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**CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED**  
**中國融眾金融控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 03963)**

**PRELIMINARY ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 AND  
CLOSURE OF REGISTER OF MEMBERS**

**AUDITED ANNUAL RESULTS**

Reference is made to the announcement dated 30 June 2022 of China Rongzhong Financial Holdings Company Limited (the “Company” and, together with its subsidiaries, the “Group”) (the “Unaudited Annual Results Announcement”) in respect of the unaudited annual results of the Group for the year ended 31 March 2022 (the “Unaudited Annual Results”). Unless otherwise stated, the terms used in this announcement shall have the same meaning as adopted in the Unaudited Annual Results Announcement.

The Board is pleased to announce the audited annual results of the Group for the year ended 31 March 2022 (the “Audited Annual Results”). As certain adjustments have been made to the Unaudited Annual Results, the differences between the Unaudited Annual Results and the Audited Annual Results contained in this announcement are set out in the section headed “Material Differences between Unaudited and Audited Annual Results” in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules. The Audited Annual Results together with the comparative figures extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2021 are as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	4	35,120	15,821
Other income	5	115	1,082
Cost of services		(3,761)	–
Gain on disposal of financial assets		169	7,273
Other gains and losses		(249)	(878)
Staff costs		(20,914)	(5,978)
Impairment losses and provision of expected credit losses		(525,716)	(98,074)
Other operating expenses		(19,745)	(11,044)
Finance costs	6	(32,058)	(29,585)
Loss before tax		(567,039)	(121,383)
Income tax expense	7	(774)	–
Loss for the year	8	(567,813)	(121,383)
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(24,173)	(4,372)
Total comprehensive expense for the year		<u>(591,986)</u>	<u>(125,755)</u>
Loss for the year attributable to:			
Owners of the Company		(567,548)	(121,383)
Non-controlling interests		(265)	–
		<u>(567,813)</u>	<u>(121,383)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(591,918)	(125,755)
Non-controlling interests		(68)	–
		<u>(591,986)</u>	<u>(125,755)</u>
Loss per share	10		
Basic and diluted (HK cents)		<u>(138)</u>	<u>(29)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		70,701	40
Lease receivables and receivables arising from sale and leaseback arrangements	11	77,859	94,117
Deposits		426	–
Security deposits		–	1,190
Goodwill		19,372	–
		<u>168,358</u>	<u>95,347</u>
<b>Current assets</b>			
Lease receivables and receivables arising from sale and leaseback arrangements	11	231,512	723,552
Loan receivable		–	5,563
Trade receivables	12	6,754	–
Prepayments and other receivables		7,382	8,501
Other assets		3,202	–
Security deposits		1,235	1,697
Short term bank deposits with original maturity within three months		–	6,636
Bank balances and cash		15,479	5,671
		<u>265,564</u>	<u>751,620</u>
<b>Current liabilities</b>			
Trade payables	14	414	–
Deposits from customers		219,432	214,813
Other payables and accrued charges		31,019	17,707
Contract liabilities		4,949	–
Deferred income		–	9
Lease liabilities		2,620	482
Tax liabilities		67,989	64,133
Bank borrowings	13	707,219	443,688
Amount due to a related company		101	–
Amount due to a shareholder		168	–
Derivative financial liabilities		9,478	–
		<u>1,043,389</u>	<u>740,832</u>
<b>Net current (liabilities) assets</b>		<u>(777,825)</u>	<u>10,788</u>
<b>Total assets less current liabilities</b>		<u>(609,467)</u>	<u>106,135</u>
<b>Non-current liabilities</b>			
Deposits from customers		300	–
Lease liabilities		2,830	–
Convertible bonds		2,245	–
Derivative financial liabilities		833	–
Loan note		9,065	–
Bank borrowings	13	3,285	216,125
Amount due to a related company		51,273	–
Amount due to a shareholder		10,800	–
Contingent consideration payables		5,786	–
		<u>86,417</u>	<u>216,125</u>
<b>Net liabilities</b>		<u>(695,884)</u>	<u>(109,990)</u>
<b>Capital and reserves</b>			
Share capital		4,125	4,125
Deficit		(705,551)	(114,115)
		<u>(701,426)</u>	<u>(109,990)</u>
Non-controlling interests		5,542	–
<b>Capital deficiency</b>		<u>(695,884)</u>	<u>(109,990)</u>

## **NOTES**

*For the year ended 31 March 2022*

### **1. GENERAL INFORMATION**

China Rongzhong Financial Holdings Company Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

With effect from 6 September 2021, the Company’s principal place of business in Hong Kong is changed to Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are provision of leasing services in the People’s Republic of China (the “PRC”), due diligence, debt collection and credit investigation services in the PRC, Hong Kong and Singapore.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) as the shares of the Company are listed on the Stock Exchange.

### **2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

#### **Going concern basis**

The Group recorded a net loss attributable to owners of the Company of approximately HK\$567,548,000 for the year ended 31 March 2022 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$777,825,000 and HK\$695,884,000 respectively, whereas its cash and cash equivalents maintained was approximately HK\$15,479,000 only as at the same date. Besides, included in net current liabilities of the Group, there were lease receivables and receivables arising from sale and leaseback arrangements with various enterprises in Hubei Province of the PRC amounted to a gross carrying amount of approximately HK\$1,832,209,000. As further set out in note 18 to the consolidated financial statements, these lease receivables and receivables arising from sale and leaseback arrangements were all credit-impaired and an aggregate impairment loss of HK\$1,522,838,000 was provided for these receivables, which the Group considered it was due to adverse impact of the outbreak of COVID-19 pandemic and the Group was implementing measures to expedite the collection process of these receivables. The Group also had bank borrowings of approximately HK\$707,219,000 that were repayable within 12 months after the end of the reporting period.

These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group’s ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## 2. BASIS OF PREPARATION (Continued)

### Going concern basis (Continued)

In view of these circumstances, the directors of the Company have prepared a cash flow forecast covering a period of 18 months from the end of the reporting period. In doing so, they have given careful consideration to the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern after taking account of the following plans and measures:

#### *(i) Obtaining new source of finance to improve working capital requirements*

On 21 October 2021, the Company and Goldbond Group Holdings Limited (“Goldbond”), a substantial shareholder with significant influence of the Company, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the “Goldbond Loan Agreement”). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022 and 26 September 2022, the amount of HK\$33,100,000 and HK\$20,348,000, respectively, as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

#### *(ii) Implementation of measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements*

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit against to these borrowers, renegotiation of repayment plans and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,108,142,000. In addition, the Group has taken alternative measures and utilize the Group’s expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the “Related Party”), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 31 March 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK\$47,531,000 while the relevant bank borrowings were approximately HK\$547,990,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company’s announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party. Such application was still under review and pending approval from the relevant bank as at the date of issuance of this announcement. For illustrative purposes only, based on the figures as at 31 March 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards (“HKFRSs”), the Group’s consolidated net liabilities would reduced by HK\$500,459,000.

#### *(iii) Negotiation of the renewal of bank borrowings*

During the year ended 31 March 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK\$240,953,000 extended to July 2022. The Group is in the process negotiation with relevant to obtain further extension.

## 2. BASIS OF PREPARATION (Continued)

### *Going concern basis (Continued)*

#### *(iv) Implementation of active cost-saving measures*

The Group continues to take active measures to control administrative costs through various channels to improve operating cash flows and its financial position.

#### *(v) Disposal of Rongzhong Capital Holdings Limited*

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34, respectively, at the consideration of HK\$100,000 or equivalent in RMB (the “Disposal”). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group’s financial statements. The Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability.

For details, please refer to the Company’s announcement dated 31 March 2022 and 2 June 2022.

Based on the above plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this announcement and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to achieve the abovementioned plans and measures, it would be unable to meet its financial commitments based on the current level of its cash resources and unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group’s assets to their net realisable amounts; to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

### 3. APPLICATION OF AMENDMENTS TO HKFRSs

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 4. REVENUE AND SEGMENT INFORMATION

The directors of the Company determined the reportable segments of the Group as follows:

- (1) Leasing services providing leasing services including:
  - direct leasing – sale and leaseback and operating services in the PRC
  - operating lease – providing operating lease of motor vehicles services in the PRC
  
- (2) Debt collection and credit investigation services – providing debt collection services and credit investigation services in Hong Kong, the PRC and Singapore

During the year ended 31 March 2022, debt collection and credit investigation services became a reportable segment as a result of the completion of the acquisition of Alpha & Leader Risks and Assets Management Company Limited and its subsidiaries. Therefore, a new segment of debt collection and credit investigation services has been identified in the current period.

In addition, during the year ended 31 March 2022, the Group has commenced operating lease business, as a result of the completion of the acquisition of Ultimate Harvest Global Limited and its subsidiaries which has been included in the leasing services reportable segment as the directors of the Company believe that information about the segment would be useful to users of the financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

##### For the year ended 31 March 2022

	Leasing services <i>HK\$'000</i>	Debt collection and credit investigation services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue			
Revenue from external customers	<u>10,498</u>	<u>24,622</u>	<u>35,120</u>
Segment results	<u>(541,504)</u>	<u>(5,628)</u>	<u>(547,132)</u>
Unallocated:			
Other income			2
Other gains and losses			322
Staff costs			(3,923)
Other operating expenses			<u>(16,308)</u>
Loss before tax			<u><u>(567,039)</u></u>

##### For the year ended 31 March 2021

	Leasing services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue		
Revenue from external customers	<u>15,821</u>	<u>15,821</u>
Segment results	<u>(111,118)</u>	<u>(111,118)</u>
Unallocated:		
Other income		1,035
Other gains and losses		(878)
Staff costs		(3,926)
Other operating expenses		<u>(6,496)</u>
Loss before tax		<u><u>(121,383)</u></u>

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	At 31 March 2022 <i>HK\$'000</i>	At 31 March 2021 <i>HK\$'000</i>
Segment assets		
Leasing services	390,149	833,335
Debt collection and credit investigation services	32,633	–
Total segment assets	422,782	833,335
Unallocated assets	11,140	13,632
Total assets	<u>433,922</u>	<u>846,967</u>
Segment liabilities		
Leasing services	1,070,630	955,121
Debt collection and credit investigation services	17,931	–
Total segment liabilities	1,088,561	955,121
Unallocated liabilities	41,245	1,836
Total liabilities	<u>1,129,806</u>	<u>956,957</u>

The following is an analysis of the Group's revenue from its major services:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from debt collection services	16,835	–
Income from credit investigation services	7,787	–
Revenue from contracts with customers	24,622	–
Rental income	4,378	–
Interest income arising from sale and leaseback arrangements	6,120	15,535
Direct leasing income	–	286
	<u>35,120</u>	<u>15,821</u>
Revenue from contracts with customers		
At a point in time	24,472	–
Transferred over time	150	–
	<u>24,622</u>	<u>–</u>

## 5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	28	120
Government subsidies ( <i>note</i> )	–	216
Others	87	746
	<u>115</u>	<u>1,082</u>

*Note:* The amount represented the government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this programme.

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	30,973	29,473
Interest on amount due to a related company	257	–
Interest on lease liabilities	172	63
Interest on amount due to a shareholder	139	–
Imputed interest on promissory note	347	–
Imputed interest on loan note	130	–
Imputed interest on convertible bonds	31	–
Imputed interest expense on interest-free deposits from customers	9	49
	<u>32,058</u>	<u>29,585</u>

## 7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Enterprise Income Tax in the PRC	158	–
Hong Kong Profits Tax	616	–
Income tax expense	<u>774</u>	<u>–</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of PRC (the “EIT Law”) and the Implementation Regulation of the EIT Law, one (2021: none) subsidiary is subject to the tax rate of 20% on 12.5% of assessable profit, which assessable profits under RMB1,000,000, for Small Low-Profit Enterprises. Other subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (2021: 25%) on their assessable profits.

## 8. LOSS FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	840	840
– Short-term employee benefits	1,032	1,032
– Retirement benefit scheme contributions	18	18
– Equity-settled share-based payments	440	440
Salaries, allowances and other staff benefits	17,917	3,519
Staff's retirement benefit scheme contributions	625	86
Staff's equity-settled share-based payments	42	43
	<u>20,914</u>	<u>5,978</u>
Total staff costs	<u>20,914</u>	<u>5,978</u>
Depreciation of property, plant and equipment	2,781	147
Auditor's remuneration	1,360	2,300
Legal and professional fees	9,604	3,834
Loss on disposal of property, plant and equipment	328	–
Short-term lease expenses	22	236

## 9. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

## 10. LOSS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>567,548</u>	<u>121,383</u>
	<u>2022</u> <u>'000</u>	<u>2021</u> <u>'000</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>412,509</u>	<u>412,509</u>

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares for the years ended 31 March 2022 and 2021.

The calculation of diluted loss per share for the years ended 31 March 2022 and 2021 does not assume the conversion of the Company's outstanding convertible bonds nor the exercise of the Company's outstanding share options as the assumed conversion would result in a decrease in loss per share and the exercise price of those options is higher than the average market price for shares.

## 11. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The Group provides leasing services in the PRC.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lease receivables	20,741	18,269
Receivables arising from sale and leaseback arrangements	<u>288,630</u>	<u>799,400</u>
	<b><u>309,371</u></b>	<b><u>817,669</u></b>
	<b>Minimum lease payments</b>	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Lease receivables and receivables arising from sale and leaseback arrangements comprise:		
Within one year	1,759,449	1,783,211
In more than one year but not more than two years	23,874	23,955
In more than two years but not more than three years	22,906	23,022
In more than three years but not more than four years	20,704	22,088
In more than four years but not more than five years	19,324	19,964
More than five years	<u>–</u>	<u>18,635</u>
	1,846,257	1,890,875
Less: Unearned finance income	<u>(14,048)</u>	<u>(20,728)</u>
	1,832,209	1,870,147
Less: Impairment allowance	<u>(1,522,838)</u>	<u>(1,052,478)</u>
	<b><u>309,371</u></b>	<b><u>817,669</u></b>
Analysed for reporting purposes as:		
Current assets	231,512	723,552
Non-current assets	<u>77,859</u>	<u>94,117</u>
	<b><u>309,371</u></b>	<b><u>817,669</u></b>

The Group's lease receivables and receivables arising from sale and leaseback arrangements are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above lease receivables and receivables arising from sale and leaseback arrangements range mainly from 8.3% to 15.4% (2021: 8.3% to 15.4%) per annum as at 31 March 2022.

## 11. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (Continued)

Lease receivables and receivables arising from sale and leaseback arrangements are mainly secured by leased assets which are used in laser processing, plastics, industrial processing, textile and garment, hotel and leisure and other industries, customers' deposits and leased assets repurchase arrangement where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. Additional collateral may be obtained from customers to secure their repayment obligations under leases and sale and leaseback arrangements and such collaterals include vessels, commercial and residential properties, equipment and machineries. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

Lease receivables and receivables arising from sale and leaseback arrangements were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As at 31 March 2022 and 2021, the entire carrying amounts of lease receivables and receivables arising from sale and leaseback arrangements were determined to be impaired under the lifetime expected credit losses ("ECL"). The lifetime ECL impaired receivables related to those credit exposures where there has been a significant increase in credit risk since initial recognition, which the loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

## 12. TRADE RECEIVABLES

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice date.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	3,407	–
31 to 60 days	1,937	–
61 to 90 days	402	–
Over 90 days	1,008	–
	<u>6,754</u>	<u>–</u>

The credit terms of the trade receivables for debt collection and credit investigation services are ranged from 0 to 60 days from the date of billing.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

For leasing services, the customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

As at 31 March 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$2,747,000 (2021: nil) which are past due as at the reporting date. Out of the past due balances, HK\$1,008,000 (2021: nil) has been past due 90 days or more and is not considered as in default.

### 13. BANK BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Secured	706,006	659,813
Unsecured	4,498	—
	<u>710,504</u>	<u>659,813</u>
The carrying amounts of the above borrowings are repayable*:		
Within one year	707,219	443,688
Within a period of more than one year but not exceeding two years	1,246	216,125
Within a period of more than two years but not exceeding five years	2,039	—
	<u>710,504</u>	<u>659,813</u>
Less: amounts shown under current liabilities	<u>(707,219)</u>	<u>(443,688)</u>
Amounts shown under non-current liabilities	<u>3,285</u>	<u>216,125</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

### 14. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice date.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	235	—
31 to 60 days	5	—
61 to 90 days	92	—
Over 90 days	82	—
	<u>414</u>	<u>—</u>

The average credit period on purchase of services is 90 days.

## MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the Unaudited Annual Results was neither audited nor agreed with the Auditor as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the Unaudited Annual Results and Audited Annual Results. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

### For the year ended 31 March 2022

	<b>Audited</b> <i>HK\$'000</i>	<b>Unaudited</b> <i>HK\$'000</i>	<i>(Note)</i> <b>Difference</b> <i>HK\$'000</i>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>			
Revenue	(35,120)	(37,367)	2,247
Impairment losses and provision of expected credit losses	525,716	(2,031)	527,747
Other gains and losses	249	1,183	(934)
Finance costs	32,058	31,782	276
Other operating expenses	19,745	22,771	(3,026)
Income tax expense	774	781	(7)
Cost of services	3,761	2,997	764
Exchange differences arising on translation to presentation currency	24,173	5,226	18,947

### As at 31 March 2022

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

##### NON-CURRENT ASSETS

Property, plant and equipment	70,701	72,672	(1,971)
Goodwill	19,372	31,489	(12,117)

##### CURRENT ASSETS

Lease receivables and receivables arising from sale and leaseback arrangements	231,512	769,258	(537,746)
Prepayments and other receivables	7,382	5,347	2,035
Trade receivables	6,754	7,662	(908)

	<b>Audited</b>	<b>Unaudited</b>	<i>(Note)</i> <b>Difference</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Other payables and accrued charges	(31,019)	(31,328)	309
Lease liabilities	(2,620)	(2,531)	(89)
Contract liabilities	(4,949)	(4,794)	(155)
Derivative financial liabilities	(9,478)	(10,263)	785
Convertible bonds	–	(3,016)	3,016
Tax liabilities	(67,989)	(67,959)	(30)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	(2,830)	(2,733)	(97)
Convertible bonds	(2,245)	–	(2,245)
Derivative financial liabilities	(833)	–	(833)
Contingent consideration payables	(5,786)	(9,950)	4,164
Loan note	(9,065)	(11,995)	2,930

*Note:*

These differences were due to the finalisation of respective impairment assessments.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the Unaudited Annual Results Announcement.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The following is an extract of the independent auditor’s report issued by the Group’s independent auditor:

### **Disclaimer of Opinion**

We were engaged to audit the consolidated financial statements of China Rongzhong Financial Holdings Company Limited (the “Company”) and its subsidiaries (the “Group”), set out on pages 50 to 136, which comprise the consolidated statement of financial position as at 31 March 2022 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Basis for Disclaimer of Opinion**

#### ***1. Material uncertainties relating to going concern***

The Group recorded a net loss attributable to owners of the Company of approximately HK\$567,548,000 for the year ended 31 March 2022 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$777,825,000 and HK\$695,884,000 respectively, whereas its cash and cash equivalents maintained was approximately HK\$15,479,000 only as at the same date. Besides, included in net current liabilities of the Group, there were lease receivables and receivables arising from sale and leaseback arrangements with various enterprises of Hubei Province in the PRC amounted to a gross carrying amount of approximately HK\$1,832,209,000. As further set out in note 18 to the consolidated financial statements, these lease receivables and receivables arising from sale and leaseback arrangements were all past due and credit-impaired, and an aggregate impairment loss of HK\$1,522,838,000 was provided for these receivables, which the Group considered it was due to adverse impact of the outbreak of Covid-19 pandemic and the Group was implementing measures to expedite the collection process of these receivables. The Group also had bank borrowings of approximately HK\$707,219,000 that were repayable within 12 months after the end of the reporting period.

These conditions together with other matters described in note 2.1 to the consolidated financial statements indicate the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

The directors of the Company have been undertaking certain measures as set out in note 2.1 to the consolidated financial statements to improve the Group's liquidity and financial position. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties. As of the date of our report, we were unable to obtain sufficient appropriate evidence from management for their underlying assumptions on going concern, including (i) the successful obtaining of additional new sources of financing as and when needed; (ii) the successful implementation of measures to expedite the collection of lease receivables and receivables arising from sale and leaseback arrangements; (iii) the successful negotiation of the renewal of bank borrowings; (iv) the successful implementation of active cost-saving measures and; (v) the successful implementation of the proposed disposal of Rongzhong Capital Holdings Limited which engaged principally in lease receivables and receivables arising from sale and leaseback arrangements with various enterprises in Hubei Province of the People's Republic of China. Hence, we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2.1 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## **2. *Scope limitation on the Group's lease receivables and receivables arising from sale and leaseback arrangements***

There were indications of possible impairment in respect of the Group's lease receivables and receivables arising from sale and leaseback arrangements (details set out in note 18) of their net carrying amounts of approximately HK\$309,371,000 and HK\$817,669,000 associated with deposits received from customers (note 26) of approximately HK\$207,963,000 and HK\$214,813,000 as at 31 March 2022 and 2021, respectively. As set out in note 18 to the consolidated financial statements, there has been significant slow-down in the collection of the Group's lease receivables and receivables, which there were only settlements received of approximately HK\$21,282,000 and HK\$8,398,000 during the years ended 31 March 2022 and 2021 respectively. The Group has taken measures to collect lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit against to these borrowers and re-negotiation of repayment plans and other methods in order to recover the outstanding amounts from the lease receivables. The Group recognised accumulated impairment loss amounting to approximately HK\$1,522,838,000 and HK\$1,052,478,000 as at 31 March 2022 and 2021 and impairment loss recognised of approximately HK\$498,064,000 in consolidated profit or loss for the year ended 31 March 2022 and impairment loss recognised of approximately HK\$96,974,000 for the year ended 31 March 2021.

Besides, as detailed in notes 5, 18 and 43(b) to the consolidated financial statements, the Group performed the impairment assessment on the lease receivables and receivables arising from sale and leaseback arrangements by conducting an assessment of Expected Credit Loss (the “ECL”) model according to forward-looking information and use appropriate models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower’s creditworthiness (e.g. the likelihood of default by customers, the corresponding losses, and the estimated realizable amount of the collaterals if any). Management of the Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL and forward-looking information.

However, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about those management judgment, assumptions and estimation techniques adopted in such impairment assessment on the lease receivables and receivables arising from sale and leaseback arrangements that the recoverable amounts, and hence the carrying amounts, of the lease receivables and receivables arising from sale and leaseback arrangements of the Group as at 31 March 2021 were free from material misstatements. There was no other practical alternative audit procedure that we could perform.

In addition, the closing balances as at 31 March 2021 of those assets of the Group are brought forward as the opening balances as at 1 April 2022 and hence entered into the determination of the financial performance and cash flows of the Group for the current year ended 31 March 2022. Hence, any adjustments found to be necessary to the closing balances of the lease receivables and receivables arising from sale and leaseback arrangements of HK\$817,669,000 as at 31 March 2021 in respect of the matter described above might have significant effect on the Group’s impairment loss of HK\$498,064,000 recognised in the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of cash flows for the year ended 31 March 2022 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2022. Accordingly, we were also unable to determine whether adjustments might have been necessary in respect of the performance and cash flows of the Group for the year ended 31 March 2022 reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

### **3. *Scope limitation on the bank borrowings***

In respect of note 30 to the consolidated financial statements, the bank borrowings amounted to approximately RMB575,508,000 (equivalent to approximately HK\$710,504,000 as at 31 March 2022, of which audit confirmation in respect of certain bank borrowings amounted to approximately RMB443,872,000 (equivalent to approximately HK\$547,990,000 from a bank have not been received by us, representing 77% of the bank borrowings. These bank borrowings were secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate net carrying amount of approximately HK\$77,469,000 and guaranteed by a joint venture of a major shareholder of the Company, three independent third parties and a director of the Company's subsidiary. Consequently, we were unable to carry out audit procedures necessary to obtain adequate assurance regarding the completeness of the bank borrowing and other elements associated with this outstanding bank confirmation (including but not limited to the bank balance of approximately RMB19,000 (equivalent to approximately HK\$23,000, details of pledged assets, guaranteed and security) at the end of the reporting period. There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the completeness of the bank borrowings, bank balances and cash and other assets and liabilities might associate with the outstanding bank confirmation. We were unable to quantify the adjustments that would be required, had the confirmations from the banks been received by us. Any adjustments to the matter would have a consequential effect on the Group's consolidated statement of financial position as at 31 March 2022, its financial performance and the related elements making up the consolidated statement of changes in equity, the consolidated statement of cash flows and the related disclosures in the consolidated financial statements for the year ended 31 March 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

The Group is principally engaged in the provision of (1) leasing services in the PRC and (2) value added services including due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore.

### Leasing services

The Group conducts its leasing services in various cities across the PRC. The Group as the lessor generates lease income by delivery of leased assets to its lessees who make periodic lease payments to the Group.

The Group acquired Ultimate Harvest Global Limited in March 2022 with twelve PRC subsidiaries (the “UHG”) engaged in the provision of automobile leasing services covering cities of Huzhou, Ningbo, Shaoxing, Jiaxing and Taizhou. Since the acquisition of UHG and the continued market demand, it is mandated that the Group will establish additional subsidiaries in the PRC in order to facilitate and further expand the lucrative and stable lease business.

### Credit investigation and debt collection services

Since 2021, the Group commenced and completed various acquisitions and establishment in new locations as part of the Group’s strategic plan to reform its leasing operations by expanding its operating locations outside of the Hubei Province, as well as mitigating business risks exposure. To further strengthen our leasing operations across the PRC, we have complemented our leasing operations by acquiring Alpha & Leader Risks and Asset Management Company Limited, which provides integral value-added services including due diligence, credit investigation and debt recovery services.

Due diligence and credit investigation services are performed through established networks, databases and credit assessment system using big data analytics which in-turn generate and provide credit reports, scoring results and recommendations to clients as well as the Group prior to entering into any potential business transactions. Debt collection services are provided for past due commercial accounts receivables ranging from 3 to 12 months, this is a non-litigation service that enables creditors to recover past due accounts receivables through mediation and dispute resolution, rather than going through the lengthy process of litigation resulting in further commitments on legal costs and risk of additional non-recoverable debts.

## **Disposal of Rongzhong Capital Holdings Limited**

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing (“Mr. Xie”) entered into the sale and purchase agreement (the “Rongzhong Capital SPA”), pursuant to which, Mr. Xie conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), representing 100% of total issued share capital of Rongzhong Capital (the “Sale Shares”) and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34 (the “Debt”), respectively, at the consideration of HK\$100,000 or equivalent in RMB (the “Disposal”). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group’s financial statements. The Disposal constituted a major and connected transaction of the Company under the Listing Rules.

For details, please refer to the Company’s announcement dated 31 March 2022 and 2 June 2022.

## **FINANCIAL REVIEW**

The following discussion and analysis pertaining to the financial information of the Group.

### **Revenue**

For the year ended 31 March 2022, the Group recorded revenue of approximately HK\$35.1 million (2021: approximately HK\$15.8 million), representing an increase of approximately 122.0% from the previous corresponding period ended 31 March 2021. The increase in revenue was due to the Group’s effective implementation of its strategic move to expand into new operating locations outside of Hubei Province and initiation to process loans with more liquid assets and generally smaller in loan size, hence, minimizing credit risk while increasing activities in leasing operations. To complement the development of the Group’s leasing service, the Group provides value added services including credit assessment, investigation and debt recovery services, so as to further strengthen the Group’s leasing operations by creating an ecosystem which in turn contributed approximately HK\$24.6 million to the Group’s revenue during the Reporting Period. Services fees for due diligence and credit investigation services are charge based on the agreed upon scope covering the number of search targets, search period and the complexity of obtaining the relevant search information. Debt collection services are provided to clients with past due commercial accounts receivables. Substantially all revenue derived from the provision of debt collection services are recognized upon successful recovery of past due receivables.

### **Staff costs**

Staff costs of the Group amounted to approximately HK\$20.9 million for the Reporting Period, representing an increase of approximately 249.8% from approximately HK\$6.0 million recorded in the previous corresponding period ended 31 March 2021. This was mainly due to increase in the number of staffs in the Group.

## **Other operating expenses**

During the Reporting Period, other operating expenses of the Group amounted to approximately HK\$19.7 million, representing an increase of approximately 78.8% from approximately HK\$11.0 million recorded in the previous corresponding period ended 31 March 2021. This was mainly due to the increase in operating expenses in relation to increase in legal and professional fees.

## **Impairment losses on financial assets**

Impairment losses on financial assets is approximately HK\$504.3 million for the Reporting Period, representing an increase in impairment losses of approximately HK\$406.3 million from approximately HK\$98.0 million impairment losses recorded in the previous corresponding period ended 31 March 2021.

The continuous impact of COVID-19 pandemic, the liquidity crisis of the property developers (and the property market in general in the PRC) and geopolitical instability are some of the significant factors causing continuing material adverse impacts on the businesses of the customers of the Group (mostly SMEs) and hence the financial performance of the Financial Leasing Business of the Group and in particular:

- (i) COVID-19 pandemic has caused significant material adverse effects on the businesses and cashflows of the SME customers of the Group and their abilities to make repayments to the Group (affecting recovery of outstanding loans of the Group);
- (ii) the worsening market condition in the PRC property sector has caused significant material adverse effects on the property value of the properties held by the SME customers of the Group, including their abilities to liquidate these properties or obtain financing on these properties, and hence their abilities to make repayments to the Group (affecting recovery of outstanding loans of the Group);
- (iii) the significant decline in the value of the proposed collaterals (a large number of which are properties) has reduced the number of eligible customers for the Financial Leasing Business of the Group (affecting approval of new loans of the Group); (iv) the significant decline in the value of the collaterals held by the Group also adversely affected the Group's ability to liquidate such collaterals due to the diminishing number of potential purchasers at the intended price level (affecting recovery of outstanding loans of the Group); and
- (iv) the significant decline in the value of the collaterals held by the Group also adversely affected the Group's ability to liquidate such collaterals due to the diminishing number of potential purchasers at the intended price level (affecting recovery of outstanding loans of the Group); and
- (v) the worsening business conditions of the SME customers of the Group coupled with the effect of rapidly declining value of the collaterals and proposed collaterals have posed significant challenges for all money lender businesses in the PRC, including the Group in the past few years;
- (vi) the geopolitical conflicts and warfare in recent years have significantly dampened global investments and business activities affecting the customers of the Group who may be manufacturing and export-oriented and in turn affected their abilities to make repayments to the Group.

While the Group is making its best effort to restore its normal operations, the above-mentioned factors are continuing to cause significant difficulties to the Group from all aspects. The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit, debt restructuring, and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,108,142,000. In addition, the Group has taken alternative measures and utilize the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

Furthermore, approximately HK\$296.6 million of the above-mentioned provisions are related lease receivables from to the Disposal (as defined hereafter). The Board believe that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability.

For further details, please refer to the Company's announcement dated 31 March 2022 and 2 June 2022.

### **Other income**

Other income of the Group mainly comprised of reversal of over provision for other operating expenses, bank interest income and government subsidies. During the Reporting Period, the other income of the Group amounted to approximately HK\$0.1 million, representing a decrease of approximately 89.4% from approximately HK\$1.1 million recorded in the previous corresponding period ended 31 March 2021. Such decrease was mainly due to the decrease in government subsidies accounted for as financial support and reversal of over-provision for other operating expenses in prior years.

### **Finance costs**

Finance costs of the Group comprised of interest on bank borrowings, imputed interest on promissory note, imputed interest on convertible bonds, imputed interest on loan note, interest on lease liabilities, imputed interest expense on interest-free deposits from customers, interest on amounts due to a related company and interest on amounts due to a shareholder. During the Reporting Period, finance costs of the Group amounted to approximately HK\$32.1 million, representing an increase of approximately 8.4% from approximately HK\$29.6 million in the previous corresponding period ended 31 March 2021. This was mainly due to increase in the Group's borrowings and financing activities.

As at 31 March 2022, the outstanding bank borrowings guaranteed by related parties amount to approximately HK\$706.0 million (2021: approximately HK\$659.8 million) and the guarantee fee paid to the related parties during the Reporting Period amount to nil (2021: nil).

### **Loss for the year**

Loss for the year ended 31 March 2022 of the Company amounted to approximately HK\$567.8 million, representing an increase of approximately 367.8% from approximately HK\$121.4 million loss recorded in the previous corresponding period ended 31 March 2021. This was mainly due to the increased of impairment losses and provision of expected credit losses.

## **Dividend**

The Board does not recommend the payment of any final dividend for the year ended 31 March 2022.

## **Liquidity, financial resources and capital resources**

As at 31 March 2022, the aggregate sum of the Group's bank balances and cash and short-term bank deposits amounted to approximately HK\$15.5 million (2021: approximately HK\$12.3 million), representing an increase of approximately HK\$3.2 million compared to 31 March 2021. This was due to a combination of multiple effects including the Group's strategy to promote business, collection of past due financial assets and use of internal funding. The working capital deficiency (current assets less current liabilities) of the Group were approximately HK\$777.8 million (2021: working capital of approximately HK\$10.8 million) and the capital deficiency of the Group were approximately HK\$695.9 million (2021: approximately HK\$110.0 million).

As at 31 March 2022, the Group's bank borrowings with maturity within one year amounted to approximately HK\$707.2 million (2021: approximately HK\$443.7 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK\$3.3 million (2021: approximately HK\$216.1 million).

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2022 was not applicable (2021: not applicable).

In June 2021, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the "Related Party"), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 31 March 2021, the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK\$47.5 million while the relevant bank borrowings were approximately HK\$548.0 million. The implementation of the undertaking by the Related Party is dependent on the approval from the relevant bank for the transfer of bank borrowings. Pursuant to the Company's announcement on 28 June 2021, the Group is applying to the relevant bank for the transfer of bank borrowings to the Related Party. Such application was still under review and pending approval from the relevant bank as at the date of issuance of this announcement. For illustrative purposes only, based on the figures as at 31 March 2022, should the Group be able to complete the derecognise and transfer those receivables and bank borrowings according to Hong Kong Financial Reporting Standards, the Group's consolidated net liabilities would be reduced by HK\$500.5 million.

## **Charges on group assets**

As at 31 March 2022, the Group's bank borrowings with carrying amount of approximately HK\$680.6 million (2021: approximately HK\$634.9 million) were granted by banks in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of approximately HK\$170.9 million (2021: approximately HK\$368.2 million).

As at 31 March 2022, the Group's bank borrowings with carrying amount of approximately HK\$25.4 million (2021: approximately HK\$24.9 million) were secured by bank deposits of approximately HK\$1.2 million (2021: approximately HK\$1.2 million).

## **Employees and remuneration policy**

As at 31 March 2022, the Group had 129 staff located in Hong Kong, the PRC and Singapore, and their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement schemes and training subsidies to its employees. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

In Hong Kong, we participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and are administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK\$1,500.

PRC employees are covered by the mandatory social security schemes operated by the PRC government. The Group is required by PRC laws to contribute a certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. There were no forfeited contributions utilised to offset employers' contributions for the Reporting Period.

Singapore employees are covered by the mandatory social security savings scheme funded by contributions from employers and employees, the Central Provident Fund. The Group and its employees are each required to contribute a certain percentage of payroll costs to fund the mandatory social security savings schemes. There were no forfeited contributions utilized to offset employers' contributions for the Reporting Period.

## **RISK FACTORS AND MANAGEMENT**

### **Credit risk of small medium enterprises (“SMEs”) in the PRC**

Our business is positioned to fulfill the financing needs of SMEs and the sustainability of our business and future growth depend on our ability to manage our credit risk effectively. As such, any deterioration in our asset quality or collectability of our lease receivables and receivables arising from sale and leaseback arrangements could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure and business disruption due to the outbreak of the novel coronavirus (“COVID-19”) in the PRC, it is inevitable for some corporations to be faced with a greater risk of default, especially the SMEs. As most SMEs customers in general have less financial resources in terms of capital or fund raising capability when compared to larger corporations, and as such they are more likely to be adversely affected by changes in market conditions, which poses an increasing risk of default to our Group. Our management has been monitoring the changes of our customers’ credit risk, and we had, in fact, in some cases requested additional collaterals and pledged assets from customers as a form of additional precautionary measures. We will continue to closely monitor the value of the related leased assets and the collaterals securing our leases in order to take effective additional precautionary measures to minimize our risk of exposure to such credit risks.

### **Risk relating to funding sources and interest rate**

Our business operation relies substantially on interest-bearing bank loans. We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from various banks. Accordingly, fluctuations in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability and results of operations. However, our management will continue to closely monitor the changes in interest rate and in turn charge our clients by the same amount in order to minimize our risk of exposure to such interest rate risks.

### **Foreign exchange risk**

Our Group is exposed to foreign currency risk primarily with respect to Renminbi (“RMB”) and United States Dollars denominated transactions, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, distributions to holders of the shares of the Company are made in Hong Kong dollars. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, our management will continue to monitor the related foreign currency exposure closely and will consider appropriate measures should the need arise.

### **Liquidity risk**

The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables and bank borrowings and its financing obligations, and also in respect of its cash flow management. The Group’s policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

## **CONTINGENT LIABILITIES**

As at 31 March 2022, the Group did not have any material contingent liabilities (2021: nil).

## **EVENTS AFTER THE PERIOD UNDER REVIEW**

### **New bank guarantee agreements**

**New bank guarantee agreements** On 24 May 2022, Mr. Xie and Rongzhong Capital Investments (defined hereunder) had each entered into bank guarantee agreements pursuant to which Mr. Xie and Rongzhong Capital Investments (defined hereunder) agreed to provide certain guarantee in favor of a bank for the grant of loan to Rongzhong International Financial Leasing Co., Ltd.. The bank guarantee agreements expire three years upon the settlement of the loan and no guarantee fee is payable by Rongzhong International Financial Leasing Co., Ltd. to Mr. Xie and Rongzhong Capital Investments (defined hereunder) for their provision of guarantee services under the bank guarantee agreements.

### **Supplemental agreement in related to the major and connected transaction disposal of the entire issued share capital of the target company**

On 2 June 2022, the Company and Mr. Xie entered into a supplemental agreement to amend and modify certain terms of the Rongzhong Capital SPA, pursuant to which, among others, the unaudited financial information of Rongzhong Capital has been updated to 31 March 2022.

For details, please refer to the Company's announcement dated 2 June 2022.

Besides the establishment of additional subsidiaries, in order to fully intergrate with the reform of the Group's leasing operations, the board believe that the completion of the Disposal is of crucial importance to the future development of the Group, especially the Group's leasing business. It is expected that the completion of the Disposal will greatly improve the financial position and liquidity of the Group and significantly reduce its finance costs, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability.

### **Impact of novel coronavirus outbreak to the Group**

2022 has continued to be an extremely difficult year for the Group. Due to the outbreak of COVID-19 in 2020, the Group was forced to suspend its main operations in Wuhan and Hubei Province of the PRC for months. While operations in the Hubei Province have been slowly restored after months of lock down, the Group's operation and productivity were impacted, as well as most of the Group's customers who were mostly SMEs in the Hubei Province. Since then, the Group is determined to reform its leasing operations by expanding outside of the Hubei Province.

The continuous outbreak of COVID-19 had continued to caused global disruptions and catastrophes, many companies and corporations are stuck in a cycle of disruption. The recent city-wide lockdown of Shanghai and many major cities in the PRC, the tighten social distancing measures across the PRC, and the tightening of travel restrictions as well as quarantine, various sanitization and precaution measures; and the current anti-epidemic measures in Hong Kong had caused major disruptions to the Group's operations. While the Group is making its best effort to restore its normal operations, the COVID-19 pandemic and disruption of operations is continuing to cause significant difficulties to the Group from all aspects, including adverse economic impacts on the financial conditions, cashflow and collectability of the Group's leasing customers, the quality of collaterals of existing customers, the assessments and processing of application of any potential new customers etc. As a result, it is expected that the Group's operations and productivity may continue to be affected and subject to material challenges and uncertainties.

### **Latest development of the Group**

The Group is actively reviewing and processing loan applications, as at 31 August 2022, the Group has entered into various automobile leasing arrangements involving an aggregate of 636 automobiles at the value of approximately RMB67.9 million (equivalent to approximately HK\$80.8 million), of which approximately 46 automobiles at the amount of approximately RMB6.1 million (equivalent to approximately HK\$7.3 million) are under finance lease arrangements.

Furthermore, the Group had established two additional subsidiaries in Wenzhou and Jiaying of the PRC in order to facilitate the further expansion of the automobile leasing business in response to the increasing market demand, as well as to enhance the management efficiency of the automobile leasing business of the Group in multiple locations. The establishment of these subsidiaries will be financed by the working capital of the Group. As at the date of this report, the Group has 17 establishments across various cities in the PRC for its leasing business.

The above-mentioned recent developments of the Group are in-line with the Group's strategy (i) to further enhance and nurture synergies within our ecosystem in order to further complement the development of the Group's leasing services; (ii) to expand its business outside of Hubei Province in the PRC; (iii) to diversify business risk through liquid assets with generally smaller loan size; and (iv) to provide sustainable sources of revenue to the Group, which in turn will diversify the Group's business risks, enhance its financial performance and to create value for the shareholders of the Company.

Save as disclosed above, there is no other change to the Group's business plan regarding its leasing business and the Board firmly believes that the Group's leasing business will turn around as and when the general economic environment in the PRC and the global COVID-19 epidemic gradually improve. The Group will also continue to manage and apply various strategies and means to recover its overdue finance lease receivables and take various actions including lawsuit, debt restructuring and other methods that are considered effective and can improve the liquidity position of the Group.

## **ADDITIONAL INFORMATION REGARDING THE DISCLAIMER OF AUDIT OPINION**

In connection with the independent auditor's disclaimer of opinion set forth in the section headed "INDEPENDENT AUDITOR'S REPORT" (the "Disclaimer of Audit Opinion"), the Company would like to provide shareholders and potential investors with additional information regarding the matters from which the Disclaimer of Audit Opinion has arisen, and the views of the Company's management (the "Management") and the Company's Audit Committee (the "Audit Committee").

### **In respect of "Material uncertainties relating to going concern"**

As explained in the section headed note 2.1 to the consolidated financial statements, notwithstanding that the Group's consolidated financial statements for the year ended 31 March 2022 have been prepared on a going concern basis, there are conditions together with other matters described there indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such conditions, the Company has, during the course of audit, provided to the Company's auditor with all available information and has given careful consideration to the Group's current liquidity, performance and available resources in considering the Group's ability to continue as a going concern. The Company has taken and will continue to implement the measures as further detailed in note 2.1 to the consolidated financial statements to rectify the matters in relation to the disclaimer of opinion. Based on the plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this report and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### **Action plan to address the material uncertainties relating to going concern**

It is the intention of the Company to rectify the conditions in relation to the disclaimer of opinion, the Company had taken and continue to implement the measures as further detailed in Note 2.1 and listed below:

#### ***(i) Obtaining new source of finance to improve working capital requirements***

On 21 October 2021, the Company and Goldbond Group Holdings Limited ("Goldbond"), the Company's substantial shareholder, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the "Goldbond Loan Agreement"). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022 and 26 September 2022, the amount of HK\$33,100,000 and HK\$20,348,000, respectively, as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

***(ii) Implementation of measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements***

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit, debt restructuring, and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,108,142,000. In addition, the Group has taken alternative measures and utilize the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the "Related Party"), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 31 March 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK\$47,531,000 while the relevant bank borrowings were approximately HK\$547,990,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company's announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party ("Transfer of Bank Borrowings"). Such application was still under review and pending approval from the relevant bank as at the date of issuance of this report. For illustrative purposes only, based on the figures as at 31 March 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards ("HKFRSs"), the Group's consolidated net liabilities would be reduced by HK\$500,459,000.

***(iii) Negotiation of the renewal of bank borrowings***

During the year ended 31 March 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK\$240,953,000 extended to July 2022. The Group is in the process of negotiation with relevant bank to obtain further extension.

***(iv) Implementation of active cost-saving measures***

The Group continues to take active measures to control administrative costs through various channels to improve operating cash flows and its financial position.

**(v) Disposal of Rongzhong Capital Holdings Limited**

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34, respectively, at the consideration of HK\$100,000 or equivalent in RMB (the “Disposal”). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group’s financial statements. The Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability.

For details, please refer to the Company’s announcement dated 31 March 2022 and 2 June 2022.

The Company and the Board believe that the above-mentioned action plans are the most commercially practicable plans and measures in addressing the multiple uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

Assuming all the above plans and actions can be completed as planned and no new circumstances and conditions have occurred, subject to the satisfactory completion of review of the management’s assessment of the Group’s going concern, the disclaimer of opinion may be removed in connection with the audit of consolidated financial statements of the group for the year ended 31 March 2022.

The Company and the Board will focus on the current action plans and the implementation thereof, while keeping viable options open as they continue the efforts in addressing the going concern issue and the rectification of conditions in relation to the disclaimer of opinion.

### **In respect of “Scope limitation on the Group’s lease receivables and receivables arising from sale and leaseback arrangements”**

In respect of the Group’s lease receivables and receivables arising from sale and leaseback arrangements (details set out in note 18 to the consolidated financial statements) of their net carrying amounts of approximately HK\$309,371,000 and HK\$817,669,000 associated with deposits received from customers (note 26) of approximately HK\$207,963,000 and HK\$214,813,000 as at 31 March 2022 and 2021, respectively, the Group recognised and related accumulated impairment loss amounting to approximately HK\$1,522,838,000 and HK\$1,052,478,000 as at 31 March 2022 and 2021 and impairment loss recognised of approximately HK\$498,064,000 in consolidated profit or loss for the year ended 31 March 2022 and impairment loss recognised of approximately HK\$96,974,000 during the year ended 31 March 2021.

Although the Auditor was unable to obtain sufficient appropriate audit evidence regarding the judgement, assumptions and estimation techniques adopted in the impairment assessment of certain lease receivables and receivables arising from sale and leaseback arrangements, and hence the Auditor was unable to ascertain the carrying amounts as at 31 March 2021 that were free from material misstatements. Consequently, any adjustments found to be necessary to the closing balances of assets as at 31 March 2021 in respect of the matter described above might have significant effect on the Group’s impairment loss recognised and cash flows for the year ended 31 March 2022 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2022.

The Board considered that the accumulative impairment loss made on the lease receivables as at 31 March 2022 had taken a prudent view on the net remaining carrying amounts of approximately HK\$309,371,000 that largely representing the deposits received from customer mentioned above and remaining borrowers with subsequent repayment not requiring fully impaired. As such, the remaining net carrying amount of the lease receivables was considered as properly reflected its recoverable amounts on the Group’s financial position as at 31 March 2022, and hence the Board expects that this disclaimer related to the opening balance of certain lease receivables and receivables arising from sale and leaseback arrangements as of 31 March 2021 would not have carried forward impact to and will be removed in the independent auditor’s report for the financial year ending 31 March 2023, except for the effect on the comparative figures for the year ended 31 March 2022.

### **In respect of “Scope limitation on the bank borrowings”**

In respect of note 30 to the consolidated financial statements, the Group’s bank borrowings amounted to approximately HK\$710,504,000 as at 31 March 2022, of which the Auditor had not received an audit confirmation in respect of certain bank borrowings amounted to approximately HK\$547,990,000 and the associated details to be shown on such bank confirmation.

About this outstanding bank confirmation, the Board understood that the Group was applying to the relevant bank for transfer of bank borrowings to the Related Party (“Transfer of Bank Borrowings”) the details set out in the Company’s announcement on 28 June 2021 and hence this related bank is still reviewing this application. However, such application was still under review and pending approval from the relevant bank as at the date of issuance of this report. Hence, the related bank borrowings were recorded and reflected on the Group’s financial position as at 31 March 2022 until such application is eventually approved by the related bank.

Moreover, on 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34, respectively, at the consideration of HK\$100,000 or equivalent in RMB (the “Disposal”). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group’s financial statements. Hence, the Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability. For details, please refer to the Company’s announcement dated 31 March 2022 and 2 June 2022.

Hence, the Group had already reflected such bank borrowings on the consolidated statement of financial position as at 31 March 2022, and expected the disclaimer on bank borrowings will be removed in the independent auditor’s report for the financial year ending 31 March 2023 upon the completion of Disposal before the financial year ending 31 March 2023 of which such relevant bank borrowings of approximately HK\$547,990,000 would be disposed associated with Rongzhong Capital, except for the effect on the comparative figures for the year ended 31 March 2022.

#### **Audit committee’s view on the Disclaimer and the responses from the management**

The Audit Committee had critically reviewed the major basis of the disclaimer of opinion on the Group’s audited consolidated financial statements for the year ended 31 March 2022 and also the management’s position, action plans and above responses of the Group to address the disclaimer of opinion.

The Audit Committee is in agreement with the management’s position for the responses set out as above with respect to the issues set out in the disclaimer of opinion and the Group’s ability to continue as a going concern, in particular the actions and measures taken and to be implemented by the management and the Group.

The Board has obtained an understanding with the Auditor that the Company considers itself to have addressed the issues giving rise to the disclaimer of opinion in the consolidated financial statement for the year ended 31 March 2022 and in the light of the measures and expectation and barring unforeseen circumstances, a disclaimer of opinion in respect of the same issues may no longer be required to be included in the consolidated financial statements for the year ending 31 March 2023 when all the measures and expectation being fully implemented, except for the qualification on the effect on the comparative figures for the year ended 31 March 2022.

## PROSPECTS

Going forward, the Group is likely to face many challenges as a result of the continuously unfavourable economic and political conditions. While the uncertainties and the duration of the COVID-19 pandemic had seriously affected the global economy and the domestic economic recovery remains under pressure. Many companies and corporations are stuck in a cycle of disruption, this impacted the business development of the Group as well as many of the Group's customers. Despite all the negative impacts, the Group remains committed to continue to expand its leasing network, mitigate business risks exposure and place strong emphasis on the recovery of past due receivables. The Board firmly believes that diversification of income sources and associated business risks is a key in enhancing the operations of the Group, and the Board will continue to actively explore and to acquire businesses beyond the horizon of leasing, so as to further enhance and nurture synergies within our ecosystem in order to further complement the development of the Group's leasing services and to provide sustainable sources of revenue to the Group. The Company believes that its operations will turn around as and when the general economic environment, political environment and the uncertainties of COVID-19 pandemic gradually improve domestically and internationally. Furthermore, the Company strongly believes that the completion of the Disposal will enable the Group to leverage on its resources to expand its leasing business.

## CONNECTED TRANSACTIONS

### **Completion of the Major and Connected Transaction in Relation to the Acquisition of 51% Equity Interest in Alpha & Leader Risks and Assets Management Company Limited (“Alpha & Leader”)**

On 25 August 2021, the Group completed an acquisition of 51% equity interest in Alpha & Leader. Alpha & Leader and its subsidiaries are principally engaged in provision of debt collection services and credit investigation services in Hong Kong, the PRC and Singapore.

For details, please refer to the Company's announcement dated 25 August 2021.

### **Supplemental agreement and completion of the major and connected transaction in relation to the acquisition of 51% of the issued share capital of the target company involving the issue of convertible bonds under general mandate and loan note**

On 6 December 2021, the Company entered into a supplemental agreement with Goldbond Group Holdings Limited (“Goldbond”) in relation to the agreement for sale and purchase dated 26 October 2021, pursuant to which, among other things, that the definition of the PRC subsidiaries shall be revised to include the establishment of four additional subsidiaries in the PRC in order to facilitate and further expand the automobile leasing business in order to cope with the additional market demand and also enhance the efficiency in management in different locations.

For details, please refer to the Company's announcement dated 6 December 2021.

On 4 March 2022, the Group completed an acquisition of 51% equity interest in Ultimate Harvest Global Limited. Ultimate Harvest Global Limited is principally engaged in provision of operating lease of automobiles services in the PRC.

For details, please refer to the Company's announcement dated 4 March 2022.

## **Major and connected transaction for disposal of the entire issued share capital of the target company and the shareholder's loan**

On 31 March 2022 (after trading hours), the Company and Mr. Xie entered into the Rongzhong Capital SPA, pursuant to which, Mr. Xie conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt, representing the entire issued share capital of the Rongzhong Capital and the entire shareholder's loan owed by the Rongzhong Capital to the Company, respectively, at the consideration of HK\$100,000 or equivalent in RMB.

For details, please refer to the Company's announcement dated 31 March 2022.

## **CONTINUING CONNECTED TRANSACTIONS**

*Expressions used in the sections headed "Connected Persons" and "Exempt Continuing Connected Transactions" shall have the same meanings given to them in the Company's prospectus dated 18 January 2016 ("Prospectus").*

## **CONNECTED PERSONS**

### **Rongzhong Group Limited ("Rongzhong Group")**

Goldbond, as our controlling shareholder and Hony Capital Fund 2008, L.P. ("Hony Capital"), as one of our substantial shareholders, are indirectly interested in 40.00% and 40.00% respectively of the issued share capital in Rongzhong Group. Rongzhong Group is therefore a joint venture of Goldbond and Hony Capital. Pursuant to the Listing Rules, Rongzhong Group, together with Wuhan Jinhong Investment Guarantee Company Limited 武漢金弘投資擔保有限公司 ("Wuhan Jinhong"), an indirect wholly-owned subsidiary of Rongzhong Group, are connected persons of our Company.

### **Wuhan Rongzhong Internet Technology Company Limited, Rongzhong Capital Investments Group Limited**

Mr. Xie, one of the substantial shareholders of the Company and a director of certain subsidiaries of the Company, is directly interested in 100.00% and 98.21% respectively of the issued share capital of Wuhan Rongzhong Internet Technology Company Limited 武漢融眾網絡技術有限公司 ("Rongzhong Internet"), and Rongzhong Capital Investments Group Limited 融眾資本投資集團有限公司 ("Rongzhong Capital Investments"). Rongzhong Capital Investments (also referred to as joint venture of a major shareholder in the consolidated financial statements) wholly-owns Wuhan Rongzhong Investment Guarantee Company Limited 武漢欣眾融企業管理有限公司 (formerly known as 武漢市融眾投資擔保有限公司) ("Wuhan Rongzhong"). Pursuant to the Listing Rules, Rongzhong Internet, Rongzhong Capital Investments and Wuhan Rongzhong are associates of Mr. Xie and therefore are connected persons of the Company.

## **EXEMPT CONTINUING CONNECTED TRANSACTIONS**

### **Trademarks Licence Agreements**

On 15 June 2015, Rongzhong Capital, our wholly-owned subsidiary, entered into trademarks licence agreements (the “Trademarks Licence Agreements” and each, a “Trademarks Licence Agreement”) with each of Rongzhong Group and Rongzhong Internet pursuant to which Rongzhong Group and Rongzhong Internet agreed to grant a licence, on a perpetual and nonexclusive basis, to Rongzhong Capital and its affiliates at a consideration of HK\$1.00 and RMB1.00, respectively to use certain trademarks registered in their names as set out in Appendix IV of the Prospectus subject to the terms and conditions therein. During the term of the Trademarks Licence Agreements, Rongzhong Capital and its affiliates are entitled to use the trademarks listed therein as their corporate logos and for conducting any of their publicity related activities. Further, Rongzhong Group and Rongzhong Internet will not transfer or license or grant any rights to use the trademarks listed in the Trademarks Licence Agreements to any third party whose business competes or is likely to compete with the business of Rongzhong Capital or dispose such trademarks unless prior written consent is obtained from Rongzhong Capital. Where Rongzhong Group and Rongzhong Internet obtain registration of any other trademarks containing the words “RONGZHONG”, “RONG ZHONG”, “融眾” or “融众” under their name, Rongzhong Group and Rongzhong Internet will license the use of such other registered trademarks to Rongzhong Capital and its affiliates by entering into a separate licence agreement with Rongzhong Capital on the same terms and conditions as the Trademarks Licence Agreements. The Trademarks Licence Agreements are terminable in the event that the trademarks listed therein have been legally transferred to Rongzhong Capital or upon the winding-up or liquidation of Rongzhong Capital or otherwise agreed by the parties in writing.

### **Finance Lease Guarantee Agreements**

For finance lease arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the “Additional Assets”) as we are a wholly-foreign invested financial leasing entity. In this regard, our subsidiary and main operating entity, Rongzhong International Financial Leasing Co., Ltd. (“Rongzhong PRC”) entered into (i) one finance lease guarantee supplemental agreement with Wuhan Rongzhong on 12 November 2020; and (ii) three finance lease guarantee agreements with Wuhan Jinhong on 13 January 2016, 30 March 2016 and 18 May 2016 respectively, (collectively as the “Finance Lease Guarantee Agreements” and each a “Finance Lease Guarantee Agreement”) pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of one year and two years respectively from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

## The Bank Guarantee Agreements

On 10 December 2019, 25 May 2020 and 21 December 2020, Mr. Xie and Rongzhong Capital Investments had each entered into bank guarantee agreements with certain banks (collectively as the “Bank Guarantee Agreements”) pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantees in favor of the banks for their grant of loans to Rongzhong PRC. The Bank Guarantee Agreements expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for their provision of guarantee services under the Bank Guarantee Agreements.

On 31 March 2022, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantees in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 31 March 2022, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

Guarantor(s)	As at 31 March 2022 <i>(HK\$' million approximately)</i>	As at 31 March 2021
Mr. Xie	706.0	659.8
Rongzhong Capital Investments	706.0	659.8

## The Loan Agreements

On 21 October 2021, the Company and Goldbond entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the “Goldbond Loan Agreement”). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022, the balance due to Goldbond, is approximately HK\$10.9 million (2021: nil).

For details, please refer to the Company’s announcement dated 21 October 2021.

On 1 July 2020 and 15 November 2021, a loan agreement and a supplementary loan agreement were entered between a non-wholly own subsidiary of the Company and Shanghai Nanlang Finance Lease Co., Ltd., an indirectly owned subsidiary of Goldbond, (the “SHNL Loan Agreements”), with carried interest at 4.5% per annum and repayable on the third anniversary from the first date of loan drawn. As at 31 March 2022, the balance due to related party is approximately HK\$51.4 million (2021: nil), the corresponding interest expenses were recognized as “Finance costs” in the consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

For details, please refer to the Company’s circular dated 24 January 2022.

The Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Bank Guarantee Agreements, the Goldbond Loan Agreement and the SHNL Loan Agreements are in favorable terms to the Group and all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules are less than 0.10%. Accordingly, the Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Bank Guarantee Agreements, the Goldbond Loan Agreement and the SHNL Loan Agreements qualified as continuing connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## **REVIEW OF 2021/22 CONSOLIDATED FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the Reporting Period.

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in this preliminary results announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this preliminary results announcement.

## **CORPORATE GOVERNANCE**

The Group is committed to promote good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). During the Reporting Period, except as disclosed in this announcement, the Company had complied with all code provisions in the CG Code and had adopted most of the recommended best practices set out in the CG Code except for the following:

As at the date of this announcement, the Company does not have a Chairman to discharge the duties as required under CG Code A.2.2 to A.2.9. The daily operation and management of the Company are monitored by the executive Director as well as the senior management of the Company. The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. Also, CG Code E.1.2 stipulates that the Chairman should attend the annual general meeting. As the position of the Chairman was vacant as at the date of the annual general meeting held on 1 September 2021, Ms. Wong Emilie Hoi Yan, the executive Director and chief executive officer of the Company, was appointed as the chairman of the annual general meeting to answer and address questions raised by the shareholders at the annual general meeting. The Company will, at the appropriate time, arrange for the election of a Chairman.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. The Company has made specific enquiries with all of the Directors, each of whom has confirmed that he has, throughout the Reporting Period, complied with the required standards set out therein.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of determining shareholders’ eligibility to attend and vote at the forthcoming 2022 annual general meeting of the Company (the “2022 AGM”), the register of members of the Company will be closed from Wednesday, 26 October 2022 to Monday, 31 October 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by not later than 4:30 pm on Tuesday, 25 October 2022.

## **ANNUAL GENERAL MEETING**

The 2022 AGM of the Company will be held on Monday, 31 October 2022 at 2/F, J Plus, 35-45B, Bonham Strand, Sheung Wan, Hong Kong. The notice of the 2022 AGM will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinarzfh.com](http://www.chinarzfh.com)) and sent to the shareholders of the Company, together with the Company’s 2022 annual report, in due course.

By Order of the Board  
**China Rongzhong Financial Holdings Company Limited**  
**Wong Emilie Hoi Yan**  
*Executive Director*

Hong Kong, 26 September 2022

*As at the date of this announcement, the executive Director of the Company is Ms. Wong Emilie Hoi Yan; the non-executive Directors of the Company are Mr. Chen Shuai, Ms. Wong Jacqueline Yue Yee, Ms. Wong Michelle Yatyee and Mr. Wong Ming Bun David; and the independent non-executive Directors of the Company are Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Yu Yang.*