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China Success Finance Group Holdings Limited

(中國集成金融集團控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3623)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHT			
	FOR THE YEAR ENDED 31 DECEMBER 2016 (RMB'000)	FOR THE YEAR ENDED 31 DECEMBER 2015 (RMB'000)	CHANGE IN
Revenue	90,331	72,599	24.4%
Other revenue	3,183	5,484	-42.0%
Profit before taxation	32,023	35,216	-9.1%
Profit for the year	19,045	24,333	-21.7%
Total comprehensive income for the year	24,423	29,554	-17.4%
Basic earnings per share <i>(RMB per share)</i>	0.04	0.06	-33.3%
	AS AT 31 DECEMBER 2016 (RMB'000)	AS AT 31 DECEMBER 2015 (RMB'000)	CHANGE IN
Total assets	991,100	878,939	12.8%
Total equity	956,316	842,827	13.5%

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 2016, together with the comparative figures for the preceding financial year, as follows:

Consolidated statement of profit or loss for the year ended 31 December 2016 (Expressed in Renminbi)

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income		49,861	19,882
Less: interest expenses		<u>—</u>	<u>(374)</u>
Net interest income		<u>49,861</u>	<u>19,508</u>
Service fee from consulting services		<u>26,729</u>	<u>31,905</u>
Guarantee income		14,195	23,411
Less: re-guarantee fee		<u>(454)</u>	<u>(2,225)</u>
Net guarantee fee income		<u>13,741</u>	<u>21,186</u>
Revenue	3	90,331	72,599
Other revenue	4	3,183	5,484
Impairment and provision charged	5(a)	(3,411)	(2,305)
Operating expenses		<u>(57,687)</u>	<u>(45,769)</u>
Share of profits less losses of associates		<u>(393)</u>	<u>5,207</u>
Profit before taxation	5	32,023	35,216
Income tax	6(a)	<u>(12,978)</u>	<u>(10,883)</u>
Profit for the year		<u>19,045</u>	<u>24,333</u>
Attributable to:			
Equity shareholders of the Company		19,353	24,647
Non-controlling interests		<u>(308)</u>	<u>(314)</u>
Profit for the year		<u>19,045</u>	<u>24,333</u>
Earnings per share (RMB per share)			
Basic	8	<u>0.04</u>	<u>0.06</u>
Diluted	8	<u>0.04</u>	<u>0.06</u>

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2016
(Expressed in Renminbi)

	<i>Note</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year		19,045	24,333
Other comprehensive income for the year that may be reclassified subsequently to profit or loss (after tax: Nil)			
Exchange differences on translation of financial statements of entities outside the People's Republic of China ("PRC")		<u>5,378</u>	<u>5,221</u>
Total comprehensive income for the year		<u>24,423</u>	<u>29,554</u>
Attributable to:			
Equity shareholders of the Company		24,731	29,868
Non-controlling interests		<u>(308)</u>	<u>(314)</u>
Total comprehensive income for the year		<u>24,423</u>	<u>29,554</u>

Consolidated statement of financial position

(Expressed in Renminbi)

	<i>Note</i>	31 December 2016 RMB'000	31 December 2015 RMB'000
Assets			
Cash and bank deposits	9	157,840	182,708
Pledged bank deposits	10	119,043	135,974
Trade and other receivables	11	344,948	265,807
Factoring receivable	12	92,269	19,888
Finance lease receivable	13	165,428	169,031
Interest in associates		107,519	101,712
Equipment		2,890	2,308
Intangible assets		28	23
Deferred tax assets		<u>1,135</u>	<u>1,488</u>
Total assets		<u>991,100</u>	<u>878,939</u>
Liabilities			
Liabilities from guarantees	14	9,179	9,670
Customer pledged deposits received		67	72
Accruals and other payables	15	9,871	12,052
Receipts in advance		36	2,671
Current tax liabilities		10,063	5,708
Obligations under finance leases	16	687	—
Deferred tax liabilities		<u>4,881</u>	<u>5,939</u>
Total liabilities		<u>34,784</u>	<u>36,112</u>
NET ASSETS		<u>956,316</u>	<u>842,827</u>

Consolidated statement of financial position (continued)*(Expressed in Renminbi)*

	<i>Note</i>	31 December 2016 RMB'000	31 December 2015 RMB'000
CAPITAL AND RESERVES			
Share capital		4,241	3,755
Reserves		<u>948,216</u>	<u>834,905</u>
Total equity attributable to equity shareholders of the Company		952,457	838,660
Non-controlling interests		<u>3,859</u>	<u>4,167</u>
TOTAL EQUITY		<u><u>956,316</u></u>	<u><u>842,827</u></u>

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

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 applicable disclosure 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.

The HKICPA has issued certain new and revised 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 2016 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.

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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 Segment reporting

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

The directors did not determine the business component/reportable segments as the directors allocated resources to and assessed the performance of the Group's line of business through reviewing the financial information provided by each operating subsidiary.

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

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

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income from receivables from guarantee payments	(a)	25,472	—
Interest income from finance leasing		16,732	19,757
Interest income from factoring		4,744	125
Interest income from down payments for investment		2,913	—
Less: interest expenses		<u>—</u>	<u>(374)</u>
Net interest income		<u>49,861</u>	<u>19,508</u>
Service fee from consulting services		<u>26,729</u>	<u>31,905</u>
Guarantee fee income			
- Income from financial guarantees		11,588	22,008
- Income from litigation guarantees		207	895
- Income from performance guarantees		2,400	508
Less: re-guarantee fee		<u>(454)</u>	<u>(2,225)</u>
Net guarantee fee income		<u>13,741</u>	<u>21,186</u>
Total		<u>90,331</u>	<u>72,599</u>

During 2016, the percentage of the Group's largest single customer's revenue was 29.01% of the Group's revenue (2015: 17.04%); while the percentage of the Group's top 5 customers' revenue was 68.20% (2015: 43.45%).

- (a) Pursuant to the agreements signed by the Group and guarantee customers, an aggregate interest income amounted to RMB25,472,000 was charged as interests of receivables from guarantee payments. On 17 August 2016, the Group received the interests.

4 Other revenue

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interest income from bank deposits		2,477	4,530
Government grants	(a)	549	954
Others		<u>157</u>	<u>—</u>
Total		<u><u>3,183</u></u>	<u><u>5,484</u></u>

- (a) Guangdong Success Finance Guarantee Company Limited (廣東集成融資擔保有限公司) (“Success Guarantee”) received funding support mainly from Ministry of Finance and the People’s Government of Nanhai District of Foshan City. The entitlements of the government grants were under the discretion of the relevant government bureaus. The purpose of the government grants was to grant financial assistance to small and medium enterprises.

5 Profit before taxation

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

- (a) *Impairment and provision-(written back)/charged*

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Provision written back for guarantees issued	(1,327)	(4,471)
Impairment provision charged for		
- receivables from guarantee payments	3,972	6,099
- factoring receivable	838	237
- finance lease receivable	<u>(72)</u>	<u>440</u>
Total	<u><u>3,411</u></u>	<u><u>2,305</u></u>

(b) *Staff costs*

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	23,041	15,865
Contributions to defined contribution retirement plan	1,132	688
Equity settled share-based payment expenses	<u>1,160</u>	<u>2,061</u>
Total	<u><u>25,333</u></u>	<u><u>18,614</u></u>

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

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

(c) *Other items*

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation and amortisation	705	627
Operating lease charges in respect of leasing of properties	8,857	5,837
Auditors’ remuneration		
— audit services	1,480	1,350
— other services	<u>854</u>	<u>864</u>
Net foreign exchange loss	<u><u>1,408</u></u>	<u><u>1,400</u></u>

6 Income tax in the consolidated statement of profit or loss

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

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax for the year	13,683	12,215
Deferred tax		
Origination and reversal of temporary differences	<u>(705)</u>	<u>(1,332)</u>
Total	<u>12,978</u>	<u>10,883</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>32,023</u>	<u>35,216</u>
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	12,294	9,950
Effect of non-deductible expenses	<u>684</u>	<u>933</u>
Actual tax expense	<u>12,978</u>	<u>10,883</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.
- (ii) No provision for Hong Kong Profits Tax has been made for the Company and the subsidiaries located in Hong Kong as the Company and the subsidiaries had not derived any income subject to Hong Kong Profits Tax during the year.
- (iii) According to the PRC Corporate Income Tax (“CIT”) Law that took effect on 1 January 2008, the Group’s PRC subsidiaries are subject to PRC income tax at the statutory tax rate of 25%.

- (iv) Pursuant to the CIT Law and its related regulations, non-PRC-resident enterprises are levied withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from PRC enterprises for profits earned since 1 January 2008. Distributions of earnings generated prior to 1 January 2008 are exempt from such withholding tax. As a part of the continuing evaluation of the Group's dividend policy, management considered that for the purpose of business development, the undistributed earnings from 1 January 2008 of the PRC subsidiaries amounted to RMB166,062,000 as at 31 December 2016 (2015: RMB113,418,000) will not be distributed in the foreseeable future. As such, no deferred tax liabilities were recognised in respect of the PRC withholding tax.

7 Dividends

The Company declared a final dividend of HKD0.02 (2015: HKD0.02) per ordinary share for the year 2015 on 19 May 2016. There were a total of 474,914,000 ordinary shares (2015: 414,044,000 ordinary shares) outstanding at the date of announcement, giving a total final dividend amount of HKD9,498,280 (2015: HKD8,280,880). During 2016, an approximate amount of HKD12,003,280 (2015: HKD5,775,880) was paid, leaving no dividend payable as at 31 December 2016 (31 December 2015: HKD2,505,000 or RMB2,099,000).

Subsequent to 31 December 2016, the directors proposed a final dividend of HKD0.02 per ordinary share, amounting to a total of HKD10,616,100.00, subject to the approval of the shareholders at the annual general meeting of the Company. The final dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2016.

8 Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB19,353,000 (2015: RMB24,647,000) and the weighted average of 487,336,000 ordinary shares (2015: 447,375,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016 '000	2015 '000
Issued ordinary shares at 1 January	474,914	414,044
Effect of shares issued by share option exercised	250	525
Effect of shares issued by placing of new shares	12,172	32,877
Effect of shares repurchased by the Company	<u>—</u>	<u>(71)</u>
Weighted average number of ordinary shares at 31 December	<u>487,336</u>	<u>447,375</u>

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB19,353,000 (2015: RMB24,647,000) and the weighted average number of ordinary shares of 488,006,000 shares (2015: 450,431,000 shares), calculated as follows:

	2016	2015
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares at 31 December	487,336	447,375
Effect of deemed issue of shares under the Group's share option scheme	<u>670</u>	<u>3,056</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>488,006</u></u>	<u><u>450,431</u></u>

9 Cash and bank deposits

	31 December	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Demand deposits and term deposits with banks with original maturity less than three months	156,086	182,439
Bank deposit with original maturity over three months	1,600	—
Restricted customer pledged deposits	67	72
Cash in hand	<u>87</u>	<u>197</u>
Cash and bank deposits in the consolidated statement of financial position	157,840	182,708
Bank deposit with original maturity over three months	(1,600)	—
Restricted customer pledged deposits	<u>(67)</u>	<u>(72)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u><u>156,173</u></u>	<u><u>182,636</u></u>

Pursuant to the Implementing Rules for the Administration of Financial Guarantee Companies promulgated by the People's Government of the Guangdong Province on 27 September 2010 and the Notice on Regulating the Management of Customer Pledged Deposits of Financial Guarantee Institutions announced by the Joint Committee for the Regulation of the Financial Guarantee Industry on 15 April 2012, the Group is required to set up certain arrangements to manage the customers' pledged deposits by 31 March 2011. The arrangements include: (i) enter into tripartite custodian agreement among lending bank, customer and the Group for ensuring the entrustment of lending bank to manage the deposits; (ii) deposit the pledged deposit received from the customer into a designated custodian bank account; and (iii) such deposit is not available for use by the Group.

In order to comply with the aforesaid rules and regulations, the Group had set up internal guidelines which were adopted by the Group in May 2012. However, the aforesaid rules and regulations are not enforceable to banks and the Group could not enter into tripartite custodian arrangement with certain lending banks. As at 31 December 2016 and 2015, customer pledged deposits of RMB62,000 and RMB68,000 respectively were deposited into a designated bank account under two tripartite custodian arrangements. For those guarantee services without setting up tripartite custodian arrangements, the Group has maintained the restricted customer pledged deposits received in the Group's bank accounts. As at 31 December, the restricted customer pledged deposits received were maintained as follows:

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Designated custodian bank accounts	62	68
The Group's bank accounts	<u>5</u>	<u>4</u>
Total	<u><u>67</u></u>	<u><u>72</u></u>

10 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 borrowing from banks.

11 Trade and other receivables

	<i>Note</i>	31 December 2016	31 December 2015
		<i>RMB'000</i>	<i>RMB'000</i>
Receivables from guarantee payments	(i)	227,380	177,925
Less: allowances for doubtful debts	(a)	<u>(11,511)</u>	<u>(12,797)</u>
		215,869	165,128
		-----	-----
Trade debtors from guarantees		195	42
Trade debtors from consultancy services		<u>10,573</u>	<u>3,427</u>
		10,768	3,469
		-----	-----
Trade receivables		226,637	168,597
Down payments for investments	(ii)	74,850	74,300
Deposit and other receivables (Net of impairment provision)	(b)	24,048	5,010
Amounts due from related parties		<u>2,734</u>	<u>2,730</u>
		328,269	250,637
Prepayments to a related party		6,107	6,107
Deferred expenses		5,964	5,984
Prepayment for re-guarantee fees		903	245
Mortgage assets		443	412
Others		<u>3,262</u>	<u>2,422</u>
Total		<u><u>344,948</u></u>	<u><u>265,807</u></u>

- (i) 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 twelve months ended 31 December 2016, the Group disposed of receivables from guarantee payments amounted to RMB36,910,000 (with allowances for doubtful debts of RMB1,980,000), without recourse at consideration amounted to RMB34,930,000.

- (ii) Down payments for investments represented the down payments for the acquisition projects that the Group is conducting.

(a) *Ageing analysis*

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:

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	1,506	10,670
Over 1 month but less than 3 months	5,860	9,050
Over 3 months but less than 1 year	93,278	114,930
More than 1 year	<u>137,504</u>	<u>46,744</u>
Total	238,148	181,394
Less: allowances for doubtful debts	<u>(11,511)</u>	<u>(12,797)</u>
Total	<u><u>226,637</u></u>	<u><u>168,597</u></u>

(b) *Deposit and other receivables (Net of impairment provision)*

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Deposit and other receivables	30,148	11,110
Less: allowances for other receivables	<u>(6,100)</u>	<u>(6,100)</u>
	<u><u>24,048</u></u>	<u><u>5,010</u></u>

12 Factoring receivable

	<i>Note</i>	31 December 2016	31 December 2015
		<i>RMB'000</i>	<i>RMB'000</i>
Factoring receivable		91,950	20,000
Interest receivable from factoring receivable		1,394	125
Less: allowances for factoring receivable	(a)	<u>(1,075)</u>	<u>(237)</u>
		<u><u>92,269</u></u>	<u><u>19,888</u></u>

(a) *Ageing analysis*

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

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	1,264	20,125
Over 1 month but less than 3 months	10,680	—
Over 3 months but less than 1 year	61,400	—
More than 1 year	<u>20,000</u>	<u>—</u>
Total	93,344	20,125
Less: allowances for factoring receivable	<u>(1,075)</u>	<u>(237)</u>
Total	<u><u>92,269</u></u>	<u><u>19,888</u></u>

13 Finance lease receivable

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from lessees	176,666	187,047
Less: unearned finance income	(9,281)	(15,987)
Less: allowances for finance lease receivable	<u>(1,957)</u>	<u>(2,029)</u>
	<u><u>165,428</u></u>	<u><u>169,031</u></u>

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

	2016		2015	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Overdue	25,586	25,586	—	—
Within 1 year	123,844	132,464	93,185	105,091
After 1 year but within 5 years	<u>17,955</u>	<u>18,616</u>	<u>77,875</u>	<u>81,956</u>
Total	167,385	176,666	171,060	187,047
Impairment allowances: collectively assessed	<u>(1,957)</u>	<u>(1,957)</u>	<u>(2,029)</u>	<u>(2,029)</u>
Net investment in finance lease receivable	<u><u>165,428</u></u>	<u><u>174,709</u></u>	<u><u>169,031</u></u>	<u><u>185,018</u></u>

14 Liabilities from guarantees

	31 December 2016	31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income	7,969	7,133
Provision of guarantee losses	<u>1,210</u>	<u>2,537</u>
	<u><u>9,179</u></u>	<u><u>9,670</u></u>

15 Accruals and other payables

	<i>Note</i>	31 December 2016	31 December 2015
		<i>RMB'000</i>	<i>RMB'000</i>
Dividends payable		—	2,099
Other accruals and payables	(i)	<u>9,871</u>	<u>9,953</u>
Total		<u><u>9,871</u></u>	<u><u>12,052</u></u>

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

16 Obligations under finance leases

At 31 December 2016, the Group had obligations under finance leases repayable as follows:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>169</u>	<u>174</u>	<u>—</u>	<u>—</u>
After 1 year but within 2 years	159	175	—	—
After 2 years but within 5 years	359	437	—	—
After 5 years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>518</u>	<u>612</u>	<u>—</u>	<u>—</u>
	<u><u>687</u></u>	<u><u>786</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Less: total future interest expenses		<u>(99)</u>		<u>—</u>
Present value of lease obligations		<u><u>687</u></u>		<u><u>—</u></u>

17 Share capital and reserves

(a) *Authorised and issued share capital*

	2016			2015		
	No. of shares '000	Share capital HKD'000	Share capital RMB'000	No. of shares '000	Share capital HKD'000	Share capital RMB'000
Authorised:						
Ordinary shares of HKD0.01 each	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>	<u>800,000</u>	<u>8,000</u>	<u>6,512</u>
Ordinary shares, issued and fully paid:						
At 1 January	474,914	4,749	3,755	414,044	4,140	3,276
Issuance of shares by placing of new shares	55,000	550	478	60,000	600	473
Shares issued under share option scheme	891	9	8	1,070	11	8
Shares repurchased	<u>—</u>	<u>—</u>	<u>—</u>	<u>(200)</u>	<u>(2)</u>	<u>(2)</u>
At 31 December	<u>530,805</u>	<u>5,308</u>	<u>4,241</u>	<u>474,914</u>	<u>4,749</u>	<u>3,755</u>

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.

18 Guarantees issued

At 31 December, the total maximum guarantees issued are as follows:

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Financial guarantees	(i)	282,898	537,767
Litigation guarantees		127,191	120,258
Performance guarantees		<u>670,193</u>	<u>16,470</u>
Gross guarantee amount		1,080,282	674,495
Proportional re-guarantee amount		<u>(3,000)</u>	<u>(8,700)</u>
Total maximum guarantees issued		<u><u>1,077,282</u></u>	<u><u>665,795</u></u>

- (i) Since 18 November 2013, the Group has provided guarantees to customers who obtained funding from lenders through peer-to-peer lending services platform -Jiayou Network, and the lenders are the guarantee holders. Pursuant to the relevant agreement between the Group and the borrowers, and the one between Jiayou Network and the borrowers, the Group is charging guarantee fee to the borrowers based on the borrowing amount while the Jiayou Network is charging a service fee to the borrowers. The Group is required to make payments on behalf of the customers to reimburse the beneficiary of the guarantee holder for a loss the holder incurs when the borrowers fail to make payment when due in accordance with the terms of the relevant agreements.

The guarantees provided by the Group through Jiayou Network as at 31 December 2016 were RMB62,220,000 (2015: RMB111,650,000). Guarantee fee income received from the customers for guarantee services provided through Jiayou Network during the year ended 31 December 2016 and 2015 were RMB1,795,000 and RMB4,240,000.

- (ii) The total maximum guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

SCOPE OF WORK OF KPMG

The financial figures in respect of the announcement of the Group's results for the year ended 31 December 2016 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

INDUSTRY AND BUSINESS

Macro Environment

In 2016, global economic recovery was sluggish. Developed economies witnessed a significantly slowed growth while the growth of emerging economies was stabilising amid slowdown with intensified polarisation. Despite a relatively stable development in the Asia-Pacific region, the U.S. interest rate hike and other adverse factors resulted in depreciation and vigorous fluctuation of currencies of emerging markets. Global debt levels continued to rise as stock market became increasingly volatile. All these led to a more vulnerable financial market, a weak commodity market and a stagnant global trade. In addition, changes in monetary policies in major countries, abnormal international capital flow, heightened geopolitical risks, rise of populism, frequent occurrence of Black Swan events, and wave of anti-globalisation, together with natural disasters, had brought instability to the world economy.

The year-on-year GDP growth of China in 2016 was 6.7%, showing a decelerated economic downturn while China's economic growth still ranked top among global major economies. In 2016, despite the downward pressure on China's economy, employment market was generally stable and consumer prices increased modestly. Economic structure continued to improve as structural reforms of supply side was vigorously promoted. New momentum was being nurtured, contributing to a stable economy.

Year 2016 was the kick-off year of the "Thirteenth Five-Year Plan" promulgated by the Chinese government. Financial reforms have well progressed in terms of risks prevention, marketisation, real economy-driven services and other aspects. In view of traditional industries being saddled with external economy, Chinese government implemented several measures to promote finance, technology and other emerging industries and to support economic and social development. With financial market maturing and relevant legal and regulatory more established in China, internet finance is now officially under government's regulatory framework. It is expected that inclusive finance, enterprise finance, internet finance, green finance and various finance industries can see bright prospects.

Faced with the complex economic situation in China, the Group upheld its strategies of stable development with innovation, and adapted to the new norms of economic development and adjusted the business structure with flexibility. At the same time of stabilising our inclusive finance segment, the Group gradually expanded new

businesses such as consumer finance and industrial finance. In the past year, the Group's new business layout gradually formed. During the reporting period, the Group recorded a total revenue of RMB93.5 million, up approximately 19.7% year-on-year.

Industry Review and Business Review

Guarantee business

In 2016, under the continuous influence of systematic financial risks, guarantee institutions entered into a stage of “quality over quantity”. In order to support healthy development of financing guarantee industry, the People's Government of Guangdong Province promulgated “Execution Plan on Accelerating Development of Financing Guarantee Industry in Guangdong Province” (《關於促進廣東省融資擔保行業加快發展的實施方案》) in January 2016 to make a clear definition on the position of financing guarantee institutions as the service providers to medium, small and micro enterprises and agricultural industries. The Plan also encourages their expansion into internet financing guarantee business by making use of the business models and concepts of innovative finance such as internet finance and inclusive finance. To prevent risks, the Plan supports the business cooperation of private financing guarantee institutions and policy financing guarantee or re-guarantee institutions on joint guarantee, co-guarantee or re-guarantee. A compensation mechanism will be established to create a new partnership model among government, banks and guarantee institutions.

In order to maintain healthy business development, Success Guarantee continued to adjust business structure to minimise risks. During the reporting period, non-financial guarantee service was still the principal business activity of Success Guarantee and it thereby significantly reduced the business risks due to credit risks of SMEs.

Financial consultancy business

Capitalising on its integrated business model, the Group's financial consultancy team is equipped with profound business development capabilities, supported by a variety of market resources and is able to provide comprehensive and flexible financial products and services, such as management consulting, product design and liquidity management. The team also provides customers with professional advisory and credit enhancement services to fulfil the needs of customers in respect of investment and financing, asset management, mergers and acquisitions, and corporate problem diagnostics. Financial consultancy service has become one of the major businesses of the Group. The Group's increasing range of products and services and mature business model will allow the Group's financial consultancy service to grow further.

The Directors believe that, with gradual refinement of the Group's chain of integrated financial services, the profits generated from the Group's intermediate businesses such as financial consultancy service and asset-light business will grow significantly and the Group's financial consultancy service will become a powerful tool contributing to the revenue growth of the Group as a whole and enhance the Group's customer base and loyalty.

Leveraging the extensive experience in financial industry and the unique operational experience in investment and financing, Guangdong Success Asset Management Company Limited (“**Success Asset**”) has established stable strategic cooperation relationship with banks, securities firms, insurance companies, trust companies, large financial institutions and clients in 2016.

By the end of December 2016, Success Asset has provided customised consultancy services on investment and financing to several companies. During the period, Success Asset developed a new income-generating method with the business model of income right transfer and repurchase.

Financial leasing business and factoring business

In 2016, Chinese government provided support on taxation and business operation of financial leasing industry. In March 2016, the Ministry of Finance and the State Administration of Taxation promulgated the Notice on Comprehensive Roll-out of the Business Tax to Value-added Tax (VAT) Transformation Pilot Program (《關於全面推開營業稅收征增值稅試點的通知》) (Caishui [2016] No.36), which relieved the taxation burden of financial leasing industry by suggesting three different rates of VAT. In the same month, the People's Bank of China and the China Banking Regulatory Commission jointly published the Guidance on Increased Financial Support for New Consumption Sector (《關於加大對新消費領域金融支持的指導意見》), giving momentum to the development of car finance and financial leasing industries. Moreover, in the same month, the State Council issued the Guidance on Promotion of Healthy Development of Medical Health Industry (《關於促進醫藥產業健康發展的指導意見》), which encouraged cooperation between manufacturers of medical equipment and financial leasing companies. In October 2016, the Ministry of Commerce published the Temporary Measures for Filing Administration of Establishment and Change of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which allows special administrative measures on establishment and change of foreign-funded enterprises that are not involved in the regulation of the government. The establishment of and the changes made to the financial leasing industry are more convenient.

On 11 November 2016, 10 government departments including the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance and the People’s Bank of China jointly issued the 13th Five-Year Plan for the Development of Domestic Trade and Circulation (《國內貿易流通「十三五」發展規劃》), encouraging circulated companies to build their credit reputation and raise funds through business factoring so as to lower the financing costs. Moreover, by the end of November 2016, accounts receivable of industrial enterprises above designated size reached its historical peak at RMB12.9 trillion, which offer abundant assets to factoring business. As more favourable policies are promulgated and the market demand continues to enlarge, the role of business factoring is becoming more important in the aspect of accelerating turnover of accounts receivable and lowering leverage ratio.

Shenzhen Success Financial Leasing Company Limited (“**Success Financial Leasing**”) continued to conduct business expansion in the construction financing industry in 2016. In addition to continuing its focus on serving the clients of municipal construction in Foshan, Success Financial Leasing gradually expanded its customer resources to better serve the real economy and SMEs.

Success Financial Leasing’s factoring qualification was filed on 20 January 2016. As of 31 December 2016, Success Financial Leasing completed several deals on factoring financing business where a new business model was explored, which broke away from the single equipment financial leasing-oriented business model, thus offering a new business channel for financing leasing.

Equity investment business

Regulatory power on equity funds industry was strengthened in 2016. Since February 2016, the Asset Management Association of China (the “**China AMA**”) promulgated the Internal Control Guideline for Private-equity Investment Fund Managers (《私募投資基金管理人內部控制指引》), the Notice on the Measures for the Administration of the Disclosure of Information on Private-equity Investment Fund (《私募投資基金資訊披露管理辦法》), the Notice for Further Regulating the Registration of Private-equity Investment Fund Managers (《關於進一步規範私募基金管理人登記若干事項的公告》), the Notice on Funding Behaviors of Private-equity Investment Fund (《私募投資基金募集行為管理辦法》), the Guidelines on Private-equity Investment Fund Contract (《私募投資基金合同指引》), the Temporary Provisions on Business Operation on Private Asset Management by Securities and Futures Intermediaries (《證券期貨經營機構私募資產管理業務運作管理暫行規定》), the No. 1-3 Provisions on Filing of Private Asset Management by Securities and Futures Intermediaries (《證券期貨經營機構私募資產管理計劃備案規範1-3號》) and the Guidelines No.2 on Content and Formatting of Disclosure of Information on

Private-equity Investment Fund (《私募投資基金資訊披露內容與格式指引2號》). More regulations are required during and after the case from operators' qualification, registration and filing, funding behaviors to disclosure of information. It formed an appropriate regulatory framework on equity funds and leads the industry to run smoothly. The promulgation of the said notices shall lead to the improvement of the supervision and management of fund companies under the Group and will be effective in promoting business development of fund companies.

Shenzhen Success Number One Equity Investment Fund (“**Success Fund**”), a limited partnership company, is a main drive of mergers, acquisitions and restructure strategies. It is important to our business expansion in developing various business segments. Subsequent to the establishment of Guangzhou Hengsheng Fund Management Co., Ltd. (“**Guangzhou Hengsheng**”) with 40% interest owned by Success Fund in 2015, Guangzhou Hengsheng obtained the approval of filing of qualification of private equity fund manager. Two funds were successfully filed. Moreover, Success Fund invested in the following two projects in 2016:

Developing Individual Consumer Credit Business

In 2016, Success Fund invested in and established Guangzhou Rongdacheng Technology Services Company Limited (“**RDC**”). It was an exploratory strategic move with a view of gaining the Group's market share in consumer finance sector by cooperating with well-established consumer financial companies.

Supporting Municipal Construction

Success Fund joined hands with the local government to invest in and establish Foshan City Fo Ying Shun Yang Construction Engineering Company Limited (佛山市佛盈順洋建築工程有限公司). That allowed more involvement of the Group in contributing to infrastructure and municipal construction projects and thereby fostered the Group's development of industrial finance by capitalising on the Group's competitive edges in financial services.

Through the investment channels of Success Fund, the Group will continue to push forward mergers and acquisitions, and restructure so as to enrich our services portfolio and increase our market share.

Individual consumer credit business

In January 2016, the State Council of the PRC promulgated the “Promotion Plan on Inclusive Finance Development (2016-2020)” (《推進普惠金融發展規劃(2016-2020年)》). It emphasised the development of inclusive finance and mentioned to provide guidelines to micro credit companies, financial leasing companies, financial guarantee institutions, Internet financial organisations in providing financial services to small and micro enterprises, farmers and people with low income.

Riding on the favourable policy, in addition to developing micro loan business through Foshan Chancheng Success Micro Credit Co., Ltd. (“**Success Credit**”), the Group also supported the established project company which specialised in used property financing to step up the efforts in real estate financing business; and enhanced consumer credit services by investing in the joint venture of RDC in 2016.

Real estate financing business

In 2016, the real estate market was heated that the transaction number of second-hand residential properties in Guangzhou was 144,491, up 54.75% year-on-year. The price of second-hand residential properties continued to soar and the average transaction price was RMB31,118/sq.m., up 28.77% year-on-year. Meanwhile, the transaction number of second-hand residential properties in Foshan was 72,661, up 55.00% year-on-year.

The Group’s real estate financing business relies on Foshan Success Financial Services Outsourcing Limited (“**Success Financial Services**”). In 2016, Success Financial Services has started to develop mortgage service and funding service.

Internet consumption business

Making use of high technology and internet, RDC is devoted in providing fast, convenient and high-quality inclusive financial services. Business planning includes the following:

- i. In respect of cash conversion cycle, Dacheng Easy Credit(達成易貸) was launched at the end of 2016. It gets clients in batches offline and granted credit in batches online. This business model allows quick receipt of amount, capital recycle, borrowing and repaying anytime.

- ii. In respect of installment consumer finance, RDC plans to develop cash installment business and scenario installment business. RDC carried out the exploration of installment business model in 2016. It cooperated with major mobile phone retailers and well-developed installment services providers in Guangzhou.

Industrial finance business

Leveraging years of cooperation experience with service providers of municipal construction, the Group took the lead of and facilitated the cooperation mechanism of “government + bank + China Success”. The three parties invested and established a company which reached an agreement with government and banks in establishing an industrial fund for Build-Transfer (“BT”) projects that mainly repurchases the formed creditor’s right of BT projects.

During the period, the Group has started to study the investment mechanism for urban development and municipal construction in order to diversify investment channels for government’s projects and provide quality assets with government’s credit guarantee to banks. The Group realised stable profits and contributed to the capital liquidity of municipal construction service providers. This investment mechanism is beneficial to the government, financial institutions, municipal construction service providers and the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the Group’s revenue was approximately RMB90.3 million (year ended 31 December 2015: approximately RMB72.6 million), representing an increase of approximately 24.4%. A detailed analysis of the Group’s revenue is as follows:

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 2016, the Group’s revenue generated from financial consultancy services was approximately RMB26.7 million (year ended 31 December 2015: approximately RMB31.9 million), representing approximately 29.6% of the Group’s revenue for the year ended 31 December 2016 (year ended 31 December 2015: approximately 43.9%).

Financial consultancy services remained as the business model that the Group shall concentrate its efforts to develop in 2016, in addition to being an effective instrument which would expand our influence in the financial market. However, revenue from the Group's financial consultancy services slightly decreased due to weakened intrinsic motivation of development of SMEs clients as a result of the tightened macro economic environment when compared with 2015.

Financial leasing and factoring business

For the year ended 31 December 2016, revenue from the Group's financial leasing and factoring business increased by approximately RMB1.6 million to approximately RMB21.5 million (year ended 31 December 2015: approximately RMB19.9 million), representing approximately 23.8% of the Group's revenue in 2016 (year ended 31 December 2015: approximately 27.4%).

China witnessed a continued downward trend of its economy and weak solvency on the side of medium, small and micro enterprises, thereby increasing their rate of default risks. Given that, the Group carried out strict risk controls and enhanced management of collaterals for charge or pledge with respect to its existing financial leasing business. As for incremental leasing business, it increased admission criteria by carefully selecting customers to maximise its prevention and addressing of risks.

Meanwhile, the Group had an active try in developing new business models. After having secured the relevant factoring qualification, the revenue from the factoring business was approximately RMB4.7 million.

Financial guarantee services

For the year ended 31 December 2016, revenue from the Group's financial guarantee segment decreased by approximately 47.3% to approximately RMB11.6 million (year ended 31 December 2015: approximately RMB22.0 million), accounting for approximately 12.8% of the Group's revenue in the year ended 31 December 2016 (year ended 31 December 2015: approximately 30.3%). Financial guarantee income in 2016 dropped when compared with 2015, mainly due to further deepening in the economy downward pressure in the PRC, decrease in subjective financing demand of SMEs and decrease in outstanding guarantee balance as the Group adjusted its business structure in order to actively shrink the traditional financing guarantee business with higher risk.

In 2016, the Group received interest income of approximately RMB25.5 million from receivables from guarantee payments for their due debts, representing approximately 28.2% of the Group's revenue for the year ended 31 December 2016.

Non-financial guarantee services

The Group carried out business transformation in 2016 by actively developing non-financial guarantee services. As a result, revenue from the Group's non-financial guarantee services that 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 increased significantly by approximately 85.7% or approximately RMB1.2 million to approximately RMB2.6 million (year ended 31 December 2015: approximately RMB1.4 million), accounting for approximately 2.9% of the Group's revenue (year ended 31 December 2015: approximately 1.9%). Since the contract period of performance guarantees is long and the guarantee fee should be allocated during the guarantee period, the contribution from the newly added performance guarantee business will continue to be significant to the Group.

Interest on down payments

The Group's interest on down payments was mainly generated from interest of prepayments for potential acquisition of projects under negotiation. For the year ended 31 December 2016, the revenue from the Group's interest on down payments was approximately RMB2.9 million, representing approximately 3.2% of the Group's revenue in 2016.

Other Revenue

The Group's other revenue comprised government grants and interest income. For the years ended 31 December 2015 and 2016, the Group's other revenue was approximately RMB5.5 million and RMB3.2 million, respectively, representing a decrease of approximately 41.8%. It was mainly attributable to: 1. allowance from government decreased to RMB0.5 million in 2016 from RMB1.0 million in 2015, 2. decrease in our interest income by approximately 44.4% from approximately RMB4.5 million for the year ended 31 December 2015 to approximately RMB2.5 million for the year ended 31 December 2016, due to the decrease in the principal of term deposit at the bank.

Impairment and Provision (Charged)/Written Back

Impairment and provision mainly represents the provision of guarantee losses and the impairment provision for receivables from guarantee payments, factoring receivable and finance lease receivable 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 2016, the Group's operating expenses was approximately RMB57.7 million (year ended 31 December 2015: approximately RMB45.8 million), accounting for approximately 63.9% (year ended 31 December 2015: approximately 63.1%) of the Group's revenue. The increase in operating expenses was mainly attributable to the increase in staff costs and operating lease expenses due to the increase number of staff and offices.

Share of Profits Less Losses of Associates

The share of profits less losses of associates amounted to a loss of approximately RMB0.4 million for the year ended 31 December 2016, representing a decrease of approximately RMB5.6 million from a profit of approximately RMB5.2 million for the year ended 31 December 2015. The decrease in the share of profits less losses of associates was attributable to the shrink of credit amount of the associates due to the decrease in financing demand of SMEs resulted by domestic economic downturn.

Profit Before Taxation

The Group's profit before tax decreased by approximately RMB3.2 million, or approximately 9.1%, from approximately RMB35.2 million for the year ended 31 December 2015 to approximately RMB32.0 million for the year ended 31 December 2016. Such decrease was mainly attributable to the increase in operating expenses and the decrease in share of profits less losses of associates.

Income Tax

For the year ended 31 December 2016, the Group's income tax amounted to approximately RMB13.0 million, representing an increase of approximately 19.3% to approximately RMB10.9 million in the corresponding period of 2015. Such increase was mainly attributable to the increase of taxable profit and unused tax losses from some subsidiaries.

Trade and Other Receivables - Receivables from Guarantee Payments

Receivables from guarantee payments mainly represents the default loan amount repaid by the Group on behalf of our customers. Upon default by a customer in respect of repayment of a bank loan, according to the relevant guarantee agreement, the outstanding balance shall be first paid by the Group on behalf of our customers. The Group will then subsequently request repayment from our customers or take possession of the counter-guarantee assets provided by such customers 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 RMB165.1 million as at 31 December 2015 to approximately RMB215.9 million as at 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Treasury Management and Investment Policy

In order to more effectively utilise the Group's financial resources for obtaining a better return for Shareholders, it had been the Group's general approach for its management to seek some alternative investment opportunities which could provide a better return but at minimum risk exposure.

Pledged Bank Deposits and Cash and Bank Deposits

As at 31 December 2016, the pledged bank deposits amounted to approximately RMB119.0 million (31 December 2015: approximately RMB136.0 million), representing a decrease of approximately RMB17.0 million as compared to the end of last year. Cash and bank deposits amounted to approximately RMB157.8 million (31 December 2015: approximately RMB182.7 million), representing a decrease of approximately RMB24.9 million, as compared to the end of last year. Such decrease was mainly attributable to the decline of the deposit from customers, due to the decrease of the outstanding guarantee balance.

Interest Rate Risks, Foreign Exchange Risks and Charges on Group Asset

As at 31 December 2016, 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 2016 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 4.3% as at 31 December 2015 to approximately 3.6% as at 31 December 2016, which was mainly attributable to the increase in accumulated equity and the decrease in liabilities.

HUMAN RESOURCES AND REMUNERATION

The Group recruits personnel from open market and enters into employment contracts with its employees. 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 and rewards those who actively participate the training 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 2016, the Group had 102 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 RMB25.3 million for the year ended 31 December 2016.

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.

SOCIAL ENTERPRISE

While serving the local economic development, the Group is also extensively engaged in charitable activities to fulfil social responsibility. We are widely recognised and appreciated for being a role model. Every year, Success Charity Foundation (集成愛心基金), voluntarily initiated by shareholders and employees of the Group, gives help and support to employees in need within the Company, provides timely support and assistance to families of employees who have suffered serious illnesses or accidental injury, and goes through difficult times with the employees and their families. Moreover, the Group has great respect for women. We gave every female employee roses on International Women's Day (8 March). On Children's Day (1 June), the Group sent stationery gift sets to all children of the employees to show our love and care to the employees and their families.

At the night of 23 February 2016, the "Nature Success • Folk Music Brilliance" 2015 Lantern Festival National Symphony Concert jointly hosted and subsidised by Success Finance and Foshan Bureau of Culture, Publication, Radio, Film and Television was grandly held in the Foshan Qionghua Grand Theater. It was an audio-visual feast which the Group meticulously prepared jointly with the Guangdong National Orchestra for the audience in Foshan for its fifth year. The "Nature Success • Folk Music Brilliance" held on the night of the Lantern Festival has become the spiritual culture brand enjoyed by the Foshan citizens.

PROSPECT AND OUTLOOK

Industry Outlook

Uncertainty of macro-economy is attributable to several political factors such as hard Brexit of the UK, unpredictable stance of Trump's government, vote of France and Germany; and financial risks with great liquidity pressure due to volatility of China's bond market, stock market and currency market; the unanticipated factors due to rise of Federal Reserve interest rate, depreciation of Renminbi, pressure on cross-border fund flow and transformation of some regional economies.

Nevertheless, Mr. Li Keqiang, the Premier of the State Council of the PRC expressed his confidence in China's economic development in 2017 on behalf of the government on the press conference after the end of the fifth plenary session of the Twelfth National People's Congress on 15 March 2017. He mentioned that China's economy will not be at risk of hard landing and its growth will maintain moderate to high speed. The proposed 6.5% of GDP growth target demonstrated the government's confidence.

The two sessions in 2017 placed supporting real economy development at an unprecedented high level. Both simplifying administration to improve civil service and making advancement of service capability were greatly emphasised, which is favourable to the Group, a financial service provider to millions of medium, small and micro enterprises.

2017 is a year of re-start to the Group as we will facilitate stable development of conventional business, promote asset management business, initiate mergers, acquisitions and restructure, strengthen cooperation mechanism in accordance with economic development trend and guidance of national policies. Leveraging the advantages of listing in Hong Kong, the Group will expand financing channels and business scale by consolidating the resources of the Group with a view to maintaining its leading position within the industry by enhancing competitiveness and profitability.

Sound Development of Conventional Businesses

The Group will continue to provide investment and financing services to cater the needs of medium, small micro enterprises through guarantee, micro credit, financial leasing and other business segments:

In the guarantee business, grasping the opportunity that greater support is given to financing of medium, small and micro enterprises, the Group will adjust the structure of guaranteed companies with agricultural industry, small and micro enterprises and

real economy as the main target customers. The Group also plans to restructure its inclusive finance segment by gradually and stably promoting business model optimisation, actively narrowing the financing guarantee business and putting more efforts to develop its low-risk, non-financing guarantee business on the premise that revenue base will not be materially impacted, to ensure it being inclined to non-financing guarantee business while maintaining the stable transition of guarantee segment in the circle of economic downturn.

The Group will further develop the factoring financing business which will further become a normal business model for the Group thereafter. Also, the Group will keep exploring new business segments on the foundation of conventional business, with risks under control and sound assets. Efforts to cooperate with other financial institutions will be stepped up to continue to enhance our core competitiveness and enrich the investment and financing resources.

The Group will tap into the used property transaction market in Guangzhou and Foshan and actively develop business in the Pearl River Delta region, hoping to become a leading used property finance service provider in Guangdong Province.

Two key constituents of personal consumption have been formed, namely installment consumption and credit loan. For installment consumption, cooperation model will be adopted to seek the strategic structure which allows resource sharing and integration in order to further diversify scenarios where consumption could happen. For credit loan, enhancing user experience will be the focus that credit approval model will be upgraded to accelerate time for approval. “Multiple uses upon single approval” offers more convenient financing services to individuals.

Furthermore, the Group aims to revitalise the consumer finance sector, enrich the products and services scope and perfect the layout of consumer finance capital by entering into the internet finance market through appropriate acquisition of relevant companies.

Meanwhile, to cope with the massive market demand, the Group will take the advantages as a market pioneer, nurture and develop the consumer finance management system, apply risk control throughout the whole process of product design and corporate management, in order to form a rigorous and effective consumer credit model providing risk-return matching and highly effective financial service products for the enormous customer group and consumer field.

Innovative Drive for Asset Management

The Group will grasp the development opportunities in “new asset management” era in China by taking advantages as a listed company to provide diversified asset portfolio management services to customers, as driven by asset management in the PRC and Hong Kong.

In the PRC, we will integrate platform resources through acquisitions, newly-built asset management channels and companies, etc. We will demonstrate our team management level and client servicing ability so as to provide asset value-maintained and value-added services at the choice of the public owning small amount of asset. In Hong Kong market, we plan to obtain an asset management licence from the Hong Kong Securities and Future Commission through acquisition, and subsequently build an asset management platform and design various asset management products by keeping track of market latest updates and economic development trend.

Proactive Promotion in Mergers and Acquisitions

In 2017, the Group will fully utilise various financing tools, namely mergers and acquisitions fund, to proactively explore the cooperation opportunities with financial institutions such as large-scale state-owned enterprises and banks, which in the mergers and acquisitions business, assist in financing tools like debt-equity combination financing cooperate and develop so that the scale of the Group's asset and business can be enlarged and income-generating capacity is raised.

In-depth Enhancement in Cooperation Platform and Mechanism

In 2017, the Group will continue to deeply optimise the cooperation mechanism and platform with various sectors, explore and raise customer needs, increase customer loyalty and enhance the Group's core competitiveness through multi interaction with the government, business associations and financial institutions.

Cooperation with the government: The Group intends to comprehensively cooperate with the government in terms of big data, corporate services and government services. Both parties begin with improving corporate services, follow by government policy / capital aid together with the support of The Internet Finance and big data services. For the purpose of diversified investment and financing channels for corporates, a corporate community platform with capital-asset linked development will be built to achieve corporate advancement and industry optimisation, establishment of governmental policies and realisation of greater effects on precision, prolongation and sustainability.

Linkage between business associations: In recent years, local business associations have been providing diversified services for corporates and driving innovative entrepreneurship by resources integration. They have shown vitality from the basic level and accumulated plenty of corporate members and investment resources. The Group will interact with local business associations so as to assist the innovative development of micro-sized, small and medium private enterprises using their own strengths, pull the real economy with private investment service and achieve win-win situation by innovative finance.

The Group will constantly review the company development strategies, and also enhance corporate governance, improve risk control, recruit professionals as well as actively expanding markets to achieve sustainable and sound business development. Based on existing foundation and competitive advantages, we formulate the strategies as steady development in traditional businesses, promotion in asset management business as well as mergers and acquisitions and increasing competitiveness through cooperation. From the above, it is expected that the Group would further build an innovative, diversified and integrated financial service platform for Guangzhou, Foshan, Shenzhen and Hong Kong, and also extend its leading industry position in Guangfo region.

OTHER INFORMATION

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

Placing

On 19 September 2016, the Group and Cheong Lee Securities Limited (the “**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”) whereby our Company conditionally agreed to allot and issue, and the Placing Agent agreed to procure placees to subscribe for, a maximum of 94,500,000 new ordinary shares of HK\$0.01 each (the “**Placing Share(s)**”) in the share capital of our Company at a price of HK\$2.00 per Placing Share (the “**Placing**”).

On 12 October 2016, the Group completed the placing of 55,000,000 new shares to not less than six independent placees at the placing price of HK\$2.00 per share in accordance with the Placing Agreement. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of the placees of the Placing Shares and their respective ultimate beneficial owners was a third party independent of our Group and its connected persons. None of the Placees became a substantial shareholder (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”)) of our Company immediately after the completion of the Placing.

The net proceeds from the Placing was approximately HK\$108,900,000, which was used as general working capital of the Group and for the development of existing and future projects of the Group.

For further details of the Placing, please refer to the announcements of the Company dated 19 September 2016 and 12 October 2016.

Exercise of share options

Prior to the listing of shares in the share capital of our Company (“**Shares**”) on the Stock Exchange, our Company granted options to subscribe for an aggregate of 10,000,000 Shares (the “**Pre-IPO Share Options**”) pursuant to a share option scheme adopted on 18 October 2013. An aggregate of 891,000 Shares were issued by our Company during the year ended 31 December 2016 upon the exercise of some of the Pre-IPO Share Options. The amount received from such exercise of options amounted to HK\$1,692,900 and was used for general working capital. As at 31 December 2016, the Pre-IPO Share Options to subscribe for 7,488,000 Shares remained unexercised and the Pre-IPO Share Options to subscribe for 551,000 Shares were forfeited. Save for the Pre-IPO Share Options, our Company has not granted any options to subscribe for Shares.

Save as disclosed above, 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 the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016. In respect of code provision A.6.7 of the CG Code, an independent non-executive Director was not able to attend the annual general meeting of the Company held on 19 May 2016 (the “**2016 AGM**”) due to other commitment. In respect of code provision E.1.2 of the CG Code, the Chairman of the Board, Mr. Zhang Tiewei, was not able to attend the 2016 AGM due to other business commitment. Mr. Chen Hui, Chief Executive Officer and executive Director, was chosen pursuant to the Company’s amended and restated articles of association to chair the 2016 AGM and answer the questions raised thereat. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code of Securities Transactions by Directors

The Company has adopted the standard set out in Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) (the “**Model Code**”) to the Listing Rules, in relation to the dealings in securities of the Company by the Directors. The Group has made specific enquiry to all Directors and each Director has confirmed that he has complied with the standard set out in the Model Code for the year ended 31 December 2016.

Dividends

The Board recommended the distribution of a final dividend of HK\$0.02 per ordinary share to the shareholders whose names appear on the register of members of the Company on 31 May 2017, subject to the approval of the shareholders at the AGM. If the resolution for the proposed final dividend is passed at the AGM, the proposed final dividend will be payable on or around 30 June 2017.

Audit Committee

The Company established an audit committee (the “**Audit Committee**”) on 18 October 2013 with terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditor(s), review the financial statements and material advice in respect of financial reporting and oversee the internal control and risk management systems of the Company. As at 31 December 2016, the Audit Committee comprises Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur and Mr. Xu Yan. Mr. Tsang Hung Kei has been appointed as the chairman of the Audit Committee.

Review of Annual Results

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2016. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and statutory provisions, and sufficient disclosures have already been made.

Annual General Meeting

The annual general meeting of the Company (the “**AGM**”) for the year ended 31 December 2016 is scheduled to be held on 19 May 2017. 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 15 May 2017 to 19 May 2017 (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 12 May 2017.

The Company's register of members will be closed from 26 May 2017 to 31 May 2017 (both days inclusive), during which period no transfer of shares of the Company will be effected, for ascertaining shareholder's entitlement to receive the proposed final dividend. In order to be eligible to receive the proposed final dividend, 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 25 May 2017.

Publication of Annual Results Announcement and Annual Report

This announcement has been published on the Company's website (www.gdjcrzdb.cn) and the designated website of the Stock Exchange (www.hkexnews.hk). The annual report for the year ended 31 December 2016 containing all relevant information required by the Listing Rules will be disseminated to the shareholders 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, 29 March 2017

As at the date of this announcement, the Board comprises (i) six executive Directors, namely, Mr. Zhang Tiewei, Ms. Fu Jie, Mr. Chen Hui, Mr. Li Bin, Mr. Xu Kaiying and Mr. Pang Haoquan, (ii) one non-executive Director, namely, Mr. He Darong, and (iii) four independent non-executive Directors, namely, Mr. Tsang Hung Kei, Mr. Au Tien Chee Arthur, Mr. Xu Yan and Mr. Zhou Xiaojiang.

** In this announcement, the English names of the PRC entities are translation of their Chinese names and included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*