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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: 3963)**

### **PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016 AND CLOSURE OF REGISTER OF MEMBERS**

#### **FINANCIAL HIGHLIGHTS**

- Revenue of the Group for the year ended 31 March 2016 amounted to approximately HK\$205.0 million, representing a decrease of approximately 9.7% from approximately HK\$226.9 million as recorded in the year ended 31 March 2015. The decrease was mainly due to the Group's prudent and conservative strategy to promote business selected customers of high calibre and creditability during the static economy in order to safeguard the Group's asset.
- Profit for the year attributable to owners of the Company amounted to approximately HK\$51.6 million, representing a decrease of approximately 21.3% from approximately HK\$65.6 million recorded in the year ended 31 March 2015. The decrease was mainly due to listing expenses recognised during the Reporting Period.
- Basic and diluted earnings per share for 2016 were HK\$0.16 as compared with HK\$0.22 for 2015.
- The Board does not recommend payment of final dividend for the year ended 31 March 2016. The proposal is subject to the approval of shareholders of the Company at the 2016 annual general meeting (the "2016 AGM") to be held on 29 August 2016.

#### **ANNUAL RESULTS**

The board of directors (the "Board") of China Rongzhong Financial Holdings Company Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016 (the "Reporting Period") with comparative figures for the year ended 31 March 2015. All amounts set out in this announcement are expressed in Hong Kong dollars (HK\$) unless otherwise indicated.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 MARCH 2016*

	<i>NOTES</i>	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
Revenue	4	<b>205,010,114</b>	226,942,893
Other income	5	<b>3,526,484</b>	5,816,853
Net exchange gain		<b>4,402,206</b>	–
Staff costs		<b>(9,727,417)</b>	(4,539,010)
Impairment losses on finance lease receivable		<b>(9,481,330)</b>	(14,667,475)
Other operating expenses		<b>(31,851,368)</b>	(16,554,529)
Finance costs	6	<b>(87,697,206)</b>	(105,234,898)
Profit before taxation		<b>74,181,483</b>	91,763,834
Taxation	7	<b>(22,587,342)</b>	(26,200,670)
Profit for the year	8	<b>51,594,141</b>	65,563,164
<i>Other comprehensive income</i>			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		<b>(42,871,588)</b>	–
Total comprehensive income for the year		<b>8,722,553</b>	65,563,164
Earnings per share			
Basic and diluted ( <i>HK cents</i> )	10	<b>16</b>	22

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2016**

	<i>NOTES</i>	<b>2016</b> <b>HK\$</b>	2015 HK\$
Non-current assets			
Equipment		<b>1,291,634</b>	2,136,150
Finance lease receivable	<i>11</i>	<b>647,370,392</b>	594,676,244
Deposit for equipment		<b>437,331</b>	–
Deferred tax assets	<i>12</i>	<b>10,689,058</b>	8,900,810
		<u><b>659,788,415</b></u>	<u>605,713,204</u>
Current assets			
Loan to a related company		–	73,297,468
Finance lease receivable	<i>11</i>	<b>1,107,845,927</b>	1,343,512,390
Prepayments and other receivables		<b>10,866,689</b>	11,293,517
Security deposits		<b>6,672,052</b>	23,764,827
Short term bank deposits with original maturity within three months		<b>51,006,839</b>	6,019,840
Bank balances and cash		<b>182,032,403</b>	18,511,614
		<u><b>1,358,423,910</b></u>	<u>1,476,399,656</u>
Current liabilities			
Amount due to a related company		–	469,061
Other payables and accrued charges		<b>48,178,294</b>	10,189,353
Deposits from finance lease customers		<b>204,275,709</b>	268,946,687
Deferred income		<b>8,359,555</b>	16,936,245
Tax liabilities		<b>14,325,433</b>	6,663,829
Bank borrowings		<b>353,435,714</b>	467,810,127
		<u><b>628,574,705</b></u>	<u>771,015,302</u>
Net current assets		<u><b>729,849,205</b></u>	<u>705,384,354</u>
Total assets less current liabilities		<u><b>1,389,637,620</b></u>	<u>1,311,097,558</u>
Capital and reserves			
Share capital		<b>4,125,090</b>	814,492
Reserves		<b>838,673,259</b>	608,571,332
Total equity		<u><b>842,798,349</b></u>	<u>609,385,824</u>
Non-current liabilities			
Deposits from finance lease customers		<b>78,551,194</b>	152,701,000
Deferred income		<b>5,349,089</b>	6,952,507
Bank borrowings		<b>462,938,988</b>	540,475,949
Deferred tax liabilities	<i>12</i>	–	1,582,278
		<u><b>546,839,271</b></u>	<u>701,711,734</u>
		<u><b>1,389,637,620</b></u>	<u>1,311,097,558</u>

## 1. GENERAL INFORMATION

The financial results have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations (“INT”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the Hong Kong Companies Ordinance. The financial results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective which may be relevant to the Group.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

## 3. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing financial leasing services in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group’s operation is in the PRC. All the Group’s revenue and non-current assets are principally attributable to the PRC.

Revenue from customers of the corresponding years contributing over 10% of the total financial leasing services of the Group are as follows:

	<b>2016</b>	2015
	<b>HK\$</b>	HK\$
Customer A	<b>38,449,063</b>	41,866,960
Customer B	<b>20,745,763</b>	N/A <sup>1</sup>

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 4. REVENUE

Revenue for the Reporting Period represents income received and receivable from the provision of financial leasing service in the PRC.

## 5. OTHER INCOME

	2016 HK\$	2015 HK\$
Interest income from loan to a related company	3,288,118	5,568,377
Bank interest income	237,449	248,476
Others	917	–
	<u>3,526,484</u>	<u>5,816,853</u>

## 6. FINANCE COSTS

	2016 HK\$	2015 HK\$
Interest on borrowings	56,577,777	72,358,893
Guarantee fee paid to a related company	3,647,851	4,345,270
Imputed interest expense on interest-free deposits from finance lease customers	27,471,578	28,530,735
	<u>87,697,206</u>	<u>105,234,898</u>

## 7. TAXATION

	2016 HK\$	2015 HK\$
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current year	25,204,995	28,223,371
– (Over) under provision in prior year	(247,320)	61,890
– Withholding tax	1,582,278	–
	<u>26,539,953</u>	<u>28,285,261</u>
Deferred tax ( <i>Note 12</i> )	<u>(3,952,611)</u>	<u>(2,084,591)</u>
	<u>22,587,342</u>	<u>26,200,670</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable income during both years.

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiary in the PRC is subject to the tax rate of 25% during both years.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2016</b> <i>HK\$</i>	2015 <i>HK\$</i>
Profit before taxation	<b>74,181,483</b>	91,763,834
Tax at the domestic income tax rate in the PRC of 25%	<b>18,545,371</b>	22,940,959
Tax effect of income not taxable for tax purposes	<b>(7,689,924)</b>	(8,524,778)
Tax effect of expenses not deductible for tax purposes	<b>11,979,215</b>	10,140,321
Deferred tax (reversed) recognised on undistributed earnings of the Group's PRC subsidiary	<b>(1,582,278)</b>	1,582,278
(Over) under provision in prior year	<b>(247,320)</b>	61,890
Withholding tax levied on dividend declared	<b>1,582,278</b>	–
Tax charge for the year	<b>22,587,342</b>	26,200,670

## 8. PROFIT FOR THE YEAR

	<b>2016</b> <i>HK\$</i>	2015 <i>HK\$</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	<b>459,398</b>	120,000
– Short-term benefits	<b>2,179,563</b>	743,869
– Retirement benefit scheme contributions	<b>76,623</b>	3,038
Salaries, allowances and other staff benefits	<b>6,422,686</b>	3,422,844
Staff's retirement benefit scheme contributions	<b>589,147</b>	249,259
Total staff costs	<b>9,727,417</b>	4,539,010
Depreciation of equipment	<b>848,496</b>	433,031
Auditor's remuneration	<b>964,286</b>	916,229
Operating lease rentals in respect of properties	<b>3,069,935</b>	2,465,343
Listing expenses	<b>20,025,359</b>	6,882,025

## 9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

## 10. EARNINGS PER SHARE

The basic and diluted earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the year on the assumption that the Reorganisation had been effective since 1 April 2014.

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>51,594,141</u>	<u>65,563,164</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>318,785,087</u>	<u>300,000,000</u>

The Group has considered the over-allotment option granted by the Company in the calculation of diluted earnings per share. As the exercise price of the over-allotment option is approximately equal to the average market price of the Company's shares between the listing date of the Company's shares and the exercise date of the over-allotment option, the over-allotment option has no impact on the computation of diluted earnings per share. The Group had no other potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

## 11. FINANCE LEASE RECEIVABLE

The Group provides financial leasing services in the PRC.

	Minimum lease payments		Present value of minimum lease payments	
	2016 <i>HK\$</i>	2015 <i>HK\$</i>	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Finance lease receivable comprise:				
Within one year	<u>1,273,212,641</u>	1,499,499,155	<u>1,141,753,945</u>	1,371,075,228
In more than one year but not more than five years	<u>736,666,149</u>	672,844,254	<u>656,218,606</u>	602,716,647
	<u>2,009,878,790</u>	2,172,343,409	<u>1,797,972,551</u>	1,973,791,875
Less: Unearned finance income	<u>(211,906,239)</u>	(198,551,534)	-	-
Present value of minimum lease payment	<u>1,797,972,551</u>	1,973,791,875	<u>1,797,972,551</u>	1,973,791,875
Less: Collective impairment allowance	<u>(16,291,562)</u>	(18,662,651)	<u>(16,291,562)</u>	(18,662,651)
Individual impairment allowance	<u>(26,464,670)</u>	(16,940,590)	<u>(26,464,670)</u>	(16,940,590)
	<u>1,755,216,319</u>	1,938,188,634	<u>1,755,216,319</u>	1,938,188,634
Analysed for reporting purposes as:				
Current assets			<u>1,107,845,927</u>	1,343,512,390
Non-current assets			<u>647,370,392</u>	594,676,244
			<u>1,755,216,319</u>	1,938,188,634

The Group's finance lease receivable are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 9.3% to 25.0% (2015: 9.3% to 24.3%) per annum as at 31 March 2016.

## 12. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during both years:

	<b>Allowances for bad and doubtful debts</b> <i>HK\$</i>	<b>Undistributed earnings of a subsidiary</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
At 1 April 2014	5,233,941	–	5,233,941
Credit (charge) to profit or loss	3,666,869	(1,582,278)	2,084,591
At 31 March 2015	8,900,810	(1,582,278)	7,318,532
Exchange adjustments	(582,085)	–	(582,085)
Credit to profit or loss	2,370,333	–	2,370,333
Release upon distribution of earnings	–	1,582,278	1,582,278
At 31 March 2016	10,689,058	–	10,689,058

Under the EIT Law, withholding tax of 5% is imposed on dividends declared in respect of profits earned by the subsidiary in the PRC from 1 January 2008 onwards. As at 31 March 2015, the Group provided for deferred tax liability of HK\$1,582,278 in respect of withholding tax imposed on dividend declared after the year ended 31 March 2015 by the subsidiary in the PRC of HK\$31,645,570 for the payment of professional fee relating to initial public offering. Other than that, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately HK\$275,784,000 (2015: HK\$206,045,000) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiary in the PRC will not distribute any further dividend in the foreseeable future.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

The Group is principally engaged in the business of provision of financial leasing services in Hubei Province and maintained its leading position with the longest operating history amongst the Hubei-based finance lease companies. The Group mainly offers two categories of financial leasing products to our customers; namely: (i) sales and leaseback; and (ii) direct finance leasing. In addition, value-added services such as advisory and consultancy services are also offered to our finance lease customers.

#### **Sales and leaseback**

In the provision of sales and leaseback transactions, the lessee would sell their existing assets to the lessor, and the Group, being the lessor would then leases the assets back to the lessee for its use during the lease term. The lease term is usually three years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, together with interests and other fees to the lessor. At the end of the lease term or when all obligations under the lease had been fulfilled by the lessee, the ownership of the assets will be transferred back to the lessee at minimal or zero value.

#### **Direct finance leasing**

In the provision of direct finance leasing, we as the lessor, will purchase the assets under the lease agreement from the seller, pursuant to the instructions given by the lessee. The assets will be provided for the lessee's use, usually for a lease term of three years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, together with interest and other fees to the lessor. At the end of the lease term or when all obligations under the lease had been fulfilled by the lessee, the ownership of the assets will be transferred to the lessee at minimal or zero value. Direct finance leasing is very popular amongst customers who plan to commence on new projects, expand production, make advancements and upgrade in technology and have finance demands to purchase new equipment. In some cases, we may work with equipment manufacturers to conduct direct finance leasing, where the equipment manufacturers as seller will provide certain guarantee to the Group in regards to the performance of the lessee's obligations under the finance lease.

#### **Advisory services**

Advisory service is provided to our finance lease customers as a value added service in conjunction with our financial leasing service. Usually, throughout the course of our due diligence work when arranging financing for our customers, we learned that our customers usually requires some forms of financial planning or advisory services in relation to their financing options, cash management and optimizing their assets for the purpose of fund raising. From the information we have collected about the customers, we were then able to offer advisory service catering their specific needs and requirements. Hence, we have make use of this opportunity and emerged into the provision of advisory services for customers in order to complement our finance lease services in a more unique aspect.

## Global offering

In January 2016, the Company successfully completed its listing on the Main Board of the Stock Exchange, marking yet another milestone of the Group in business development and entering the international capital platform. This step forward not only enable us to strengthen our operations in Hubei Province, also given us extensive opportunities and robust capital strength toward continuous expansion in financial leasing and related business throughout China.

## Use of proceeds from the initial public offering

The Company was listed on the Main Board of the Stock Exchange on 28 January 2016. The net proceeds from the Company's issue of new shares (including the proceeds from the exercise of the over-allotment option) were approximately HK\$197.6 million (after deducting expenses relating specifically to the issue of new shares in the Listing and expenses relating generally to the listing of all the shares of the Company, whether existing or new).

As at 31 March 2016, the net proceeds from the initial public offering has been utilised in the following manner:

	<i>HK\$' million approximately</i>
Net proceeds	197.6
Finance leasing operations	<u>(99.4)</u>
Balance at bank	<u><u>98.2</u></u>

## FINANCIAL REVIEW

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

### Revenue

We have one principal business segment, financial leasing, and our two services derived are financial leasing service and our financial advisory service provided as a valued added service to our leasing customers, which in turns generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Our advisory income is determined solely on the advisory service we provide and since our advisory services are provided in conjunction with our leasing service, we record both type of income as a single item in our financial statements. The Group realised revenue for the Reporting Period approximately of HK\$205.0 million, representing a decrease of approximately 9.7% from approximately HK\$226.9 million as recorded in the previous year. This was mainly due to the Group's prudent and conservative strategy to promote business with customers of high caliber and creditability during the static economy in order to safeguard the Group's asset.

### Staff costs

Staff costs of the Group amounted to approximately HK\$9.7 million for the Reporting Period, representing an increase of approximately 115.6% from approximately HK\$4.5 million recorded in the last year. This was mainly due to the additional appointment of staffs and directors, and incentive payments in relation to the global offering.

## **Other operating expenses**

During the Reporting Period, the other operating expenses of the Group amounted to approximately HK\$31.9 million, which is increase by approximately 92.2% compared with approximately HK\$16.6 million of last year. This increase was mainly due to non-recurring expenses for global offering.

## **Impairment losses on finance lease receivable**

The impairment losses on finance lease receivable of the approximately HK\$9.5 million, representing a decrease of approximately 35.4% from approximately HK\$14.7 million recorded last year.

## **Profit for the year attributable to owners of the Company**

Profit for the year attributable to owners of the Company amounted to approximately HK\$51.6 million, representing a decrease of approximately 21.3% from approximately HK\$65.6 million recorded in the year ended 31 March 2015. The decrease was mainly due to listing expenses recognised during the Reporting Period, apart from this reason, the profit slightly decrease to approximately HK\$71.6 million (2015: approximately HK\$72.4 million).

## **Dividend**

The Board does not recommend the payment of final dividend for the year ended 31 March 2016. The proposal is subject to the approval of shareholders of the Company at the 2016 annual general meeting (“AGM”) to be held on 29 August 2016.

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

As at 31 March 2016, the aggregate sum of the Group’s bank balances and cash, short-term bank deposits amounted to approximately HK\$233.0 million, representing an increase of approximately HK\$208.5 million compared to last year, this was mainly due to proceed from Global Offering. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK\$729.8 million (2015: approximately HK\$705.4 million) and approximately HK\$842.8 million (2015: approximately HK\$609.4 million).

As at 31 March 2016, the Group’s bank borrowings with maturity within one year amount to approximately HK\$353.4 million (2015: approximately HK\$467.8 million) and the Group’s bank borrowings with maturity exceed one year amount to approximately HK\$462.9 million (2015: approximately HK\$540.5 million).

## **Charges on Group assets**

As at 31 March 2016, the Group’s finance lease receivable with an aggregate carrying value of approximately HK\$809.9 million (2015: approximately HK\$1,003.5 million) was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

## **Employees and remuneration policy**

As at 31 March 2016, the Group had 48 staffs located in both Hong Kong and PRC, 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 scheme and training subsidies to our employees.

## **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 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 turns charging to our clients by the same amount in order to minimize our risk of exposure to such interest rate risk.

## **Foreign exchange risk**

The functional currency of the Company and the Group is Renminbi (“RMB”) and the consolidated financial statements are presented in Hong Kong dollars. As a result, fluctuations in the value of the RMB could have an adverse effect on our performance, results of operations and financial condition. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider appropriate measures should the need arise.

## **PROSPECTS**

Looking forward in 2016, the Company will make continuous efforts to support the Group to further develop its operations in Hubei Province, and will continue to strengthen the Group’s competitive position in other regions in PRC with similar dynamics to Wuhan and Hubei Province while seeking growth opportunities in various new industries that may requires financial leasing as means for meeting their funding need.

The Company is likely to face challenges from the overall economic down-turn, and face with the result of many corporations and SMEs continue to effected by the short term liquidity pressure due to tightening of credit policies and collections on receivables. Despite the challenges still being posed to the PRC and global economy and the effects of exchange rates fluctuation, we will endeavor to uphold our high standards of management as to maintain our leading status among industry players and achieve satisfactory results in this challenging environment.

## **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 2016.

## **CONTINGENT LIABILITIES**

As at 31 March 2016, the Group did not have any material contingent liabilities of guarantees (2015: nil).

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

The Group had no material subsequent events after the period under review.

## CONTINUING CONNECTING PARTY TRANSACTION

### CONNECTED PERSONS

#### **Rongzhong Group Limited (“Rongzhong Group”)**

Goldbond Group Holdings Limited (“Goldbond”), as one of our major shareholders and Hony Capital Fund 2008, L.P. (“Hony Capital”), also one of our 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**

Xie Xiaoqing (“Mr. Xie”), our chairman and executive director, 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 武漢市融眾投資擔保有限公司 (“Wuhan Rongzhong”). Pursuant to the Listing Rules, Rongzhong Internet and Wuhan Rongzhong are associates of Mr. Xie and therefore are connected persons of our Company.

#### ***Exempt Continuing Connected Transactions***

##### *Trademark Licence Agreements*

On June 15, 2015, Rongzhong Capital, our wholly-owned subsidiary, entered into a trademark 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 non-exclusive 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 the paragraph headed “Further Information about our Business – 2. Our Intellectual Property Rights” in Appendix IV to this prospectus subject to the terms and conditions therein. During the term of the Trademark 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 Trademark 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 Trademark 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 all our finance leases, in addition to the leased assets, we normally require our customers to provide additional securities to us to 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 finance leasing entity. In this regard Rongzhong International Financial Leasing Co., Ltd (“Rongzhong PRC”), our main operating entity, entered into (i) three finance lease guarantee agreements with Wuhan Rongzhong on November 25, 2014, December 30, 2014 and May 1, 2015, respectively and (ii) two finance lease guarantee agreements with Wuhan Jinhong on May 15, 2014 and January 13, 2016 (collectively as the “Finance Lease Guarantee Agreements”) 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 leases entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have lapsed. All the guarantee fees paid to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

### *Litigation Guarantee Framework Agreements*

We are involved in a number of legal proceedings arising in the ordinary course of our operations. These legal proceedings generally involve claims initiated by us to recover lease payments from our customers. In some of these legal proceedings, we have applied to the PRC courts to freeze the assets of some of our customers to recover the outstanding lease payments due to us (the “Freezing Application”). Under the applicable PRC laws and regulations, we are required to provide a guarantee to the PRC courts in respect of the Freezing Application. In this regard, Rongzhong PRC, our main operating entity, entered into a litigation guarantee framework agreement (the “Litigation Guarantee Framework Agreements”) with each of Wuhan Jinhong and Wuhan Rongzhong on December 29, 2014 pursuant to which Wuhan Jinhong and Wuhan Rongzhong agreed to provide guarantees in favor of any PRC courts in relation to any legal proceedings of Rongzhong PRC which require or involve a Freezing Application. The Litigation Guarantee Framework Agreements are for a term of three years and no guarantee fee is payable by Rongzhong PRC to Wuhan Jinhong and Wuhan Rongzhong for their provision of guarantee services under the Litigation Guarantee Framework Agreements.

### *The Bank Guarantee Agreements*

On 22 February 2016, Mr. Xie and Rongzhong Capital Investments had each entered into a bank guarantee agreement with the bank (the “Bank Guarantee Agreements”) pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantee in favor of the bank for its 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.

As at 31 March 2016, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to bank as security for its grant of loans to the Rongzhong PRC.

<b>Guarantor(s)</b>	<b>*As at 28 January, 2016</b>	<b>As at 31 March, 2016</b>
	<i>(HK\$' million approximately)</i>	
Mr. Xie	–	153.6
Rongzhong Capital Investments	–	153.6

\* Completion date of global offering

The Trademark Licence Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements are in favorable terms to our Group and all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules are less than 0.10%. Accordingly, the Trademark Licence Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee 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 2015/16 CONSOLIDATED FINANCIAL STATEMENTS**

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

## **SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU**

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 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **CORPORATE GOVERNANCE**

The Group is committed to promoting 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 Listing Rules of the Stock Exchange.

## **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.

## **ANNUAL GENERAL MEETING**

The 2016 AGM will be held on Monday, 29 August 2016 at Bowen Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong. The notice of the 2016 AGM will be published on the websites of the Stock Exchange and the Company and sent to the shareholders of the Company (the “Shareholders”), together with the Company’s 2015/16 Annual Report, in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of determining Shareholders’ eligibility to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Thursday, 25 August 2016 to Monday, 29 August 2016 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualified for attending and voting at the 2016 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 Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by not later than 4:30 pm on Wednesday, 24 August 2016.

By order of the Board  
**China Rongzhong Financial Holdings Company Limited**  
**Xie Xiaoqing**  
*Chairman*

Hong Kong, 24 June 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Xie Xiaoqing and Mr. Li Fan; the non-executive Directors of the Company are Mr. Ding Chung Keung Vincent, Ms. Wong Jacqueline Yue Yee and Mr. Sun Changyu and the independent non-executive Directors of the Company are Mr. Nie Yong, Mr. Duan Chang Feng, and Ms. Zou Lin.*