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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)

**ANNOUNCEMENT FOR THE UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of China Rongzhong Financial Holdings Company Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2016 (the “Reporting Period”) together with comparative figures. All amounts set out in this announcement are expressed in Hong Kong dollars (“HK\$”) unless otherwise indicated.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	103,414	114,033
Other income		2,128	2,131
Net exchange gain		1,321	156
Staff costs		(5,160)	(4,196)
Impairment losses on finance lease receivables		(8,429)	(5,177)
Other operating expenses		(8,029)	(14,442)
Finance costs	4	<u>(32,077)</u>	<u>(47,995)</u>
Profit before taxation		53,168	44,510
Taxation	5	<u>(14,095)</u>	<u>(13,105)</u>
Profit for the period	6	39,073	31,405
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		<u>(20,356)</u>	<u>(23,297)</u>
Total comprehensive income for the period		<u><u>18,717</u></u>	<u><u>8,108</u></u>
Earnings per share			
Basic and diluted (HK cents)	8	<u><u>9</u></u>	<u><u>10</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	<i>Notes</i>	30.9.2016 <i>HK\$'000</i> (Unaudited)	31.3.2016 <i>HK\$'000</i> (Audited)
Non-current assets			
Equipment		3,058	1,292
Finance lease receivables	<i>9</i>	599,158	647,370
Deposit for equipment		–	437
Deposits for other assets		13,953	–
Deferred tax assets	<i>10</i>	12,548	10,689
		<u>628,717</u>	<u>659,788</u>
Current assets			
Finance lease receivables	<i>9</i>	1,222,480	1,107,846
Loan receivable		10,186	–
Prepayments and other receivables		9,431	10,867
Security deposits		12,030	6,672
Short term bank deposits with original maturity within three months		30,008	51,007
Bank balances and cash		27,744	182,032
		<u>1,311,879</u>	<u>1,358,424</u>
Current liabilities			
Deposits from finance lease customers		197,262	204,276
Other payables and accrued charges		32,756	48,178
Deferred income		6,551	8,360
Tax liabilities		26,054	14,325
Bank borrowings		515,533	353,436
		<u>778,156</u>	<u>628,575</u>
Net current assets		<u>533,723</u>	<u>729,849</u>
Total assets less current liabilities		<u>1,162,440</u>	<u>1,389,637</u>
Capital and reserves			
Share capital		4,125	4,125
Reserves		857,390	838,673
Total equity		<u>861,515</u>	<u>842,798</u>
Non-current liabilities			
Deposits from finance lease customers		64,166	78,551
Deferred income		3,337	5,349
Bank borrowings		233,422	462,939
		<u>300,925</u>	<u>546,839</u>
		<u>1,162,440</u>	<u>1,389,637</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- | | |
|--|---|
| • Amendments to HKAS 1 | <i>Disclosure Initiative</i> |
| • Amendments to HKAS 16 and HKAS 38 | <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> |
| • Amendments to HKAS 16 and HKAS 41 | <i>Agriculture: Bearer Plants</i> |
| • Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | <i>Investment Entities: Applying the Consolidation Exception</i> |
| • Amendments to HKFRS 11 | <i>Accounting for Acquisitions of Interests in Joint Operations</i> |
| • Amendments to HKFRSs | <i>Annual Improvements to HKFRSs 2012-2014 Cycle</i> |

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue for the reporting period represents income received and receivable from the provision of financial leasing services in the PRC.

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.

4. FINANCE COSTS

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Interest on borrowings	26,350	31,339
Guarantee fee paid to a related company	–	2,304
Imputed interest expense on interest-free deposits from finance lease customers	5,727	14,352
	<u>32,077</u>	<u>47,995</u>

5. TAXATION

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current period	16,181	14,646
– Under (over) provision in prior period	21	(247)
– Withholding tax	–	1,582
	<u>16,202</u>	<u>15,981</u>
Deferred tax (<i>Note 10</i>)	<u>(2,107)</u>	<u>(2,876)</u>
	<u>14,095</u>	<u>13,105</u>

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

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary was 25% during the reporting period.

No withholding tax has been provided for the current interim period in the condensed consolidated financial statements, and details are set out in note 10.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Directors' remuneration	1,920	1,133
Other staff costs		
– Salaries, allowances and other staff benefits	2,926	2,815
– Staff's retirement benefit scheme contributions	314	248
Total staff costs	<u>5,160</u>	<u>4,196</u>
Depreciation of equipment	1,164	432
Operating lease rentals in respect of properties	1,293	1,485
Listing expenses	–	10,198

7. DIVIDENDS

No dividends were paid, declared or proposed during the current and prior reporting periods. The directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

8. EARNINGS PER SHARE

	Six months ended 30 September	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>39,073</u>	<u>31,405</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (in thousands)	<u>412,509</u>	<u>300,000</u>

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 periods ended 30 September 2015 and 2016 on the assumption that the group reorganisation had been effective since 1 April 2015.

The Group had no potential ordinary shares in issue during both periods.

9. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)	30 September 2016 <i>HK\$'000</i> (Unaudited)	31 March 2016 <i>HK\$'000</i> (Audited)
Finance lease receivables comprise:				
Within one year	1,404,189	1,273,213	1,262,939	1,141,754
In more than one year but not more than five years	673,081	736,666	608,890	656,219
	<u>2,077,270</u>	<u>2,009,879</u>	<u>1,871,829</u>	<u>1,797,973</u>
Less: Unearned finance income	(205,441)	(211,906)	–	–
	<u>1,871,829</u>	<u>1,797,973</u>	<u>1,871,829</u>	<u>1,797,973</u>
Present value of minimum lease payment	1,871,829	1,797,973	1,871,829	1,797,973
Less: Collective impairment allowance	(18,385)	(16,292)	(18,385)	(16,292)
Individual impairment allowance	(31,806)	(26,465)	(31,806)	(26,465)
	<u>1,821,638</u>	<u>1,755,216</u>	<u>1,821,638</u>	<u>1,755,216</u>
Analysed for reporting purposes as:				
Current assets			1,222,480	1,107,846
Non-current assets			599,158	647,370
			<u>1,821,638</u>	<u>1,755,216</u>

The Group's finance lease receivables 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 23.9% (31 March 2016: 9.3% to 25.0%) per annum as at 30 September 2016.

10. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Group and movements thereon during both periods:

	Allowances for bad and doubtful debts <i>HK\$'000</i>	Undistributed earnings of a subsidiary <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015 (audited)	8,901	(1,582)	7,319
Exchange adjustments	(348)	–	(348)
Credit to profit or loss	1,294	–	1,294
Release upon distribution of earnings	–	1,582	1,582
	<hr/>	<hr/>	<hr/>
At 30 September 2015 (unaudited)	9,847	–	9,847
	<hr/>	<hr/>	<hr/>
Exchange adjustments	(234)	–	(234)
Credit to profit or loss	1,076	–	1,076
	<hr/>	<hr/>	<hr/>
At 31 March 2016 (audited)	10,689	–	10,689
	<hr/>	<hr/>	<hr/>
Exchange adjustments	(248)	–	(248)
Credit to profit or loss	2,107	–	2,107
	<hr/>	<hr/>	<hr/>
At 30 September 2016 (unaudited)	<u>12,548</u>	<u>–</u>	<u>12,548</u>

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 1 April 2015, the Group provided for deferred tax liability of HK\$1,582,000 in respect of withholding tax imposed on dividend declared after the year ended 31 March 2015 by the subsidiary in the PRC of HK\$31,646,000 for the payment of professional fee relating to initial public offering. Other than that, deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately HK\$317,981,000 (31 March 2016: HK\$275,784,000) 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

* *All ratios calculated in this announcement are calculated with number rounded up to single digits.*

BUSINESS OVERVIEW

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

Use of proceeds from the initial public offering

The Company was listed on the main board of the Stock Exchange of Hong Kong Limited (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 (the "Shares"), whether existing or new). As at 30 September 2016, the net proceeds from the initial public offering has been utilized in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 18 January 2016 (the "Prospectus"), the remaining balance of approximately HK\$16.4 million is placed in short-term bank deposit.

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 services and our financial advisory services 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 services we provide and since our advisory services are provided in conjunction with our leasing services, we record both types of income as a single item in our financial statements. The Group realized revenue for the Reporting Period of approximately HK\$103.4 million, representing a decrease of approximately 9.3% from approximately HK\$114.0 million as recorded in the previous corresponding period ended 30 September 2015. This was mainly due to the Group's prudent and conservative strategy to promote business amongst customers of high caliber and creditability during the static economy in order to safeguard our asset.

Staff costs

Staff costs of the Group amounted to approximately HK\$5.2 million for the Reporting Period, representing an increase of approximately 23.0% from approximately HK\$4.2 million recorded in the previous corresponding period ended 30 September 2015. This was mainly due to the additional appointment of staffs and directors in relation to the global offering.

Other operating expenses

During the Reporting Period, the other operating expenses of the Group amounted to approximately HK\$8.0 million, which is decreased by approximately 44.4% compared with approximately HK\$14.4 million of the previous corresponding period in 2015. This was mainly due to non-recurring listing expenses recorded in previous corresponding period in 2015.

Impairment losses on finance lease receivables

The impairment losses on finance lease receivables is approximately HK\$8.4 million for the Reporting Period, representing an increase of approximately 62.8% from approximately HK\$5.2 million recorded in the previous corresponding period in 2015.

Other income

Other income of the Group mainly comprised of interest income from loan, government incentives and bank interest income. During the Reporting Period, the other income of the Group amount to approximately HK\$2.1 million, which is a decrease of approximately 0.1% from approximately HK\$2.1 million recorded in the previous corresponding period in 2015.

Profit for the period attributable to the owners of the Company

Profit for the period attributable to the owners of the Company amounted to approximately HK\$39.1 million, representing an increase of approximately 24.4% from approximately HK\$31.4 million recorded in the previous corresponding period ended 30 September 2015. The increase was mainly due to non-recurring listing expenses recognized in the previous corresponding period.

Interim dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2016.

Liquidity, financial resources and capital resources

As at 30 September 2016, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK\$57.8 million (31 March 2016: approximately HK\$233.0 million), representing a decrease of approximately HK\$175.2 million compared to 31 March 2016, this decrease was mainly due to the increase in the volume of finance lease operations using our internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK\$533.7 million (31 March 2016: approximately HK\$729.8 million) and approximately HK\$861.5 million (31 March 2016: approximately HK\$842.8 million).

As at 30 September 2016, the Group's bank borrowings with maturity within one year amount to approximately HK\$515.5 million (31 March 2016: approximately HK\$353.4 million) and the Group's bank borrowings with maturity exceed one year amount to approximately HK\$233.4 million (31 March 2016: approximately HK\$462.9 million).

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2016 is approximately 86.9% (31 March 2016: approximately 96.9%).

Loan receivable

Loan receivable represents a loan, due within one year, to a third party during the Reporting Period in Hong Kong and carry interest at 10% per annum.

Charges on group assets

As at 30 September 2016, the Group's finance lease receivables with an aggregate carrying value of approximately HK\$705.6 million (31 March 2016: approximately HK\$809.9 million) was pledged to several banks in PRC respectively to secure certain bank borrowings of the Group.

Capital commitments

As at 30 September 2016, the Group has no capital commitments (31 March 2016: approximately HK\$0.2 million).

Employees and remuneration policy

As at 30 September 2016, the Group had 34 staffs located in both Hong Kong and China, their remuneration is determined based on the employees' performance, experience and prevailing industry practices.

In Hong Kong, we participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group and 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 the PRC laws to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits.

RISK FACTORS AND MANAGEMENT

Credit risk of small medium enterprises (“SMEs”) in China

Our business is position to fulfill the financing needs of SMEs in Hubei Province and the sustainability of our business and future growth depends on our ability to manage our credit risk effectively. As such, any deterioration in our asset quality or collectability of our finance lease receivables could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure in China, it is inevitable for some corporations to face with a greater risk on default, especially the SMEs. Most SMEs customers in general have less financial resources in terms of capital or fund raising capability when comparing to larger corporations, they are more likely to be adversely affected by changes in market conditions, which poses increasing risk of default to our Group. In addition, the value of the leased assets and the collaterals securing our leases may decline upon repossession due to various factors such as economic downturn, reduced of market demand, devaluation, oversupply, or damage, etc.

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 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

Even though substantially all of our revenue and expenses are denominated in Renminbi (“RMB”), 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 our Shares 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.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any material contingent liabilities of guarantees (31 March 2016: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

OUTLOOK AND PLANS

In the first half of 2016, we have seen the maintenance in overall stability and progressive development of the overall economy in China. Despite the global divergent economic recovery and challenging operation environment, we managed to maintain our operations at a similar level in comparison to previous corresponding period. In the second half of 2016, we will continue with our current prudent approach, effectively controlling our cost and conservatively promoting business amongst customers of high calibre to adapt to this challenging environment. We will continue to seek out opportunities in other industries which requires financial leasing as an alternative means of financing, including but not limited to transportation, medical, education, culture and art related industries.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 rules governing the listing of securities on the Stock Exchange Hong Kong Limited (“Listing Rules”). During the Reporting Period, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

AUDIT COMMITTEE

The Audit Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code. The primary duties of the Audit Committee include but not limited to review and supervise the Group’s financial reporting process and internal control system and provide advices and comments to the Board. As at the date of this announcement, the Audit Committee consisted of two Non-Executive Directors: Mr. Ding Chung Keung Vincent and Mr. Sun Changyu, and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong, and Ms. Zou Lin. The chairman of the Audit Committee is Mr. Nie Yong.

A meeting of the Audit Committee was held to review the accounting principles and policies adopted by the Group; and the unaudited condensed consolidated interim financial statements together with the unaudited interim report for the six months ended 30 September 2016 with the management of the Company and the external auditor of the Company, Deloitte Touche Tohmatsu.

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.

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 period ended 30 September 2016.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.chinarzfh.com) and the Stock Exchange (www.hkexnews.hk). The unaudited interim report of the Company for the six months ended 30 September 2016 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 25 November 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Xiaoqing and Mr. Yao Feng; 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.