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 2023

FINANCIAL HIGHLIGHTS

	FOR THE YEAR ENDED 31 DECEMBER 2023 ***(RMB'000)***	FOR THE YEAR ENDED 31 DECEMBER 2022 *(RMB'000)*	Change In %
Revenue	**19,846**	88,479	(77.6%)
Other revenue	**8,268**	14,493	(43.0%)
Loss before taxation	**(44,896)**	(84,171)	(46.7%)
Loss for the year	**(45,690)**	(82,467)	(44.6%)
Total comprehensive loss for the year	**(45,443)**	(82,770)	(45.1%)
Basic Loss per share *(RMB per share)*	**(0.06)**	(0.13)	(53.8%)

	AS AT 31 DECEMBER 2023 ***(RMB'000)***	AS AT 31 DECEMBER 2022 *(RMB'000)*	Change In %
Total assets	**644,936**	739,547	(12.8%)
Total equity	**292,107**	336,857	(13.3%)

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 2023 together with the comparative figures for preceding financial year, as follows:

Consolidated Statement of Profit or Loss
Year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Guarantee income		**25,916**	81,425
Less: guarantee service fee		**(12,337)**	(63,447)
Net guarantee fee income		**13,579**	17,978
Services fee from consulting services		**150**	615
Sales of market hogs		**1,151**	69,886
Sales of energy storage system		**4,966**	–
Revenue, net	2	**19,846**	88,479
Other revenue	3	**8,268**	14,493
Cost of market hogs sold		**(4,574)**	(66,572)
Cost of energy storage system sold		**(4,606)**	–
Impairment and provision charged	4(a)	**(3,301)**	(15,561)
Operating expenses		**(51,575)**	(78,472)
Research and development costs		**(1,025)**	(1,370)
Interest expenses	4(d)	**(12,194)**	(22,635)
Net changes in fair value on financial assets		**4,205**	(3,624)
Net changes in fair value of biological assets		**–**	1,512
Share of results of associates		**60**	(421)
Loss before taxation	4	**(44,896)**	(84,171)
Income tax (expenses)/credit	5	**(794)**	1,704
Loss for the year		**(45,690)**	(82,467)
Loss attributable to:			
Owners of the Company		**(33,421)**	(74,179)
Non-controlling interests		**(12,269)**	(8,288)
		(45,690)	(82,467)
Loss per share		**RMB**	RMB
Basic	7	**(0.06)**	(0.13)
Diluted	7	**(0.06)**	(0.13)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
Loss for the year	**(45,690)**	(82,467)
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
Currency translation on financial statements of the Company	**18,192**	35,853
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign operations	**(17,945)**	(36,156)
Other comprehensive income/(loss) for the year	**247**	(303)
Total comprehensive loss for the year	**(45,443)**	(82,770)
Total comprehensive loss attributable to:		
Owners of the Company	**(33,174)**	(74,482)
Non-controlling interests	**(12,269)**	(8,288)
	(45,443)	(82,770)

Consolidated Statement of Financial Position
As at 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Assets			
Cash and bank deposits		**134,077**	158,351
Pledged bank deposits	8	**72,694**	74,610
Trade and other receivables	9	**135,860**	203,618
Factoring receivable	10	**25,345**	27,090
Finance lease receivable	11	**32,310**	20,470
Interest in associates		**22,796**	22,736
Biological assets		**1,683**	2,841
Inventories		**442**	1,908
Property, plant and equipment		**180,108**	191,714
Financial assets measured at fair value through profit or loss		**11,169**	6,964
Deferred tax assets		**28,452**	29,245
Goodwill		**–**	–
		644,936	739,547
Liabilities			
Liabilities from guarantees		**22,118**	39,384
Pledged deposits received		**104,491**	119,979
Interest-bearing borrowings	13	**136,758**	133,980
Liability component of convertible bonds		**25,609**	44,226
Accruals and other payables	12	**35,563**	35,666
Current tax		**16,468**	16,468
Lease liabilities		**11,822**	12,987
		352,829	402,690
NET ASSETS		**292,107**	336,857
Capital and reserves			
Share capital		**4,420**	4,420
Reserves		**320,138**	352,619
		324,558	357,039
Non-controlling interests		**(32,451)**	(20,182)
TOTAL EQUITY		**292,107**	336,857

CORPORATE INFORMATION

China Success Finance Group Holdings Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1-1103, Cayman Islands and the principal place of its business in Hong Kong registered under Part 16 of the Companies Ordinance is 604, 6th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are i) provision of guarantee, financial leasing, factoring service and consulting service in the People's Republic of China (the "PRC"), ii) sales of market hogs in the PRC, and iii) trading of energy storage system overseas. The Company and its subsidiaries are collectively referred to as the "Group".

1 ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), the collective term of which includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and in compliance with the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of preparation of the consolidated financial statements

These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The measurement basis used in the preparation of these consolidated financial statements is historical cost except that the following assets and liabilities are stated at their fair value:

— investments in debt and equity securities;

— derivative financial instruments; and

— biological assets.

(c) **Changes in accounting policies**

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform - Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The amount of each significant category of revenue recognised during the year is as follows:

	2023	2022
	RMB'000	*RMB'000*
Guarantee fee income		
– Income from financial guarantees	**233**	657
– Income from online financial guarantees	**25,445**	79,710
– Income from performance guarantees	**238**	968
– Income from litigation guarantees	**–**	90
Gross guarantee fee income	**25,916**	81,425
Less: guarantee service fee	**(12,337)**	(63,447)
Net guarantee fee income	**13,579**	17,978
Service fee from consulting services	**150**	615
Sales of market hogs	**1,151**	69,886
Sales of energy storage system	**4,966**	–
Revenue, net	**19,846**	88,479

(b) Segment reporting

The Group manages its business by business operations in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment. The Group's reportable and operating segments are as follows:

– Financial services: providing guarantee service, factoring service, financial leasing service and consulting service in the PRC. Income from guarantee service represents a significant portion of the Group's income from financial services in the years ended 31 December 2023 and 2022.

– Hog selling: sales of market hogs in the PRC.

– Energy storage: trading of energy storage system overseas, which commenced business during the year ended 31 December 2023.

(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 assets and segment liabilities include all liabilities of the Group.

Segment revenue and segment expenses are determined based on revenue generated by those segments and the expenses incurred by those segments. Segment results include the Group's share of results of associates.

Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit/loss.

	Financial services		**Hog Selling**		**Energy storage**		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Guarantee income	**25,916**	81,425	**–**	–	**–**	–	**25,916**	81,425
Less: guarantee service fee	**(12,337)**	(63,447)	**–**	–	**–**	–	**(12,337)**	(63,447)
Net guarantee fee income	**13,579**	17,978	**–**	–	**–**	–	**13,579**	17,978
Service fee from consulting services	**150**	615	**–**	–	**–**	–	**150**	615
Sales of market hogs	**–**	–	**1,151**	69,886	**–**	–	**1,151**	69,886
Sales of energy storage system	**–**	–	**–**	–	**4,966**	–	**4,966**	–
Revenue, net	**13,729**	18,593	**1,151**	69,886	**4,966**	–	**19,846**	88,479
Other revenue	**6,775**	13,941	**1,493**	552	**–**	–	**8,268**	14,493
Cost of market hogs sold	**–**	–	**(4,574)**	(66,572)	**–**	–	**(4,574)**	(66,572)
Cost of energy storage system sold	**–**	–	**–**	–	**(4,606)**	–	**(4,606)**	–
Impairment and provision charged	**(3,301)**	(15,561)	**–**	–	**–**	–	**(3,301)**	(15,561)
Operating expenses	**(35,671)**	(39,261)	**(15,247)**	(39,211)	**(657)**	–	**(51,575)**	(78,472)
Research and development costs	**(1,025)**	(1,370)	**–**	–	**–**	–	**(1,025)**	(1,370)
Interest expenses	**(4,802)**	(15,260)	**(7,392)**	(7,375)	**–**	–	**(12,194)**	(22,635)
Net changes in fair value on financial assets	**4,205**	(3,624)	**–**	–	**–**	–	**4,205**	(3,624)
Net changes in fair value of biological assets	**–**	–	**–**	1,512	**–**	–	–	1,512
Share of results of associates	**60**	(421)	**–**	–	**–**	–	**60**	(421)
Reportable segment loss before taxation	**(20,030)**	(42,963)	**(24,569)**	(41,208)	**(297)**	–	**(44,896)**	(84,171)
Income tax	**(794)**	1,704	**–**	–	**–**	–	**(794)**	1,704
Reportable segment loss for the year	**(20,824)**	(41,259)	**(24,569)**	(41,208)	**(297)**	–	**(45,690)**	(82,467)

Interest income from bank deposits included in the measurement of reportable segment loss is solely generated from financial services for the years ended 31 December 2023 and 2022.

Depreciation charge included in the measurement of reportable segment loss of financial services and hog selling amounted to RMB958,000 (2022: RMB979,000) and RMB10,862,000 (2022: RMB11,059,000) for the year ended 31 December 2023 respectively.

	Financial services		**Hog Selling**		**Energy storage**		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Assets								
Reportable segment assets	**557,114**	613,131	**182,640**	197,019	**4,388**	–	**744,142**	810,150
Elimination of inter-segment receivables	**(99,206)**	(70,603)	**–**	–	**–**	–	**(99,206)**	(70,603)
Consolidated total assets	**457,908**	542,528	**182,640**	197,019	**4,388**	–	**644,936**	739,547
Liabilities								
Reportable segment liabilities	**194,037**	230,089	**253,393**	243,204	**4,605**	–	**452,035**	473,293
Elimination of inter-segment payable	**–**	–	**(98,305)**	(70,603)	**(901)**	–	**(99,206)**	(70,603)
Consolidated total liabilities	**194,037**	230,089	**155,088**	172,601	**3,704**	–	**352,829**	402,690

(ii) Information about major customers

Revenue from external customers contributing 10% or more of the total revenue of the Group is as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**13,880**	–*
Customer B	**8,598**	28,765
Customer C	**–***	42,770
Customer D	**–***	37,403

* This customer individually contributed less than 10% of the total revenue of the Group during the reporting period.

(iii) Geographic information

The revenue information based on the geographical location of the customers is as follows:

	Financial services *RMB'000*	Hog selling *RMB'000*	Energy storage *RMB'000*	Total *RMB'000*
Year ended 31 December 2023				
Geographical region:				
– Mainland China	**26,066**	**1,151**	**–**	**27,217**
– South Africa	**–**	**–**	**4,441**	**4,441**
– Australia	**–**	**–**	**525**	**525**
	26,066	**1,151**	**4,966**	**32,183**

	Financial services *RMB'000*	Hog selling *RMB'000*	Energy storage *RMB'000*	Total *RMB'000*
Year ended 31 December 2022				
Geographical region:				
– Mainland China	82,040	69,886	–	151,926

The geographical locations of non-current assets other than financial assets measured at fair value through profit or loss, biological assets and deferred tax assets are based on the physical location of the assets under consideration.

	2023 ***RMB'000***	2022 *RMB'000*
Hong Kong	**339**	338
Mainland China	**179,769**	191,376
	180,108	191,714

3 OTHER REVENUE

	2023	2022
	RMB'000	*RMB'000*
Gain on modification of the terms of convertible bonds	**3,525**	10,207
Interest income from bank deposits	**1,901**	3,477
Government grants	**779**	772
Compensation income from insurance claim on loss of market hogs	**1,066**	–
Recovery of bad debt	**959**	–
Others	**38**	37
Total	**8,268**	14,493

4 LOSS BEFORE TAXATION

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

(a) Impairment and provision charged

	2023	2022
	RMB'000	*RMB'000*
Provision charged for guarantees issued	**2,468**	1,746
Impairment allowances charged/(credited) for:		
– receivables from guarantee payments	**(4,661)**	16,523
– deposit and other receivables	**1,211**	7,474
– amounts due from related parties	**(1,000)**	(19,730)
– factoring receivable	**1,745**	2,877
– finance lease receivable	**3,538**	4,182
Impairment of interests in associates	–	2,489
Total	**3,301**	15,561

(b) Staff costs

	2023	2022
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**16,282**	24,032
Contributions to defined contribution retirement plan	**1,541**	1,616
Equity-settled share-based payment expenses	**693**	1,691
Total	**18,516**	27,339

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

	Note	**2023** *RMB'000*	2022 *RMB'000*
Depreciation charge	(ii)	**11,820**	12,038
– right-of-use assets		**1,376**	1,734
– owned property, plant and equipment		**10,444**	10,304
Operating lease charges in respect of leasing of properties		**148**	90
Auditors' remuneration		**2,174**	4,754
– audit services		**1,700**	2,748
– other services		**474**	2,006
Net foreign exchange losses		**3,061**	2,188
Loss of inventory	(i)	**4,209**	29,112

(i) The loss of inventory represented the cost arising from the loss of hogs.

(ii) Depreciation charge included in cost of market hogs sold is approximately RMB3,413,000 (2022: RMB9,902,000).

(d) Interest expenses

	2023 *RMB'000*	2022 *RMB'000*
Interest on bank loans and other borrowings	**7,567**	11,268
Interest on convertible bonds	**3,858**	10,595
Interest on lease liabilities	**684**	731
Others	**85**	41
Total	**12,194**	22,635

5 INCOME TAX EXPENSES/(CREDIT)

	2023	2022
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Enterprise Income Tax for the year	**–**	–
Tax filing differences	**1**	155
Deferred tax		
Origination and reversal of temporary differences	**793**	(1,859)
Total	**794**	(1,704)

6 DIVIDENDS

The Company did not declare any dividend throughout the years ended 31 December 2023 and 2022.

7 LOSS PER SHARE

(a) Basic

Basic loss per share for the years ended 31 December 2023 and 2022 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year:

	2023	2022
Loss attributable to owners of the Company (in RMB'000)	**(33,421)**	(74,179)
Weighted average number of ordinary shares in issue (in thousand)	**552,307**	549,883
Basic loss per share (RMB per share)	**(0.06)**	(0.13)

(b) Diluted

Potential dilutive ordinary shares are not included in the calculation of diluted loss per share because they are anti-dilutive. Therefore, the diluted loss per share equals the basic loss per share.

8 PLEDGED BANK DEPOSITS

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

9 TRADE AND OTHER RECEIVABLES

	Note	**2023**	2022
		RMB'000	*RMB'000*
Receivables from guarantee payments		**129,614**	139,062
Less: loss allowances		**(110,851)**	(115,512)
		18,763	23,550
Trade debtors from consultancy services		**50**	1,736
Trade debtors from guarantees		**851**	1,055
Trade debtors from sales of biological assets		**516**	–
Trade debtors from sales of energy storage system		**554**	–
		1,971	2,791
Trade receivables	(a)	**20,734**	26,341
Deposit and other receivables, net of loss allowances		**70,524**	127,168
Amounts due from related parties, net of loss allowances		**–**	6,614
		91,258	160,123
Deferred expenses of online financial guarantee business		**251**	18,106
Prepayments for constructions		**33,103**	15,999
Prepayments to online financial guarantees		**–**	4,325
Prepayment to former non-controlling interest of a subsidiary		**5,342**	–
Prepayment to a supplier		**2,199**	–
Mortgage assets		**2,474**	2,655
Others		**1,233**	2,410
Total		**135,860**	203,618

(a) Ageing analysis of trade receivables

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**1,080**	741
Over 1 month but less than 3 months	**50**	–
Over 3 months but less than 1 year	**–**	20,668
More than 1 year	**130,455**	120,444
Total	**131,585**	141,853
Less: loss allowances	**(110,851)**	(115,512)
Total	**20,734**	26,341

10 FACTORING RECEIVABLE

	2023		
	12-month ECL	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Factoring receivable	**18,675**	**40,000**	**58,675**
Interest receivable from factoring receivable	**2,067**	**4,215**	**6,282**
Less: loss allowances for factoring receivable	**(2,239)**	**(37,373)**	**(39,612)**
Carrying amount of factoring receivable	**18,503**	**6,842**	**25,345**

	2022		
	12-month ECL	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*
Factoring receivable	18,675	40,000	58,675
Interest receivable from factoring receivable	2,067	4,215	6,282
Less: loss allowances for factoring receivable	(2,239)	(35,628)	(37,867)
Carrying amount of factoring receivable	18,503	8,587	27,090

(a) **Ageing analysis**

As at the end of the reporting period, the ageing analysis of factoring receivable, based on contract effective date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**–**	–
Over 1 month but less than 3 months	**–**	–
Over 3 months but less than 1 year	**20,742**	20,742
More than 1 year	**44,215**	44,215
Total	**64,957**	64,957
Less: loss allowances for factoring receivable	**(39,612)**	(37,867)
Total	**25,345**	27,090

As at 31 December 2023, RMB44,215,000 (2022:RMB44,215,000) of the balances has passed the maturity date in contracts.

11 FINANCE LEASE RECEIVABLE

	2023		
	12-month ECL	**Lifetime ECL credit-impaired**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Finance lease receivable	**16,000**	**164,600**	**180,600**
Less: loss allowances for finance lease receivable	**—**	**(148,290)**	**(148,290)**
Carrying amount of finance lease receivable	**16,000**	**16,310**	**32,310**

	2022		
	12-month ECL	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*
Finance lease receivable	—	165,222	165,222
Less: loss allowances for finance lease receivable	—	(144,752)	(144,752)
Carrying amount of finance lease receivable	—	20,470	20,470

12 ACCRUALS AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Accruals and other payables	**35,563**	35,666

Accruals and other payables are expected to be settled within one year and are repayable on demand.

13 INTEREST-BEARING BORROWINGS

As at 31 December 2023, banking facilities of the Group totalling RMB140,000,000 (2022: RMB140,000,000) were pledged by ordinary shares of a subsidiary of the Company, and utilised to the extent of RMB123,980,000 (2022: RMB133,980,000).

As at 31 December 2023, the bank borrowings of RMB12,778,000 (2022: Nil) were secured by the prepayment for constructions with carrying amount of RMB33,103,000 (2022: Nil).

No covenants relating to the Group or any of the subsidiaries' financial ratios were required by the bank as of 31 December 2023 and 2022.

14 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new and amended standards which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [1]
Amendments to HKAS 1	Non-current Liabilities with Covenants [1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements [1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [1]
Amendments to HKAS 21	Lack of Exchangeability [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2024

[2] Effective for annual periods beginning on or after 1 January 2025

[3] The effective date to be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, since the shadow of COVID-19 gradually faded away, global economic recovery has maintained a moderate trend. However, a series of risks such as geopolitical conflicts, trade frictions, sluggish investment growth, rising financial fragility and intensified extreme weather, leave the global economy facing considerable downward pressure. 2023 was the first year to thoroughly implement the guiding principles from the Party's 20th National Congress of China. The Chinese government adhered to the general tone of pursuing progress while maintaining stability and focused on expanding domestic demand and optimising the structure, thus sustaining the recovery momentum of economic performance with the characteristics of "stable", "progress" and "good". However, multiple difficulties such as overcapacity in certain industries, weak confidence and expectations of market participants, numerous hidden risks, and bottlenecks in the domestic economic flow still exist, and the process of economic development remains fraught with variables and challenges.

In 2023, confronting complex risks from domestic and abroad and challenges such as economic downward pressure, the Group encountered increasing difficulty in its business expansion, leading to a further slowdown in business development. The Group gave an active and effective response by adhering to a strategic policy centred on steady development and risk management, to strictly control the risk and ensure the smooth and healthy development of the Group's business.

Business model

The Group is engaged in the provision of financial and non-financial guarantee services in the PRC via its subsidiaries and primarily targets small and medium enterprises (SMEs) and individual customers in the PRC to assist them in obtaining working capital loans from banks or other financial institutions.

Under a typical financial guarantee transaction, our Group will provide a guarantee in respect of repayment of the loan provided by the lending institution for our customer and charge a guarantee fee for the provision of guarantee services. To secure the guarantee, we will require our customers and/or any third party to provide various kinds of counter-guarantees or collateral in favour of our Group such as equities, real properties and equipment. The financial guarantee fee received from our customers is proportionate to the guarantee amount agreed between us and our customer. The Group also provides non-financial guarantee services, including performance guarantees in relation to, inter alia, the performance of payment obligations, under the agreements entered into between our customers and their counter-parties; and litigation guarantees in which we provide guarantee to the court that we will compensate the litigating counter-party for the loss incurred due to the freezing of such counter-party's property by the court as a result of our customers' inappropriate application for property preservation against such counter-party.

Concentration of receivables from guarantee payments and diversity of customers

Receivables from guarantee payments mainly represent default loan amount repaid by the Group on behalf of its customers. Upon default by a customer of a bank loan for a period of time, according to the relevant guarantee agreement and the compensation request of the bank, the outstanding current and non-current balance shall be firstly settled by the Group on behalf of the customer. The Group will then subsequently request repayment from the customer or realise the counter-guarantee assets provided by such customer to recover the compensation amount.

The Group holds certain collaterals over certain receivables from guarantee. The net carrying amount of receivables from guarantee payments decreased from approximately RMB23.6 million as at 31 December 2022 to approximately RMB18.8 million as at 31 December 2023. The Group's receivables from guarantee payments due from the largest customer was approximately RMB25.0 million, which represent approximately 19.0% of the total receivables from guarantee payments. Revenue from financial and non-financial guarantee service businesses were approximately RMB13.3 million and RMB0.2 million, representing approximately 67% and 1% of the Group's revenue, respectively. The ageing analysis of trade receivables is set out in note 9 to this result announcement of the Group. In 2023, the Group has 13,414 and 13 customers for its financial and non-financial guarantee services businesses, respectively.

The major terms of the traditional financial guarantee contracts the Group enter into with its customers are the following: (a) terms of the guarantees are between approximately 1 year and up to 3 years; (b) the customer shall pay a fee to the Group for the guarantee services provided, calculated based upon between approximately 0.3% and 3.5% of the total sum guaranteed by the Group; (c) in the event that the Group repays the lender the principal amount and/or interest (the "**Repaid Sum**") for its customer in accordance with the guarantee contract, the customer shall pay the Group the Repaid Sum together with daily interest of 0.05% on the Repaid Sum. The collateral coverage rate and default rate (i.e. the default payment during the year over the guarantee amount released) of the Group's guarantee business are approximately 94.15% and 0%, respectively.

Credit Risk Assessment Policy

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

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

The Group, in performing credit risk assessment on its customers and the counter guarantor, would typically review: (a) background and credit search reports on the customer and the counter guarantor; (b) corporate information on the customer and counter guarantor; (c) investigation report on the purpose for which the guarantee was sought from the Group (if applicable); (d) due diligence report on the business of the customer and the counter guarantor; (e) financial information of the customer and the counter guarantor; and (f) public search results on the customer, the counter guarantor and the collateral offered.

The Group would consider the following factors during its credit risk assessment before entering into the guarantee contracts: (a) the background, credit status, reputation and business operations of the guarantee applicant and the counter guarantor (if applicable); (b) source of repayment and repayment abilities of the guarantee applicant and the counter guarantor (if applicable); (c) the value and nature of the collateral offered and the underlying purpose of the guarantee; (d) cost of making guarantee payment; (e) credit and other business risks of a guarantee; (f) expected rate of return; and (g) the loan-to-value ratio.

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

Credit Limit Internal Control

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

Credit Approval Internal Control

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

Monitoring of collection of receivables from guarantee payments

The Group closely monitors collection of receivables from guarantee payments. The project managers assigned to each guarantee monitor the post-guarantee status of the customers. Information collected from due diligence and credit risk assessment on the customer are reviewed, updated and documented on a regular basis to monitor their abilities to make payment to the Group. The frequency of the review conducted by the Group depends on the industry the customer operates in, seasonality of the customer's business (if applicable) and the purpose for which the guarantee was seek from the Group. The Group generally conducts a review on its customers on a monthly or quarterly basis. Steps the Group would take to monitor collection of receivables from guarantee payments include: a) conducting searches in the public domain on the customer and counter guarantor to obtain updated public information on them; b) obtaining and reviewing updated assets proof and financial information on the customer and counter guarantor; and c) understanding the customer's operation and financials through visiting their premises, reviewing their sale contracts, sale invoices, value added tax filing documents, utility bills, bank statements and other relevant documents.

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

Actions the Company took to safeguard the Company's interest in the receivables from guarantee payments

The Group closely monitors the customer's financial condition, business operation, counter-guarantee condition and performance of obligations under the guarantee contract, and will conduct regular assessment of the customer's business operation and/or assets and liabilities. To safeguard the Company's interest in the receivables from guarantee payments, in the event that the customer faces difficulty with making payment to the Group, discussions will be held with the customer to understand their financial circumstances and to formulate repayment plan and debt restructuring plan for the outstanding payment. The Group will, as last resort, commence legal action against all relevant counterparties (the customers and their counter guarantors) and apply for enforcement and auction sale from the relevant court thereafter to recover the receivables from guarantee payment and/or to realize the collaterals to satisfy the debt.

Steadily Developing Traditional Businesses

For guarantee business, the Group sticked to the principle of prudent and steady operation, adopted the business strategy of "risk first, business second" and strictly controlled risks. Compared to last year, the decline in guarantee business has slowed down. The Group has strengthened risk management and selectively engaged in traditional businesses without aimless development; successfully launched a project in the second half of 2023 with trading markets in line with market demands, to provide opportunities for future cooperation between the Group and trading markets; persistently adjusted and optimised product structure to enhance the quality of financial services. In the field of technology finance, the Group continued to exert efforts, actively exploring new models and seeking diversified paths. Meanwhile, leveraging the agricultural and breeding ecological system built by the Group, it kept exploring new cooperation potentials, laying a solid foundation for the Group's sustainable and healthy development. Additionally, as of the end of December 2023, the "Regulations on Local Financial Supervision and Administration (《地方金融監督管理條例》)" were still under deliberation, no impact on the Group's guarantee business operations for the time being.

For financial leasing business, a series of important policies were successively introduced by the national government and local governments at several levels in China to reduce corporate financing costs and promote high-quality development of the financial leasing industry. Facing opportunities, risk and challenges, the Group has further solidified its risk control foundation, enhanced risk management and control capabilities, optimised organisational structure and selectively conducted business. In August 2023, the Group completed the relocation of its leasing subsidiary, facilitating the Group to conduct leasing business more conveniently and efficiently.

In terms of commercial factoring business, in accordance with regulatory policy guidance, the Group has stopped the development of such business. As for mega asset management business, in order to align with the Group's prudent operating strategy, in 2023, the Group has suspended the development of such business.

Developing Integrated Services for the Greater Bay Area

In April 2023, during an inspection tour in Guangdong, General Secretary Xi Jinping bestowed a new positioning on the Guangdong-Hong Kong-Macao Greater Bay Area as the "strategic fulcrum of the new development pattern, a demonstration zone of high-quality development, and a pioneer of Chinese modernisation", providing further direction and injecting strong impetus into the construction of the Greater Bay Area. The Group actively integrated into the strategic construction of the Greater Bay Area, leveraged its own advantages to empower enterprises in the Greater Bay Area and provided specialised comprehensive financial services.

Expanding and Reinforcing Cooperation Channels

In 2023, the Group tended to choose to cooperate with institutions that align with its development philosophy and risk control principles. Based on this, the Group aimed to provide customers with higher quality, more efficient, convenient, and diverse financial services through actively strengthened communication with financial institutions, technology finance companies, and other institutions to explore new cooperation opportunities; and continuously innovating financial service products.

Adjusting and Optimising Hog Supply Chain Business

In 2023, the domestic hog market faced prominent supply-demand imbalances, with a persistent situation of high supply and weak demand. Due to the high production capacity of hog, prices remained low. In addition, regularised prevention and control measures against African swine fever, costs of disease prevention have increased year by year, resulting in a decline of profitability of domestic hog enterprises and putting them under performance pressure.

Faced with a downturn market, the Group has adopted "Cost Reduction, Quality Improvement, and Capacity Control" as its main operating strategy, focusing on cost reduction and efficiency enhancement to strengthen its foundation. During the reporting period, the Group continued to strictly implement biosecurity measures by completing upgrades and renovations within its farms, ensuring effective disease prevention and control measures, and enhancing breeding standards, while timely adjusting its breeding scale according to market conditions to appropriately resume production. The Group accumulated competitive advantages in this protracted price war and steadily moved beyond the industry downturn.

Exploring the International Energy Storage Supply Chain Business

In recent years, carbon neutrality has become a shared goal and vision among countries worldwide, with green and low-carbon development becoming an international consensus. China is steadfast in implementing the Paris Agreement and actively participates in global climate governance. With the promotion of the national "dual-carbon" goals, the renewable energy industry has received strong policy support, and the energy storage business is flourishing amidst the rapidly evolving market competition.

In 2023, the Group actively responded to the concept of a low-carbon economy based on market development opportunities and long-term strategic planning. It focused on the international energy storage supply chain business, and collaborated with energy storage research and development companies to establish a company specialising in the research, development and sale of energy storage products which primarily develops safe, environmentally-friendly, efficient, and stable industrial and commercial energy storage systems for customers in South Africa and Australia. During the reporting period, the energy storage system business made progress in the promising international energy storage market, and demonstrated outstanding performance.

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 2023, the Group's revenue was approximately RMB19.8 million (2022: approximately RMB88.5 million), representing a decrease of approximately 77.6%. 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 2023, the Group's net revenue generated from financial guarantee services was approximately RMB13.3 million (2022: approximately RMB16.9 million), representing a decrease of approximately 21.3%.

During the reporting period, the net revenue generated from financial guarantee services decreased compared to last year, which is attributable to the combined effect of the following factors: (i) as affected by multiple factors such as the increasing downward pressure on the domestic and overseas economy, coupled with the changes in market conditions of the industry, insufficient effective credit demand from enterprises, intensified credit risks and changes in the product mix of cooperating institutions, the business strategy of "risk first, business second" was adpoted during the reporting period. The Group also implemented stringent risk control measures, selectively conducted the traditional guarantee business, adjusted and optimised the product and business structure in response to market demand, thus the decline in guarantee business has slowed down compared with last year; and (ii) the Group experienced decrease in guarantee income recognised 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 2023, the Group's revenue generated from non-financial guarantee services amounted to approximately RMB0.2 million (2022: approximately RMB1.1 million).

The Group continued to develop its low-risk non-financing guarantee services, which slowed down due to the changes in the market condition of the industry and the increasing industry competition.

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 2023, the Group's revenue generated from financial consultancy services was approximately RMB0.2 million (2022: approximately RMB0.6 million).

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

Revenue from Sales of Market Hogs

For the year ended 31 December 2023, the Group's revenue from sales of market hogs was approximately RMB1.2 million (2022: approximately RMB69.9 million).

	For the year ended 31 December 2023	For the year ended 31 December 2022
	RMB'000	*RMB'000*
Sales of market hogs	**1,151**	69,886
Cost of market hogs sold	**(4,574)**	(66,572)
Net (loss)/income	**(3,423)**	3,314

The sales of market hogs decreased significantly as compared to 2022, which was mainly because the price of market hogs remained subdued due to the ongoing high supply and weak demand during the reporting period, coupled with the high breeding costs and the increasing cost of disease prevention and control measures, resulting in a decline of profitability of domestic hog enterprises and putting them under performance pressure. The Group had to adjust its business strategy promptly and assess market risks scientifically. Moreover, we have timely adjusted the scale of breeding and proactively downsized hog production to minimise losses. During the reporting period, the Group has completed the biosafety prevention and control assessment work, as well as the upgrades and renovations within the hog farm, ensuring effective disease prevention and control measures to improve the breeding quality and efficiency. It is anticipated that the hog market situation may gradually recover in the next stage. The Group will cautiously assess market risks and gradually resume production.

Revenue from Sales of Energy Storage System

For the year ended 31 December 2023, the Group's revenue from sales of energy storage system was approximately RMB5.0 million. In 2023, based on market development opportunities and long-term strategic planning, the Group actively seized the strategic opportunities of low-carbon transformation and faced the high prosperity trend of the energy storage industry, focusing on exploring the international energy storage supply chain business. During the reporting period, the Group has cooperated with a professional energy storage research and development company to establish a company integrating R&D and sales of energy storage products, which developed safe, environmentally-friendly, high-quality, efficient and stable industrial and commercial energy storage product and system mainly for overseas customers. The Group began to record revenue from sales of energy storage system in the second half of 2023, and revenue is expected to accelerate in 2024.

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, compensation income from insurance claim on loss of market hogs, recovery of bad debt and others. For the years ended 31 December 2022 and 2023, the Group's other revenue was approximately RMB14.5 million and RMB8.3 million, respectively, representing a decrease of approximately 42.8%.

The significant decrease in other revenue as compared to last year was mainly due to the significant decrease in gains on modification of the terms of 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, 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.

The provisions the Group made for impairment or reversal over guarantee receivables, factoring receivable and finance lease receivable for the year ended 31 December 2023 are as follows:

Types of receivable	Gross Balance (Approximately RMB million) (A)	FY 2023 Impairment (reversal) (Approximately RMB million)	Accumulated Impairment (Up to FY2023 impairment) (Approximately RMB million) (B)	Net carrying amount (Approximately RMB million) (A-B)
Guarantee receivable	129.61	(4.67)	110.85	18.76
Factoring receivable	64.96	1.75	39.61	25.35
Finance lease receivable	180.60	3.54	148.29	32.31
Total	375.17	0.62	298.75	76.42

Operating Expenses

For the year ended 31 December 2023, the operating expenses (including research and development costs) of the Group was approximately RMB52.6 million (2022: approximately RMB79.8 million). The Group upheld the cost-efficient principle, the operating expenses was analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Salaries	**18,516**	27,339
Audit fee	**2,648**	4,754
Depreciation charge	**9,211**	1,884
Rentals	**148**	90
Intermediary consulting expenses	**951**	5,426
Office, travel and entertainment expenses	**8,480**	7,186
Exchange losses	**3,159**	2,188
Others	**9,487**	30,975
Total	**52,600**	79,842

The decrease in salaries compared with last year was mainly due to the position and salaries adjustment for some of the Group's employees due to development needs.

The decrease in intermediary consulting expenses compared with last year was mainly due to a decrease in the Group's service fees related to lawyer consulting during the reporting period.

The significant decrease in others compared with last year was mainly due to culling hogs amounted to approximately RMB4.2 million (2022: approximately RMB29.1 million) from the Group's subsidiary, Yangmianshan Company Limited.

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 refer to the fair value changes of the financial asset. The fair value of financial assets was evaluated using the market method and assessed by the external valuer in accordance with the accepted industry standards. During the reporting period, the carrying amount after equity investment valuation of the company increased compared with last year, and the gain from changes in the fair value of financial assets for the reporting period amounted to approximately RMB7.2 million.

Loss Before Taxation

The Group's loss before taxation decreased by approximately RMB39.3 million, or approximately 46.7%, from a loss of approximately RMB84.2 million for the year ended 31 December 2022 to a loss of approximately RMB44.9 million for the year ended 31 December 2023.

The decrease in loss was mainly attributable to: (i) the Group's successful recovery of the aged receivables with provision made in prior year during the reporting period; (ii) the significant decrease in the number of culling hogs of the Group during the reporting period as compared to last year; (iii) the significant decrease in interest expenses on the Group's convertible bonds during the reporting period as compared to 2022; and (iv) the net gain recorded on the change in fair value of the Group's financial assets during the reporting period.

In 2023, the Group's net guarantee fee income has decreased and the sales volume of market hogs has decreased significantly, as compared to last year. However, the decrease in loss was not sufficient to compensate for the decrease in revenue, thus resulting in a loss before taxation during the reporting period.

Income Tax

For the year ended 31 December 2023, the Group's income tax expense amounted to approximately RMB0.8 million, representing a change of approximately 147.1% from approximately RMB1.7 million of income tax credit in 2022.

The change from income tax credit to income tax expense was mainly due to the reversal of the deferred income tax assets during the reporting period.

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 2023, the current pledged bank deposits amounted to approximately RMB72.7 million (2022: approximately RMB74.6 million), representing a decrease of approximately RMB1.9 million as compared to last year. Cash and bank deposits amounted to approximately RMB134.1 million (2022: approximately RMB158.4 million), representing a decrease of approximately RMB24.3 million, as compared to last year. The Group 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 2023, 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 2023 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.

Adjusted net debt-to-capital ratio

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and lease liabilities but excludes convertible bonds) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognized in equity relating to cash flow hedges, less unaccrued proposed dividends. The Group's adjusted net debt-to-capital ratio increased from approximately 35% as at 31 December 2022 to approximately 46% as at 31 December 2023, which was mainly due to the Group's loss resulting the decrease in total equity during the reporting period.

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 2023, the Group had 55 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 RMB18.5 million for the year ended 31 December 2023.

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 ahead to 2024, the international environment is expected to become increasingly complex. The global economy is facing a scenario characterised by high inflation, high interest rates, high risk, and low growth. Together with persistently high interest rates, escalating conflicts, weak international trade and increased climate-related disasters will pose significant challenges to global growth. Furthermore, the potential intensification of factors such as the US presidential election, trade frictions, and geopolitical conflicts could lead to unpredictable consequences for the world economy. Even with multiple headwinds, the overall trajectory of China's economic recovery, as well as the fundamentals of China's economy featuring strong resilience, great potential and vast space for development remain unchanged. It is expected that the economy will continue to maintain high-quality development in 2024. In Hong Kong, with further releases of consumption, retail, tourism, and other service demands, gradual recovery in trade, and Hong Kong's active integration into the overall national development, it is expected that Hong Kong's economy will continue to steadily recover.

In 2024, with the increasing complexity, severity and uncertainty of the external environment, the Group will continue to adhere to prudent and steady operating principles, driving the realization of various strategic objectives. While steadily develop traditional businesses, we insist on laying a plan for the construction of the Greater Bay Area and deepen exploration in the supply chain financial sector, so as to enjoy sound development of the Group in the long run.

Steadily Developing Traditional Businesses

Regarding guarantee business, based on the premise of strengthening risk control, the Group will continue to prudently conduct business in the traditional guarantee business sector. It will closely monitor changes in national policies, industry dynamics, and market demands, place customer needs at the centre and risk control as the foundation, and flexibly adjust business strategies to provide timely and efficient financial services to customers. Leveraging years of experience in technology finance, the Group will plan new business layout and actively explore new business areas under the premise of controllable risk, seeking new growth points for the Group's performance.

In the financial leasing business, the Group will closely follow market trends, adjust its business strategies in a timely manner, and tap customer needs to provide professional, efficient, and convenient financial service solutions. On the other hand, leveraging various favourable policies and under the premise of controllable risk, the Group will actively explore new business models to support the development of inclusive finance.

Developing Integrated Services for the Greater Bay Area

The Group will focus on serving the overall high-quality development of the Greater Bay Area, seize policy opportunities, and closely integrate its resource advantages to provide distinctive financial services support for enterprises within the Greater Bay Area.

Adjusting and Optimising the Hog Supply Chain Business

In recent years, the Chinese government has continuously strengthened monitoring and early warning systems, monitored the stock of brood sows and gave timely warnings to guide rational production arrangements. Additionally, various long-term support policies have been implemented to optimise capacity regulation, ensuring that pig production capacity remains to be within a reasonable range. Furthermore, efforts have been made to continuously strengthen monitoring in key areas such as quarantine, transportation, and slaughter to prevent disease recurrence. These comprehensive measures aim to promote the stable development of the hog industry.

Looking ahead to 2024, the Group expects that hog production capacity will remain relatively high, with a large stock of frozen products, and hog prices will continue to be under pressure. However, with the slow recovery of market demand and the support of favorable policies, the hog market is expected to be more optimistic compared to the previous year. The Group will prudently assess market risks, cautiously resume production as appropriate, and continuously strengthen biosecurity measures to strive to maintain advantages and stand out in the fierce market competition. Meanwhile, the Group will steadily advance comprehensive supply chain financial services and accelerate the establishment of a one-stop financial service platform for the entire hog breeding chain to enhance the Group's core competitiveness.

Initiating a New Chapter in the International Energy Storage Supply Chain Business

Under the goals of "reaching carbon emissions peaking and carbon neutrality," the Chinese government has successively introduced a number of policies related to the energy storage industry, among which, the "Implementation Plan for the Development of New Energy Storage during the 14th Five-Year Plan Period (《「十四五」新型儲能發展實施方案》)" clearly outlines the national development goals for new energy storage, providing important guidance for the scale, industrialisation, and market-oriented development of the energy storage industry. Internationally, with the growth of global renewable energy generation, there is a growing need for more energy storage systems to meet the flexible requirements for electricity storage, and the capacity of new energy storage installed in the market has increased significantly. As a result of multiple factors such as policy support, market demand, and technological progress, the energy storage industry is experiencing rapid growth.

Looking ahead to 2024, the sustained global economic recovery provides strong support for the development of the international energy storage industry. The Group continues to monitor market trends and conducts on-site investigations, communication and inspection, focusing on regions such as South Africa and Australia featuring vast desert areas and developed mining industries to provide high quality and safe industrial and commercial energy storage systems to meet the substantial local market demand. In addition, the Group also plans to leverage its own financial service capabilities to provide industry-tailored complementary financial products, with an aim to support the entity with finance, promote green transformation and development, and enhance the driving forces for the Group's high-quality development.

OTHER INFORMATION

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

On 6 November 2013, the Group has granted options to subscribe for an aggregate of 10,000,000 shares (the "**2013 Share Options**"). During the year ended 31 December 2023, none of the 2013 Share Options have been exercised or cancelled and the remaining 2013 Share Options to subscribe for 6,408,000 shares were lapsed. As at 31 December 2023, none of the 2013 Share Options remained outstanding.

On 18 May 2020, the Group has granted options to subscribe for an aggregate of 31,755,400 shares (the "**2020 Share Options**"). During the year ended 31 December 2023, none of the 2020 Share Options have been exercised and the 2020 Share Options to subscribe for 25,000,000 shares were cancelled while 650,000 2020 Share Options were lapsed. As at 31 December 2023, the 2020 Share Options to subscribe for 5,805,400 shares remained outstanding.

On 17 October 2023, the Group has granted options to subscribe for an aggregate of 5,703,000 shares (the "**2023 Share Options**"). During the year ended 31 December 2023, none of the 2023 Share Options have been vested. As at 31 December 2023, the 2023 Share Options to subscribe for 5,703,000 shares remained outstanding.

Save as disclosed above, during the twelve-month period ended 31 December 2023, 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, the Company has adopted and complied with the code provisions in Part 2 of Appendix C1 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 2023.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the code provisions in Part 2 of Appendix C1 to the Listing Rules.

Model Code of Securities Transactions by Directors

The Company has adopted Model Code as set out in Appendix C3 to the Listing Rules as a code of conduct of the Company regarding the Directors' transactions of the listed securities of the Company.

In response to the specific enquiry made by the Company, all the Directors confirmed that they have fully complied with the required standard set out in the Model Code and there are no non-compliance with the required standard set out in the Model Code for the year ended 31 December 2023.

Dividends

The Board has resolved not to declare any dividend by the Company for the year ended 31 December 2023.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has been established since 18 October 2013 and has formulated its written terms of reference in accordance with the prevailing provisions of the CG Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reports 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, Mazars CPA Limited.

Scope of work of Mazars CPA Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary results announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary results announcement.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2023. 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 Fourth Supplemental Deed of Amendment of the convertible bonds was entered into in 2023, pursuant to which the Company has to repay the principal amount of the convertible bonds of HK$14,000,000 and HK$14,000,000 by 31 January 2024 and 31 July 2024, respectively, together with all accrued interests and fee, and thereafter the convertible bonds shall mature. On 30 January 2024, the Company repaid principal of convertible bonds in the amount of HK$14,000,000 and the remaining outstanding principal amount was HK$14,000,000.

Director Emolument

The Company entered into a further amended Director's service agreement with executive Director Mr. Li Bin. For the period from 1 January 2024 to 31 December 2024, the annual emolument of Mr. Li Bin was adjusted to HK$960,000.

The Company entered into a new Director's service agreement with executive Director Ms. Dai Jing. The service agreement is effective for a term of three years commencing from 1 January 2024, Ms. Dai Jing has an annual emolument of HK$768,000.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") for the year ended 31 December 2023 is scheduled to be held on 24 May 2024. 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 21 May 2024 to 24 May 2024 (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 20 May 2024.

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 2023 containing all the information required by the Listing Rules will also be published on the website of the Company (http://www.chinasuccessfinance.com) and the designated website of the Stock Exchange (www.hkexnews.hk). The Company will issue a notification letter to its shareholders to inform them of the availability of the annual report on the aforementioned websites in accordance with the Company's Memorandum and Articles of Association. Printed copies of the annual report will be available upon request, details of which will be set out in the notification letter.

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

Hong Kong, 28 March 2024

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.