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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)

RESUMPTION GUIDANCE AND QUARTERLY UPDATES ON SUSPENSION OF TRADING

This announcement is made by China Rongzhong Financial Holdings Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the annual report of the Company for the year ended 31 March 2022 (the “**Annual Report**”), in relation to the Company’s auditor’s disclaimers of opinion on the consolidated financial statements of the Group for the year ended 31 March 2022 (the “**Disclaimer of Opinion**”); and, the interim report of the Company for the six months ended 30 September 2022 (the “**Interim Report**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

RESUMPTION GUIDANCE

On 20 December 2022, the Company has received the following resumption guidance from the Stock Exchange (the “**Resumption Guidance**”):

- (i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion would no longer be required and disclose sufficient information to enable investors to make an informed assessment of the Company’s financial positions as required under Rule 13.50A of the Listing Rules; and
- (ii) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position.

The Stock Exchange required the Company to meet all Resumption Guidance and remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes.

Under Rule 6.01A(1), the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on **26 March 2024**. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by **26 March 2024**, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

BUSINESS OPERATIONS

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.

As at the date of this announcement, the Group continued the implementation of its business strategies to (i) enhance synergies across multiple platforms within our ecosystem in order to further develop the Group's leasing business; (ii) diversify the Group's business risks through the granting of loans in smaller loan size with more liquid lease assets; and (iii) diversify of geographical risk through the expansion of its operating locations; which in turn will provide sustainable sources of revenue to the Group while diversifying the Group's business risks, enhance its financial performance and creating value for the shareholders of the Company

UPDATES ON PROGRESS OF RELEVANT MATTERS

In respect of "Material uncertainties relating to going concern"

As disclosed in the Annual Report, 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. As disclosed in the Interim Report, 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 30 November 2022 and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

As disclosed in the Annual Report, in respect of the Group’s lease receivables and receivables arising from sale and leaseback arrangements of their net carrying amounts of approximately HK\$309,371,000 and HK\$817,669,000 associated with deposits received from customers of approximately HK\$207,963,000 and HK\$214,813,000 as at 31 March 2022 and 2021, respectively, 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 during the year ended 31 March 2021.

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”

As disclosed in the Annual Report, 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 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 the Annual 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 (or, if applicable, rejected) 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, 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. 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.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 27 September 2022 and will remain suspended until further notice.

The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the status and development of the Company as and when appropriate, as well as announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Shareholders of the Company and potential investors should exercise extreme caution when dealing in the shares of the Company.

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

Hong Kong, 22 December 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 and Mr. Ng Wing Chung Vincent.