17,334)	-	-	(3,624)	(17,334)
Net changes in fair value of biological assets	-	-	1,512	(22,169)	1,512	(22,169)
Share of (losses)/gains of associates	(421)	164	-	-	(421)	164
<b>Reportable segment loss before taxation</b>	<b>(42,963)</b>	<b>(40,037)</b>	<b>(41,208)</b>	<b>(23,047)</b>	<b>(84,171)</b>	<b>(63,084)</b>
Income tax	1,704	(19,534)	-	-	1,704	(19,534)
<b>Reportable segment loss for the year</b>	<b>(41,259)</b>	<b>(59,571)</b>	<b>(41,208)</b>	<b>(23,047)</b>	<b>(82,467)</b>	<b>(82,618)</b>
<b>Reportable segment assets</b>	<b>561,150</b>	<b>719,141</b>	<b>197,019</b>	<b>216,379</b>	<b>758,169</b>	<b>935,520</b>
<b>Reportable segment liabilities</b>	<b>213,621</b>	<b>341,245</b>	<b>243,204</b>	<b>221,358</b>	<b>456,825</b>	<b>562,603</b>

(ii) *Reportable segment assets and liabilities*

	Financial services		Yangmianshan		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>						
Reportable segment assets	561,150	719,141	197,019	216,379	758,169	935,520
Elimination of inter-segment receivables	(70,603)	(66,370)	–	–	(70,603)	(66,370)
Interests in associates	22,736	25,646	–	–	22,736	25,646
Deferred tax assets	29,245	27,386	–	–	29,245	27,386
Consolidated total assets	<u>542,528</u>	<u>705,803</u>	<u>197,019</u>	<u>216,379</u>	<u>739,547</u>	<u>922,182</u>

	Financial services		Yangmianshan		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities</b>						
Reportable segment liabilities	213,621	341,245	243,204	221,358	456,825	562,603
Elimination of inter-segment payable	–	–	(70,603)	(66,370)	(70,603)	(66,370)
Current tax liabilities	16,468	16,473	–	–	16,468	16,473
Consolidated total liabilities	<u>230,089</u>	<u>357,718</u>	<u>172,601</u>	<u>154,988</u>	<u>402,690</u>	<u>512,706</u>

(iii) *Geographic information*

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

4 OTHER REVENUE

	Note	2022	2021
		RMB'000	RMB'000
Changes in fair value on modification of the terms of convertible bonds		10,207	(6,087)
Interest income from bank deposits		3,477	6,239
Government grants	(a)	772	1,715
Others		37	43
Total		<u>14,493</u>	<u>1,910</u>

- (a) Guangdong Success Finance Guarantee Company Limited (“Success Guarantee”) received funding support mainly from Foshan Municipal Bureau of Finance. The entitlement of the government grants were under the discretion of the relevant government bureaus. The government grants were provided to the Group for its support to small and medium enterprises. The grants were unconditional and were therefore recognised as income when received. For the year ended 31 December 2022, a government grant amounted to RMB68,100 (2021: RMB1,519,000) was rewarded to Success Guarantee. Apart from this, some grants were rewarded to the company to maintain its occupation stability and support its development. Overall, the number of government grants counts to RMB92,000 (2021: RMB1,556,000).

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 year ended 31 December 2022, a government grant amounted to RMB128,000 (2021: RMB25,000) was rewarded to Success Cloud.

In 2022, the Heshan Municipal Finance Bureau provided several government grants totaling RMB2,550,000 to Yangmianshan Company to support its hog farming industry. The amortization of the government subsidy for the year was RMB 552,000. (In 2021, the number of government grant awarded to Yangmianshan is RMB2,514,000)

## 5 LOSS BEFORE TAXATION

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

### (a) Impairment and provision - charged

	<i>Note</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Provision charged/(credited) for guarantees issued		<b>1,746</b>	(1,322)
Impairment allowances charged/(credited) for:			
– receivables from guarantee payments	9(a)(ii)	<b>16,523</b>	16,893
– trade debtors receivables	9(a)(ii)	–	(7,976)
– deposit and other receivables	9(c)	<b>7,474</b>	–
– amounts due from related parties	9(c)	<b>(19,730)</b>	–
– factoring receivable	10(b)	<b>2,877</b>	8,233
– finance lease receivable	11(b)	<b>4,182</b>	16,927
Impairment of Investment in associate		<b>2,489</b>	–
		<hr/>	<hr/>
Total		<b>15,561</b>	32,755
		<hr/> <hr/>	<hr/> <hr/>

### (b) Staff costs

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	<b>24,858</b>	23,564
Contributions to defined contribution retirement plan	<b>790</b>	734
Equity settled share-based payment expenses	<b>1,691</b>	3,327
	<hr/>	<hr/>
Total	<b>27,339</b>	27,625
	<hr/> <hr/>	<hr/> <hr/>

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 also operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately, there is no forfeited contributions that may be used by the group to reduce the existing level of contribution.

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

(c) **Other items**

	<i>Note</i>	<b>2022</b> <b>RMB’000</b>	2021 <i>RMB’000</i>
Depreciation charge		<b>1,884</b>	1,829
– right-of-use assets		<b>1,632</b>	1,628
– owned property, plant and equipment		<b>252</b>	201
Amortisation		–	3
Operating lease charges in respect of leasing of properties		<b>90</b>	120
Auditors’ remuneration		<b>4,754</b>	5,019
– audit services		<b>2,748</b>	2,748
– other services		<b>2,006</b>	2,271
Net foreign exchange loss/(gain)		<b>2,188</b>	(78)
Loss of inventory	(i)	<b>29,112</b>	1,670

(i) The main business of Yangmianshan is sales of market hogs in the PRC. The loss of inventory as at 31 December 2022 is RMB29,112,000 (2021:RMB1,670,000) represents the cost arising from the loss of hogs.

(d) **Interest expenses**

	<b>2022</b> <b>RMB’000</b>	2021 <i>RMB’000</i>
Interest on bank loans and other borrowings	<b>11,268</b>	8,554
Interest on Convertible Bond	<b>10,595</b>	13,371
Interest on lease liabilities	<b>731</b>	456
Others	<b>41</b>	(47)
Total	<b>22,635</b>	22,334

## 6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current tax</b>		
Provision for PRC income tax for the year	–	–
Tax filing differences	(155)	531
	-----	-----
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,859	(20,065)
	-----	-----
Total	<u>1,704</u>	<u>(19,534)</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss before taxation	<u>(84,171)</u>	<u>(63,084)</u>
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	21,043	15,771
Tax effect of unused tax losses not recognised	(18,206)	(34,467)
Tax effect of non-deductible expenses	(978)	(1,369)
Tax filing differences	(155)	531
	-----	-----
Actual tax income/(expense)	<u>1,704</u>	<u>(19,534)</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, any undistributed profit will not be distributed in the foreseeable future. Furthermore, as at 31 December 2022, an accumulated losses has been recorded as RMB436,277,000 (2021: RMB352,108,000). 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 2022 and 2021. Thus, there is no balance for dividend payable at 31 December 2022.

## 8 LOSS PER SHARE

### 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 RMB69,772,000 (2021 loss: RMB71,178,000) and the weighted average of 549,883,000 ordinary shares (2021: 542,305,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	<b>2022</b>	2021
	<b>'000</b>	'000
Issued ordinary shares at 1 January	<b>542,305</b>	525,938
Effect of convertible bonds transferred to shares	<b>7,578</b>	16,367
	<hr/>	<hr/>
Weighted average number of ordinary shares at 31 December	<b><u>549,883</u></b>	<u>542,305</u>

The Group has convertible bonds as dilutive potential ordinary shares during the year ended 31 December 2022. Diluted loss per share for the year ended 31 December 2022 is (0.13) (2021: 0.15).

## 9 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Receivables from guarantee payments	(a)(i)	<b>139,062</b>	119,840
Less: allowances for doubtful debts	(a)(ii)	<b>(115,512)</b>	(98,989)
		<b>23,550</b>	20,851
Trade debtors from consultancy services		<b>1,736</b>	1,681
Trade debtors from guarantees		<b>1,055</b>	1,101
Trade debtors from sales of biological assets		–	–
		<b>2,791</b>	2,782
Trade receivables	(a)	<b>26,341</b>	23,633
Down payments for investments net of impairment allowances	(b)	–	–
Deposit and other receivables, net of impairment allowances	(c)	<b>127,168</b>	98,437
Amounts due from related parties	(c)	<b>6,614</b>	8,971
		<b>160,123</b>	131,041
Deferred expenses of online financial guarantee business		<b>18,106</b>	92,759
Prepayments for constructions		<b>15,999</b>	16,122
Prepayments to online financial guarantees		<b>3,656</b>	3,617
Prepayments to third parties		<b>2,507</b>	5,409
Mortgage assets		<b>2,655</b>	2,836
Others		<b>572</b>	571
Total		<b>203,618</b>	252,355

### (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:

	<i>Note</i>	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Within 1 month		<b>741</b>	15,764
Over 1 month but less than 3 months		–	17,561
Over 3 months but less than 1 year		<b>20,668</b>	2,391
More than 1 year		<b>120,444</b>	86,906
Total		<b>141,853</b>	122,622
Less: allowances for doubtful debts	(ii)	<b>(115,512)</b>	(98,989)
Total		<b>26,341</b>	23,633

(i) **Receivables from guarantee payments**

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

During the year ended 31 December 2022, 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 (see note 1(I)).

At 31 December 2022, the Group’s debtors of RMB141,853,000 (2021: RMB122,622,000) 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:

	<b>2022</b>	2021
	<b>Lifetime</b>	Lifetime
	<b>ECL credit-</b>	ECL credit-
	<b>impaired</b>	impaired
	<b>RMB’000</b>	<b>RMB’000</b>
As at 1 January	<b>98,989</b>	134,171
Impairment allowances	<b>17,760</b>	16,893
Reversal	<b>(1,237)</b>	(7,976)
Written-off	–	(44,099)
As at 31 December	<b><u>115,512</u></b>	<b><u>98,989</u></b>

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

	<b>31 December</b>	31 December
	<b>2022</b>	2021
	<b>RMB’000</b>	<b>RMB’000</b>
Down payments for investments	<b>50,550</b>	74,850
Less: allowances	<b>(50,550)</b>	(74,850)
Total	<b><u>–</u></b>	<b><u>–</u></b>



*Ageing analysis*

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
More than 1 year	<b>50,550</b>	74,850
Less: allowances	<b>(50,550)</b>	(74,850)
Total	<b>–</b>	–

Down payments for investments represented the down payments for the acquisition projects that the Group are conducting. At 31 December 2022, the Group's debtors had impairment allowances of RMB50,550,000 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**

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Deposit	<b>17,178</b>	17,254
Other receivables	<b>194,397</b>	172,516
Less: allowances for other receivables	<b>(84,407)</b>	(91,333)
Total	<b>127,168</b>	98,437
Amounts due from related parties	<b>12,247</b>	34,334
Less: allowances	<b>(5,633)</b>	(25,363)
Total	<b>6,614</b>	8,971

*Ageing analysis*

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Deposit and other receivables		
Less than 1 year	<b>69,247</b>	55,377
More than 1 year	<b>142,328</b>	134,393
Total	<b>211,575</b>	189,770
Less: allowances	<b>(84,407)</b>	(91,333)
Total	<b>127,168</b>	98,437

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Amounts due from related parties		
Less than 1 year	–	8,971
More than 1 year	<b>12,247</b>	25,363
Total	<b>12,247</b>	34,334
Less: allowances	<b>(5,633)</b>	(25,363)
total	<b>6,614</b>	8,971

- (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.

	<b>2022 Lifetime ECL credit- impaired RMB'000</b>
Deposit and other receivables	
As at 31 December 2021	(91,333)
Net re-measurement of loss allowance	(7,474)
Written-off	<b>14,400</b>
As at 31 December 2022	<b>(84,407)</b>

	<b>2022 Lifetime ECL credit- impaired RMB'000</b>
Amounts due from related parties	
As at 31 December 2021	(25,363)
Net re-measurement of loss allowance	<b>19,730</b>
As at 31 December 2022	<b>(5,633)</b>



(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:

	<b>31 December 2022 RMB'000</b>	31 December 2021 RMB'000
Within 1 month	–	–
Over 1 month but less than 3 months	–	–
Over 3 months but less than 1 year	<b>18,675</b>	44,730
More than 1 year	<b>46,282</b>	31,572
Total	<b>64,957</b>	76,302
Less: allowances for factoring receivable	<b>(37,867)</b>	(40,281)
Total	<b>27,090</b>	36,021

(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 (see note 1(I)).

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

	<b>2022</b>		
	<b>12-month ECL RMB'000</b>	<b>Lifetime ECL credit-impaired RMB'000</b>	<b>Total RMB'000</b>
<b>Balance at 31 December 2021 and 1 January 2022</b>	<b>2,862</b>	<b>37,419</b>	<b>40,281</b>
Net re-measurement of loss allowance	(623)	3,500	2,877
Written-off	–	(5,291)	(5,291)
<b>Balance at 31 December 2022</b>	<b>2,239</b>	<b>35,628</b>	<b>37,867</b>

  

	<b>2021</b>		
	<b>12-month ECL RMB'000</b>	<b>Lifetime ECL credit-impaired RMB'000</b>	<b>Total RMB'000</b>
<b>Balance at 1 January 2021</b>	2,647	31,936	34,583
Net re-measurement of loss allowance	215	8,018	8,233
Written-off	–	(2,535)	(2,535)
<b>Balance at 31 December 2021</b>	<b>2,862</b>	<b>37,419</b>	<b>40,281</b>

## 11 FINANCE LEASE RECEIVABLE

		<u>31 December 2022</u>	
	<i>Note</i>	<b>Lifetime ECL credit-impaired RMB'000</b>	<b>Total RMB'000</b>
Net amount of finance lease receivable		165,222	165,222
Less: allowances for finance lease receivable	(a)/(b)	<u>(144,752)</u>	<u>(144,752)</u>
Carrying amount of finance lease receivable		<u><b>20,470</b></u>	<u><b>20,470</b></u>
		<u>31 December 2021</u>	
	<i>Note</i>	<b>Lifetime ECL credit-impaired RMB'000</b>	<b>Total RMB'000</b>
Net amount of finance lease receivable		165,222	165,222
Less: allowances for finance lease receivable	(a)/(b)	<u>(140,570)</u>	<u>(140,570)</u>
Carrying amount of finance lease receivable		<u><b>24,652</b></u>	<u><b>24,652</b></u>

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

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<b>Present value of the minimum lease payments RMB'000</b>	<b>Total minimum lease payments RMB'000</b>	<b>Present value of the minimum lease payments RMB'000</b>	<b>Total minimum lease payments RMB'000</b>
Overdue	165,222	165,222	165,222	165,222
Within 1 year	–	–	–	–
Total	<u>165,222</u>	<u>165,222</u>	165,222	165,222
Less: allowances for finance lease receivable	<u>(144,752)</u>	<u>(144,752)</u>	<u>(140,570)</u>	<u>(140,570)</u>
Net investment in finance lease receivable	<u><b>20,470</b></u>	<u><b>20,470</b></u>	<u>24,652</u>	<u>24,652</u>

(b) Impairment allowances charged for finance lease receivable

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

  

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

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

	31 December 2022				31 December 2021			
	Overdue within 3 months RMB'000	Overdue over 3 months but within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000	Overdue within 3 months RMB'000	Overdue over 3 months but within 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Finance lease receivable	–	–	165,222	165,222	–	46,351	118,871	165,222

12 ACCRUALS AND OTHER PAYABLES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Accruals and other payables	<b>35,666</b>	44,912

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

### 13 SHARE CAPITAL AND RESERVES

#### (a) Authorised and issued share capital

	2022			2021		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
<b>Authorised:</b>						
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>
<b>Ordinary shares, issued and fully paid:</b>						
At 1 January	543,013	5,430	4,343	533,809	5,338	4,266
Convertible bonds converted into shares & exercise share option	<u>9,294</u>	<u>93</u>	<u>77</u>	<u>9,204</u>	<u>92</u>	<u>77</u>
At 31 December	<u>552,307</u>	<u>5,523</u>	<u>4,420</u>	<u>543,013</u>	<u>5,430</u>	<u>4,343</u>

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

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

#### SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2022 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

#### Steadily Developing Traditional Businesses

In 2022, affected by the resurgence of the pandemic, escalation of geopolitical conflicts and other factors, coupled with the impact arising from multiple factors such as intensified geopolitical and economic competition among major powers, intensified financial market turmoil and rising commodity prices, the global supply chain has further tightened, pushing up global inflation and further depressing demand, and the global economic growth rate declined significantly. Facing the turbulent international environment and the arduous tasks of domestic reform, development and stability, the central government effectively coordinated pandemic prevention and control with economic and social development. In 2022, the GDP reached RMB121 trillion, representing an increase of 3% over the previous year. The strong resilience, great potential, wide space and long-term good prospects that China's economy enjoyed remained unchanged. However, at the same time, the current international situation is complicated and severe, the triple pressure of domestic demand contraction, supply shock, and weakening expectations is still relatively large, and the foundation for economic recovery is not yet solid.

In 2022, affected by multiple factors such as resurgence of the pandemic, complicated and severe external economic situation, and domestic economic downturn, the Group faced enormous challenges in business development and risk management. It was more difficult to expand some businesses and the pace of business development continued to slow down. In the face of severe challenges, under the guidance of the business philosophy of “focusing on stability”, the Group conducted businesses prudently, strictly prevented and controlled risks, selectively carried out traditional businesses, and continued to slow down the pace of business development; at the same time, it continued to optimize its product and business structure, strengthen empowerment of financial technology and continuously improve the quality and efficiency of financial services.

For guarantee business, as of the end of 2022, the “Regulations on Local Financial Supervision and Administration (《地方金融監督管理條例》)” was still under preparation, and its impact on the development of the Group's guarantee business was delayed. In 2022, due to the complex and severe internal and external economic situation and the repeated impact of the pandemic, the Group focused on stability, reviewed the situation and continuously optimized the product structure and business structure in combination with market demand. It also increased the layout of the technology and financial field, continued to explore technology empowering, used technology to strengthen risk management and control in all aspects, and enhanced the personalization and differentiation capabilities of financial products and services to build the core competitiveness of the Group. For the traditional guarantee business field, the Group actively made plans to seek breakthroughs. With the help of the agricultural breeding ecosystem built by the Group, it tapped into new potential for cooperation and continuously enriched the connotation of products.



For financial leasing, commercial factoring and mega asset management businesses, the Group conducted business prudently based on comprehensive analysis of the external economic environment and market demand, especially changes in market-related industry policies and the impact of repeated pandemic over the past three years.

### **Developing Integrated Services for the Greater Bay Area**

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

### **Expanding and Reinforcing Cooperation Channels**

In 2022, the Group adhered to the multi-channel development strategy, integrated the Group’s multi-license resource advantages, built online + offline financial ecological channels, deepened cooperation with financial institution and financial technology companies, and continuously innovated financial service products to provide customers with characteristic financial services.

### **Steadily Promoting Integrated Financial Services for the Supply Chain**

In 2022, under the influence of multiple factors such as the imbalance between market supply and demand, the increase in the cost of pandemic prevention and control, and the fluctuation of feed prices, the price of hogs showed obvious cyclical fluctuations. Through the Central Document No. 1, the central government emphasized the importance of maintaining the relative stability of the supply of hogs in the market and the price of pork products, and ensured stable supply and price through various measures such as improving the early warning mechanism for hogs, increasing the control of hog production capacity, strengthening the prevention and control of pandemic diseases, and enhancing market regulation.

The Group closely followed the national policy and continued to work hard in the field of supply chain finance. The first batch of self-bred and self-raised market hog was officially slaughtered in April 2022, with the hog output reaching 30,000 during the reporting period. The Group’s supply chain finance business achieved phased results. However, due to various factors such as cyclical fluctuations in hog prices, rising breeding costs and future market trends of hogs, the income from hog breeding was not as satisfactory as expected, and profitability could not be achieved during the reporting period.

## **Strengthening Capabilities through Investments, Mergers and Acquisitions**

In 2022, after careful consideration, the Group quitted the Success Science and Technology Innovation Park Project invested by the Group, which is one of the benchmarking projects of “Three Olds Redevelopment” in Shunde District, and achieved the expected goal of the investment.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue of the Group was mainly generated from the revenue related to the principal businesses of the Group. For the year ended 31 December 2022, the Group’s revenue was approximately RMB88.5 million (year ended 31 December 2021: approximately RMB102.6 million), representing a decrease of approximately 13.7%. 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 2022, the Group’s net revenue generated from financial guarantee services was approximately RMB16.9 million (year ended 31 December 2021: approximately RMB74.0 million), representing a decrease of approximately 77.2%.

The net income from the financial guarantee services in 2022 decreased significantly compared to the same period of last year, which is attributable to the combined effect of the following factors: (i) due to the resurgence of COVID-19 pandemic, the changes in macro-economic and market conditions in 2022, the Group continuously optimized the guarantee business structure, and conducted its business in a prudent and selective manner, the pace of business development was slowed down. Coupled with the decrease in the overall guarantee rate in the market, the increasing competition in the guarantee business, the profitability of the Group’s guarantee business decreased during the reporting period; and (ii) the Group faced decrease in guarantee income recognized during the current period from deferred revenue of previous years as a result of gradual maturity of existing guarantee business.

#### ***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 2022, the Group’s revenue generated from non-financial guarantee services amounted to approximately RMB1.1 million (year ended 31 December 2021: approximately RMB0.7 million).

The Group continued to develop low-risk non-financial guarantee business and increase business development efforts to widen source of income for the Group.

### ***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 2022, the Group's revenue generated from financial consultancy services was approximately RMB0.6 million (year ended 31 December 2021: approximately RMB0.06 million).

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

### ***Revenue from Sales of Market Hogs***

For the year ended 31 December 2022, the Group's revenue from sales of market hogs was approximately RMB69.9 million (for the year ended 31 December 2021: approximately RMB27.9 million).

	<b>For the year ended 31 December 2022 RMB'000</b>	For the year ended 31 December 2021 RMB'000
Sales of market hogs	<b>69,886</b>	27,898
Cost of market hogs sold	<b>(66,572)</b>	(14,752)
Net income	<b><u>3,314</u></b>	<u>13,146</u>

The Group closely follows the national policy orientation and continues to make efforts in the field of supply chain finance. The modern hog farms at the Greater Bay Area invested by the Group has been completed and put into operation, which has formed a production capacity of tens of thousands of pigs per annual and the Group's supply chain finance business has achieved phased results from that time. The Group's livestock farming business has gradually transitioned from the hog fostering model in 2021 to the self-breeding and self-raising model. Since April 2022, the first batch of self-bred and self-raised commercial hogs have been slaughtered, the number of commercial hogs sold during the reporting period has reached 30,000, and sales of live hogs under such model began to record sales revenue in the second quarter of 2022. However, in 2022, under the superimposed influence of multiple factors such as imbalance of hog market, increase in the cost of epidemic prevention and control, rising feeding costs due to rising prices in fodders and cyclical fluctuations in hog prices, revenue from sales of market hogs during the reporting period fell short of expectations. The Group will continue to pay close attention to industry trends and policy guidance, and strive to improve the cost control ability of hog farming, through the scientific and modern hog farming model, strengthen the ability of epidemic diseases prevention and control, and build intelligent and standardized breeding equipment to improve the quality and efficiency of farming, and take multiple measures to strive to achieve quality improving, costs reducing and efficiency enhancing to increase revenue of the Group.

## 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 years ended 31 December 2021 and 2022, the Group's other revenue were approximately RMB1.9 million and RMB14.5 million, respectively, representing an increase of approximately 663.2%.

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

## Impairment and Provision Charged/(Written Back)

Impairment and provision mainly represents the provision charged/(written back) for guarantees issued and the impairment provision for receivables from guarantee payments, trade debtors receivables, deposit and other receivables, amounts due from related parties, factoring receivable, finance lease receivable, impairment of investment in associate and others, 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 year ended 31 December 2022, the operating expenses (including research and development costs) of the Group was approximately RMB79.8 million (for the year ended 31 December 2021: approximately RMB58.4 million). The Group upheld the cost-efficient principle, the operating expenses was analyzed as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Salaries	<b>27,339</b>	27,625
Audit fee	<b>4,754</b>	5,019
Amortization charges	—	3
Depreciation charge	<b>1,884</b>	1,829
Rentals	<b>90</b>	120
Intermediary consulting expenses	<b>5,426</b>	10,823
Office, travel and entertainment expenses	<b>7,186</b>	8,327
Exchange losses/(gains)	<b>2,188</b>	(78)
Others	<b>30,975</b>	4,762
Total	<b><u>79,842</u></b>	<u>58,430</u>

The decrease in the intermediary consulting expenses as compared to the same period of last year was mainly due to the decrease in the data service fee relating to the data storage, as a result of the decrease in the relevant guarantee business during the year, arising from the guarantee business restructuring.

The exchange loss during the year increased by approximately RMB2.3 million compared to the same period of last year.

The significant increase in other operating expenses compared to the same period of last year was mainly due to the value of approximately RMB29.1 million of culling hogs from Yangmianshan Company Limited, a subsidiary of the Group (for the year ended 31 December 2021: approximately RMB1.7 million).

### **Changes in Fair Value of the Financial Assets**

The Group's equity investment in a company is designated as a financial asset measured at fair value through profit or loss. Changes in the fair value of the Group's financial assets mainly refer to the fair value changes of the financial asset. The fair value assessment method of financial assets adopts the Adjusted Net Asset Value (ANAV), Discounted Cash Flow (DCF), Direct Market Comparison (DMC) and Depreciated Replacement Cost (DRC), which mainly assesses the value of the assets and liabilities of the respective target companies. Valuation assumptions include transaction assumptions for assets, open market assumptions, continuing use assumptions and going concern assumptions. During the reporting period, the net assets after valuation of the company decreased compared with the same period last year, resulting in a loss of approximately RMB4.72 million from changes in the fair value of financial assets for the reporting period.

### **Changes in Fair Value of the Biological Assets**

The fair value of the biological assets were evaluated using the replacement cost method and the market method and assessed by the external valuer in accordance with the accepted industry standards. The assumptions for evaluation include the estimation of the market price, replacement cost, breeding cost, etc. of the biological assets. The evaluation impairment of the biological assets of approximately RMB3.1 million and the carrying forward of the evaluation impairment of the biological assets sold in the last year of approximately RMB4.6 million, resulted in an increase of approximately RMB1.5 million in total in changes in fair value of the biological assets, during the current period.

### **Share of Losses of Associates**

The share of losses of associate amounted to a loss of approximately RMB0.4 million for the year ended 31 December 2022, representing a decrease of approximately RMB0.6 million as compared with the profits of approximately RMB0.2 million for the year ended 31 December 2021. During the reporting period, the performance of the associates of the Group did not meet expectations, and the Group will continue to pay attention to the operating conditions of the associates.

## **Loss Before Taxation**

The Group's loss before taxation increased by approximately RMB21.1 million, or approximately 33.4%, from a loss of approximately RMB63.1 million for the year ended 31 December 2021 to a loss of approximately RMB84.2 million for the year ended 31 December 2022.

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

## **Income Tax**

For the year ended 31 December 2022, the Group's income tax expense amounted to approximately RMB-1.7 million, representing a decrease of approximately 108.7% from approximately RMB19.5 million of income tax expense in the corresponding period of 2021.

The decrease in income tax is mainly attributable to the increase in deferred income tax assets arising from the provision of impairment losses made by certain subsidiaries of the Group in 2022, making the deferred income tax expense has significant impact on the overall income tax.

## **Trade and Other Receivables – Receivables from Guarantee Payments**

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of 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 increased from approximately RMB20.9 million as at 31 December 2021 to approximately RMB23.6 million as at 31 December 2022. The provision for impairment losses of receivables from guarantee payments in 2022 was approximately RMB16.5 million (2021: approximately RMB16.9 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 2022, the current pledged bank deposits amounted to approximately RMB74.6 million (31 December 2021: approximately RMB110.6 million), representing a decrease of approximately RMB36.0 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB158.4 million (31 December 2021: approximately RMB185.4 million), representing a decrease of approximately RMB27.0 million, as compared to the end of last year. The Company has sufficient future cash flow to fund its daily operating expenses and cover the outstanding balance of convertible bonds. 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 31 December 2022, 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 2022 were principally conducted in RMB, while most of the Group's monetary assets and liabilities were denominated in HKD and RMB. As the RMB is not a freely convertible currency, any fluctuation in the exchange rate of HKD against RMB may have impact on the Group's result. Although foreign currency exposure does not pose a significant risk on the Group and currently, the Group does not have hedging measures against such exchange risks, the Group will continue to take proactive measures and monitor closely the risk arising from such currency movement.

## **Gearing Ratio**

The Group's gearing ratio (total liabilities divided by total equity) decreased from approximately 125.2% as at 31 December 2021 to approximately 119.5% as at 31 December 2022, which was mainly due to the 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 liability component of convertible bonds.

## **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 2022, the Group had 65 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 RMB27.3 million for the year ended 31 December 2022.

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.

## **PROSPECTS AND OUTLOOK**

### **Macro Outlook**

Looking forward to 2023, the world's major economies have largely gotten rid of administrative intervention against the pandemic and its economic development has gradually gotten back to normal. However, affected by the uncertain pandemic development, high inflation, geopolitical conflicts, intensified competition among major powers and other factors, it is expected that the global economy will continue to be under pressure in 2023. In China, as proposed at the Central Economic Working Conference, a proactive fiscal policy and a prudent monetary policy will be further implemented and priority shall be given to stabilize economic growth, employment and prices, and major risks shall be effectively prevented and dealt with, in order to achieve effective qualitative enhancement and reasonable quantitative growth. The economy is expected to be generally revitalized in 2023. In Hong Kong, the pandemic development and global economic situation still affect the progress and pace of economic recovery. However, with the re-opening of the border between Hong Kong and the Mainland, inbound tourism is expected to rebound strongly. Efforts will be made to support the recovery of the service sector and increase local demand. And the current SAR government makes active efforts to enhance Hong Kong's competitiveness and explore new growth areas. The implementation of various measures will gradually bear fruit, and Hong Kong's economy is projected to rebound significantly in 2023.

In 2023, China's economic development will present itself both opportunities and challenges. The Group will size up the situation, grasp the opportunity, give full play to the overall strengths of the Group and stimulate its vitality. In addition to steadily developing its traditional business, it will continue to explore new industry-finance integration models, develop integrated financial services for the supply chain, and adhere to the arrangement of the construction of the Greater Bay Area. The Group will constantly enhance its strength by means of investment and mergers and acquisitions when appropriate, in order to advance its overall core competitiveness.

### **Steadily Developing Traditional Businesses**

In 2023, the Group will seek progress while maintaining stability, steadily develop traditional business, pay close attention to market trends, integrate resource advantages to create synergies, actively explore the market to seek new opportunities for cooperation and develop innovative products, adding new impetus for the long-term and steady development of the Group.

Regarding guarantee business, the Group will consider market demand and follow the policies to develop business, actively explore the market, develop new products, and diversify its guarantee product portfolios. It will also increase investment in the field of financial technology, strengthen cooperation with financial institutions and technology companies, and explore more diversified ways of cooperation. In order to enhance the core competitiveness of the Group, it will continue to optimize the product mix, intensify efforts to expand traditional guarantee business and constantly promote the improvement of quality and efficiency of financial services.



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

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

Hogs breeding is an important part of agriculture and the healthy and stable development of this industry is crucial to the overall development of China's agriculture and the supply of the "Vegetable Basket Policy" for the people. In order to promote the steady development of the hogs breeding industry, the central government issued Central Document No.1 in February 2023, which emphasizes the implementation of each province taking their own full responsibility to ensure a stable hogs production and supply and strengthening the control of the hogs production capacity mainly contributed by brood sows.

Looking ahead to 2023, the Group expects that hogs prices will continue to fluctuate frequently in the short term due to the cyclical influences, and the African swine fever will continue to cast an impact on the industrial disease prevention and control, and inflation and supply chain crisis will continue to push up the hogs breeding costs. In the face of multiple risks and challenges, the Group, on the one hand, strengthens its disease prevention and control ability through the modern "Hogs Farming in High Buildings" model featuring "stratified feeding by closed floors (樓房封閉、分層飼養)", improves the pig breeding quality and efficiency through developing smart and standardized feeding equipment, and strives to take various measures to improve the quality and efficiency and reduce the cost. On the other hand, the Group pushes forward the financial cooperation with the entire breeding industry chain, steadily promotes the integrated supply chain financial services, further facilitating the sustainable and stable development of business.

### **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 sustaining optimization of policies against pandemic prevention and control, accelerated implementation of supporting policies, and 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.

### **Strengthening through Investments, Mergers and Acquisitions**

Based on development opportunities in the market and long-term strategic planning, the Group will continue to seek new business investment opportunities by means of investment, equity participation or acquisition to expand new business markets and enhance the overall competitiveness of the Group.

## 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 2022, none of the Pre-IPO Share Options have been exercised or cancelled and the Pre-IPO Share Options to subscribe for 40,000 shares were lapsed. As at 31 December 2022, the Pre-IPO Share Options to subscribe for 6,408,000 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. 120,000 shares of the Post-IPO Share Options have been exercised and the Post-IPO Share Options to subscribe for 30,000 shares were lapsed during the twelve-month period ended 31 December 2022. As at 31 December 2022, the Post-IPO Share Options to subscribe for 31,455,400 shares remained outstanding. The limit on the grant of share options under the Post-IPO share option scheme was refreshed with approval of the shareholders of the Company in general meeting held on 27 May 2021 to 54,301,362 shares, being 10% of the total number of issued shares of the Company as at the date of the general meeting.

On 18 January 2022 and 13 June 2022, the Company received conversion notices from Chance Talent Management Limited (the “**Purchaser**”), indirectly and wholly-owned by CCB International (Holdings) Limited, for the partial conversion of convertible bond in an aggregate principal amount of HK\$10,000,000 at the conversion price of HK\$1.09 per Share.

As a result of the Conversion, the Company allotted and issued a total of 9,174,312 Conversion Shares (the “**Conversion Shares**”) to the Purchaser, representing approximately 1.66% of the number of issued shares as enlarged by the allotment and issue of the Conversion Shares at the time of conversion. The Conversion Shares rank pari passu with all the existing shares as at the date of allotment and among themselves in all respects. The issued share capital of the Company has been increased to 552,307,936 shares upon allotment and issue of the Conversion Shares and exercise of share options. For details of the convertible bond, please refer to the section headed “Events after the Reporting Period” in this announcement and the announcements of the Company dated 25 January 2018, 1 February 2018, 27 December 2018, 31 December 2018, 11 January 2019, 13 November 2020, 28 January 2021, 29 January 2021, 24 September 2021, 24 November 2021, 18 January 2022, 28 January 2022, 16 May 2022, 10 June 2022 and 14 June 2022.

Save as disclosed above, during the twelve-month period ended 31 December 2022, neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of our Company's listed securities.

### Corporate Governance

The Company has adopted and complied with the code provisions in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the year ended 31 December 2022.

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

### **Dividends**

The Board has resolved not to declare any dividend by the Company for the year ended 31 December 2022.

### **Audit Committee**

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

The annual results announcement had been reviewed by the Audit Committee and the auditor of the Company, KPMG.

### **Review of Annual Results**

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2022. 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.

### **Events after the Reporting Period**

#### **Convertible Bonds**

The Company entered into Subscription Agreement and subsequent amendments with the Purchaser, pursuant to which the Company has conditionally agreed to issue, and the Purchaser has conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$154,000,000.

As of the date of this announcement, the aggregate outstanding principal amount of the Convertible Bonds is HK\$40,000,000 and the Convertible Bonds has matured on 31 January 2023.

Upon maturity of the Convertible Bonds, the Company is required to redeem the outstanding Convertible Bonds and settle the outstanding principal amount together with interests and fees payable to the Purchaser. The Company has been in discussion with the Purchaser regarding the development of the Convertible Bonds and to further amend its terms and conditions. The Company has received confirmation from the Purchaser that they have no intention to take any action with regards to the Convertible Bonds until discussions on the amended terms and conditions is completed.

## **Termination of Acting in Concert Confirmation and Change in Controlling Shareholders**

Mr. Zhang Tiewei, Mr. Xu Kaiying, Mr. Pang Haoquan and Mr. Chen Guoxian entered in to an acting in concert confirmation on 31 May 2015, pursuant to which they confirmed that: 1. they had been acting in concert, in exercising and implementing the management and operation of the Group with each other; 2. they operated the Group collectively and, through discussions, reached consensus among themselves before making any commercial decisions (including financial decisions and business operation decisions) on an unanimous basis; 3. they were given sufficient information and time to consider and discuss the issues of the Group before making any decision; and 4. they would maintain the acting-in-concert until any one of them notifies the termination. As a result of the acting in concert confirmation, Mr. Zhang, Mr. Xu, Mr. Pang and Mr. Chen were considered as a group of shareholders of the Company acting in concert.

On 17 February 2023, Mr. Chen notified the termination of acting in concert and he is no longer among the group of shareholders of the Company acting in concert. Mr. Zhang, Mr. Xu and Mr. Pang confirmed that they remain as a group of shareholders acting in concert.

Mr. Zhang, Mr. Xu, Mr. Pang and their respective corporate vehicles, being parties to the deed of non-competition dated 18 October 2013 and entered into by them in favour of the Company, will continue to bound them upon termination of acting in concert in relation to Mr. Chen.

## **Change in Controlling Shareholders**

After termination of acting in concert, Mr. Chen will no longer be among the group of shareholders of the Company acting in concert.

Pursuant to a confirmation made on 17 February 2023 between Mr. Zhang, Mr. Xu and Mr. Pang, they confirmed the acting in concert arrangement between them. After the termination of Mr. Chen's acting in concert, Mr. Zhang, Mr. Xu and Mr. Pang will continue to be a group of shareholders of the Company acting in concert under the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong.

After termination of Mr. Chen's acting in concert, as at the date of this announcement, Mr. Zhang continues to be interested in (personally and through his corporate vehicle) 123,128,000 shares, Mr. Xu continues to be interested in (through his corporate vehicle) 72,218,000 shares and Mr. Pang continues to be interested in (through his corporate vehicle) 60,876,000 shares, representing approximately 22.29%, 13.08% and 11.02% of the total issued shares of the Company with voting rights at the general meeting of the Company, respectively.

As a result, Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage will together be entitled to exercise or control the exercise of an aggregate of 256,222,000 Shares, representing approximately 46.39% of the issued share capital of the Company. As Mr. Zhang, Mr. Xu, Mr. Pang, Expert Depot, Bliss Success and Novel Heritage are entitled to exercise more than 30% of the voting rights at the general meeting of the Company, they together are considered as the controlling shareholders of the Company as defined under the Listing Rules.

## **Annual General Meeting**

The annual general meeting of the Company (the “AGM”) for the year ended 31 December 2022 is scheduled to be held on 25 May 2023. 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 22 May 2023 to 25 May 2023 (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 19 May 2023.

## **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](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 December 2022 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 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.*