RONGZHONG

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 2018

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Rongzhong Financial Holdings Company Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018 (the "**Reporting Period**") 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 2018

	Notes	**Six months ended 30 September 2018** *HK$'000* **(Unaudited)**	2017 *HK$'000* (Unaudited)
Revenue	*3*	**26,025**	68,803
Other income		**2,575**	558
Net exchange gain/(loss)		**3,478**	(2,608)
Staff costs		**(4,113)**	(3,459)
Impairment losses on finance lease receivables		**(57,070)**	(215,993)
Other operating expenses		**(4,143)**	(3,843)
Finance costs	*4*	**(20,523)**	(24,585)
Loss before income tax	*5*	**(53,771)**	(181,127)
Income tax expense	*6*	**(2,805)**	(8,203)
Loss for the period		**(56,576)**	(189,330)
Other comprehensive (expense)/income			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(16,011)**	31,537
Total comprehensive expense for the period		**(72,587)**	(157,793)
Loss per share			
Basic and diluted *(HK cents)*	*8*	**(14)**	(46)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 HK$'000 (Unaudited)	31 March 2018 HK$'000 (Audited)
Non-current assets			
Equipment		**902**	1,409
Finance lease receivables	9	**185,009**	231,313
		185,911	232,722
Current assets			
Finance lease receivables	9	**816,805**	920,419
Loan receivable		**9,776**	10,833
Prepayments and other receivables		**6,638**	7,164
Security deposits		**7,519**	8,169
Short term bank deposits with original maturity within three months		**25,074**	30,128
Bank balances and cash		**14,014**	35,594
		879,826	1,012,307
Current liabilities			
Deposits from finance lease customers		**211,187**	222,125
Other payables and accrued charges		**21,103**	19,818
Deferred income		**766**	1,923
Tax liabilities		**51,249**	53,182
Bank borrowings		**158,881**	491,457
		443,186	788,505
Net current assets		**436,640**	223,802
Total assets less current liabilities		**622,551**	456,524
Non-current liabilities			
Deposits from finance lease customers		**1,588**	8,823
Deferred income		**40**	132
Bank borrowings		**503,390**	239,020
		505,018	247,975
Net assets		**117,533**	208,549
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**113,408**	204,424
Total equity		**117,533**	208,549

NOTES

For the six months ended 30 September 2018

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all of the information required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2018.

Going Concern

The Group recorded a loss of HK$56,576,000 for the six months ended 30 September 2018. In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had total bank borrowings amounted to HK$662,271,000 as at 30 September 2018 of which bank borrowings of HK$158,881,000 would be due for repayment within 12 months from the date of the interim condensed consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$39,088,000 only.

In addition, as at 30 September 2018, there are certain litigations ("**Litigations**") in the People's Republic of China ("**PRC**") and Hong Kong in relation to the guarantors of the Group's bank borrowings, which are relating to non-repayment of the guarantors' liabilities. In accordance with the relevant loan agreements and guarantee agreements of the Group's bank borrowings, in case there are significant litigation against the guarantors or significant worsening of financial position of the guarantors, the Group may have additional obligations to fulfil and/or the banks may claim there are events of default, depending on the terms of the agreements. Should the Litigations constitute or have become events of default under the respective bank loan agreements, including cross-default terms, these might cause an aggregated amount of borrowings up to HK$662,271,000 at 30 September 2018, of which an aggregate amount of HK$503,390,000 had original contractual repayment dates beyond 30 September 2019, to become immediately repayable and the said amount of HK$503,390,000 might be reclassified as current liabilities accordingly.

In addition, as further detailed in note 9, the majority of the Group's finance lease receivables were past due as at 30 September 2018. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$833,775,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 2018 have not yet been collected as at the date of this announcement. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings in the foreseeable future.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group 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.

In view of these circumstances, the directors of the Company 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, taken into account the following relevant matters:

1. **BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)**

(i) Negotiation of obtaining banking facilities and clarifications for the Litigations

The Group has negotiated with the relevant banks to refinance its existing debts and the directors of the Company expect to obtain new banking facilities or renewal of or extensions for repayment of existing bank borrowings in the near future. During the six months ended 30 September 2018, the Group had successfully renewed its debts with principal amounts of approximately HK$328,125,000 for two to three years and have banking facilities of which HK$132,070,000 has not been utilised up to the reporting date. Also, subsequent to the end of the reporting period, the Group successfully renewed bank borrowings of approximately HK$142,182,000 before maturity. The Group has also communicated with the relevant banks if the Litigations may have impacts on the Group's bank borrowings and, up to the date of this announcement, the relevant banks have not taken any action against the Group because of the Litigations. However, as at the date of approval of these interim condensed consolidated financial statements, written and binding new banking facilities letter (except for bank borrowings of HK$142,182,000) and formal clarifications on the impact of the Litigations have not been executed or received from the relevant banks.

(ii) Implementation of active collecting measures of finance lease receivables

The Group has been taking active measures to collect finance lease receivables through various channels including lawsuit, debt restructuring, and any effective methods to improve operating cash flows and its financial position.

(iii) 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.

The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this announcement. They are of the opinion that after taking into account the above plans, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of this announcement. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful in obtaining of sufficient new banking facilities to refinance its existing debts or renewal of or extensions for repayment of existing bank borrowings;

(ii) Successful in negotiations with the relevant banks such that no action will be taken to demand immediate repayments of the borrowings because of the Litigations; and

(iii) Successful implementation of its collecting plan of finance lease receivables to collect a substantial amount of finance lease receivables in the near future.

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. Should the Group be 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 recoverable 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 interim condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2018 except for the adoption of the standards, amendments and interpretations issued by the HKICPA effective for the Group's annual periods beginning on or after 1 April 2018. The impact of the adoption of Hong Kong Financial Reporting Standard ("**HKFRS**") 9 Financial Instruments (note 2.1) and HKFRS 15 Revenue from Contracts with Customers (note 2.2) have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

2.1 HKFRS 9 Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for the Group's annual periods beginning on or after 1 April 2018. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) impairment and (3) general hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the adjustments to the amount recognised in the interim condensed consolidated financial statements.

(a) Classification and measurement of financial assets and financial liabilities

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income; or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(a) Classification and measurement of financial assets and financial liabilities (Continued)

The accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original classification under HKAS 39 and the new classification under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amounts as at 31 March 2018 under HKAS 39** *HK$'000*	**Carrying amounts as at 1 April 2018 under HKFRS 9** *HK$'000*
Finance lease receivables	Loans and receivables	Amortised cost	1,151,732	1,134,177 *(note 2.1(b))*
Loan receivable	Loans and receivables	Amortised cost	10,833	9,959 *(note 2.1(b))*
Other receivables	Loans and receivables	Amortised cost	241	241
Security deposits	Loans and receivables	Amortised cost	8,169	8,169
Short term bank deposits with original maturity within three months	Loans and receivables	Amortised cost	30,128	30,128
Bank balances and cash	Loans and receivables	Amortised cost	35,594	35,594

(b) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECL**") model". The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9, which include finance lease receivables, loan receivable, other receivables, security deposits, short term deposits with maturity within three months and bank balances and cash. HKFRS 9 requires the Group to recognise ECL for financial assets at amortised cost earlier than HKAS 39. Except finance lease receivables and loan receivable, the impairment of other financial assets that are subject to ECL model is immaterial at the date of transition.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(b) Impairment of financial assets (Continued)

The ECL on these financial assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The Group measures the loss allowances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For financial assets at amortised cost, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition, and it comes to stage 3 when it is credit impaired (but it is not purchased original credit impaired). HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience that is available without undue cost or effort.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of advances and receivables where the corresponding adjustment is recognised through a loss allowance account.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(b) Impairment of financial assets (Continued)

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's financial assets on that date that are subject to ECL requirements for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are as follows:

- The increase in impairment allowance for finance lease receivables upon the transition to HKFRS 9 as of 1 April 2018 were approximately HK$17,555,000. The adjustment to the opening accumulated losses as at 1 April 2018 amounted to HK$17,555,000.

- The increase in impairment allowance for loan receivable upon the transition to HKFRS 9 as of 1 April 2018 were approximately HK$874,000. The adjustment to the opening accumulated losses as at 1 April 2018 amounted to HK$874,000.

- Other financial assets at amortised cost of the Group included other receivables, security deposits, short term deposits with maturity within three months and bank balances and cash. Applying the ECL model results in immaterial impairment on 1 April 2018.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 31 March 2018 to the new impairment allowance measured in accordance with HKFRS 9 (under ECL model) as at 1 April 2018:

	Impairment allowances under HKAS 39 *HK$'000*	**Effect of adoption of HKFRS 9** *HK$'000*	**Impairment allowances under HKFRS 9** *HK$'000*
Impairment allowance on:			
– Finance lease receivables	**817,493**	**17,555**	**835,048**
– Loan receivable	**–**	**874**	**874**
	817,493	**18,429**	**835,922**

The table below illustrates the impact of transition to HKFRS 9 on the opening balance of accumulated losses as of 1 April 2018:

	Accumulated losses *HK$'000*
As at 31 March 2018	**(345,391)**
Additional impairment allowance of ECL on:	
– Finance lease receivables	**(17,555)**
– Loan receivable	**(874)**
Restated as at 1 April 2018	**(363,820)**

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(c) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 April 2018, without restating comparative information. Accordingly, certain comparative information may not be comparable as those was prepared under HKAS 39.

2.2 HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs;
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of HKFRS 15 has no material impact on the amounts reported and/or disclosures set out in these interim 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**19,375**	22,268
Imputed interest expense on interest-free deposits from finance lease customers	**1,148**	2,317
	20,523	24,585

5. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration	**1,425**	1,501
Other staff costs		
– Salaries, allowances and other staff benefits	**2,504**	1,807
– Staff's retirement benefit scheme contributions	**184**	151
Total staff costs	**4,113**	3,459
Depreciation of equipment	**452**	450
Operating lease rentals in respect of properties	**941**	948

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current period	**2,783**	8,187
– Under provision in prior period	**22**	16
	2,805	8,203

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

Under the Enterprise Income Tax Law of the 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.

As at 30 September 2018, the Group had no unused tax losses but had deductible temporary differences of HK$847,411,000 (31 March 2018: HK$832,308,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary differences due to unpredictability of future profits stream.

7. DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2018, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2017: nil).

8. LOSS PER SHARE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**56,576**	189,330
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands)	**412,509**	412,509

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 six months ended 30 September 2018 and 2017.

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 2018	31 March 2018	**30 September 2018**	31 March 2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Finance lease receivables comprise:				
Within one year	**1,530,184**	1,682,340	**1,501,396**	1,629,257
In more than one year but not more than five years	**298,979**	308,808	**261,156**	262,510
More than five years	**78,541**	85,327	**73,037**	77,458
	1,907,704	2,076,475	**1,835,589**	1,969,225
Less: Unearned finance income	**(72,115)**	(107,250)	**–**	–
Present value of minimum lease payment	**1,835,589**	1,969,225	**1,835,589**	1,969,225
Less: Impairment allowance	**(833,775)**	(817,493)	**(833,775)**	(817,493)
	1,001,814	1,151,732	**1,001,814**	1,151,732
Analysed for reporting purposes as:				
Current assets			**816,805**	920,419
Non-current assets			**185,009**	231,313
			1,001,814	1,151,732

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 lease receivables range from 7.6% to 21.9% (31 March 2018: 7.6% to 21.9%) per annum as at 30 September 2018.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is the extract of the independent review report on the Group's interim financial information for the six months ended 30 September 2018:

Introduction

We were engaged to review the interim condensed consolidated financial statements which comprise the condensed consolidated statement of financial position of China Rongzhong Financial Holdings Company Limited and its subsidiaries (collectively referred to as the "**Group**") as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "**interim condensed consolidated financial statements**"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim condensed consolidated financial statements as described in the "Basis for Disclaimer of Conclusion" paragraphs, we were not able to express a conclusion on the interim condensed consolidated financial statements.

Basis for Disclaimer of Conclusion

We draw attention to note 2[#] to the interim condensed consolidated financial statements which states that the Group recorded a loss of HK$56,576,000 for the six months ended 30 September 2018; and as at that date, the Group had total bank borrowings amounted to HK$662,271,000 of which bank borrowings of HK$158,881,000 would be due for repayment within 12 months from the date of the interim condensed consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$39,088,000 only.

[#] *being Note 1 in this interim results announcement*

Also, as at 30 September 2018, there are certain litigations in the People's Republic of China and Hong Kong against the guarantors of the Group's bank borrowings (the "**Litigations**"), which are relating to non-repayment of the guarantors' liabilities. In accordance with the relevant loan agreements and guarantee agreements of the Group's bank borrowings, in case there are significant litigation against the guarantors or significant worsening of financial position of the guarantors, the Group may have additional obligations to fulfill and/or the banks may claim there are events of default, depending on the terms of the agreements. Should the Litigations constitute or have become events of default under the respective bank loan agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$662,271,000 at 30 September 2018, of which an aggregate amount of HK$503,390,000 had original contractual repayment dates beyond 30 September 2019, to become immediately repayable and the said amount of HK$503,390,000 might be classified as current liabilities accordingly.

In addition, we draw attention to notes 2[#] and 11* to the interim condensed consolidated financial statements which indicate that the majority of the Group's finance lease receivables were past due as at 30 September 2018. The Group has experienced a significant slow-down in the collection of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 2018 have not yet been collected as at the date of this report. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

In order to improve its liquidity and financial position, the Group has negotiated with the relevant banks to refinance its existing debts and estimates to obtain sufficient new banking facilities or renewal of or extensions for repayments of existing bank borrowings in the near future. The Group has also communicated with the relevant banks if the Litigations may have impact on the Group bank borrowings and, up to the date of this report, the relevant banks have not taken any action against the Group because of the Litigations. However, written and binding new banking facility letter and formal clarification on the impact of the Litigations have not been executed or received by the Group as at the date of this report.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures as set out in note 2[#] to the interim condensed consolidated financial statements, which are subject to multiple uncertainties, including (i) the successful negotiations with the banks for additional new sources of financing or renewal of or extensions for repayment of existing bank borrowings; (ii) the successful negotiations with the relevant banks such that no action will be taken to demand immediate repayments of the borrowings because of the Litigations; and (iii) the successful implementation of its collecting plan of finance lease receivables to collect a substantial amount of finance lease receivables in the near future.

[#] *being Note 1 in this interim results announcement*

* *being Note 9 in this interim results announcement*

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2# to the interim condensed consolidated financial statements, it might not be able to continue to operate as a going concern, and 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 any further liabilities which might 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 the interim condensed consolidated financial statements.

We disclaimed our audit opinion on the Company's consolidated financial statements for the year ended 31 March 2018 (the "**Company's 2018 financial statements**") due to the potential interaction of the above-mentioned uncertainties relating to the appropriateness of preparing the Company's 2018 financial statements on a going concern basis and the related possible cumulative effects on the Company 2018 financial statements. The multiple uncertainties remained unresolved in our review of the interim condensed consolidated financial statements and their possible cumulative effects on the interim condensed consolidated financial statements could be both material and pervasive. Our review conclusion has also been modified because of the possible effects of the unresolved matters on the comparability of the current period's figures and the corresponding figures in the condensed consolidated statement of financial position and the notes thereto.

Disclaimer of Conclusion

Due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim condensed consolidated financial statements as described in the "Basis for Disclaimer of Conclusion" paragraphs above, we were unable to form a conclusion on the interim condensed consolidated financial statements. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements.

being Note 1 in this interim results announcement

MANAGEMENT DISCUSSION AND ANALYSIS

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 financial leasing and value-added advisory and consultancy services which are also offered to our finance lease customers.

FINANCIAL REVIEW

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

Revenue

We have one principal business segment, financial leasing, and the two services derived are financial leasing services and financial advisory services provided as value added services to our leasing customers, which in turn 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. Advisory income is determined solely on the advisory services we provided and since our advisory services are normally provided in conjunction with our leasing services, we record both types of income as a single item in the financial statements. The Group realized revenue for the Reporting Period of approximately HK$26.0 million, representing a decrease of approximately 62.2% from approximately HK$68.8 million as recorded in the previous corresponding period ended 30 September 2017. This was mainly due to the Group's prudent and conservative strategy to promote business during the static economy in order to safeguard our asset; additional emphasis placed in the recovery of past due finance lease receivables and enhancement of internal control.

Staff costs

Staff costs of the Group amounted to approximately HK$4.1 million for the Reporting Period, representing an increase of approximately 18.9% from approximately HK$3.5 million recorded in the previous corresponding period ended 30 September 2017. This was mainly due to increase in the number of staff.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$4.1 million, representing an increase of approximately 7.8% from approximately HK$3.8 million recorded in the previous corresponding period ended 30 September 2017. This was mainly due to increase in professional service fee in relation to the recovery of past due finance lease receivables and the enhancement of internal control.

Impairment losses on finance lease receivables

The impairment losses on finance lease receivables amounted to approximately HK$57.1 million for the Reporting Period, representing a decrease of approximately 73.6% from approximately HK$216.0 million recorded in the previous corresponding period ended 30 September 2017.

Other income

Other income of the Group mainly comprised of interest income from loan receivable, bank interest income and government subsidies. During the Reporting Period, the other income of the Group amounted to approximately HK$2.6 million, which is an increase of approximately 361.5% from approximately HK$0.6 million recorded in the previous corresponding period ended 30 September 2017. Such increase was due to the increase in government subsidies.

Finance costs

Finance costs of the Group comprised of interest on bank borrowings and imputed interest expense on interest free deposits from finance lease customers. During the Reporting Period, finance costs of the Group amounted to approximately HK$20.5 million, representing a decrease of approximately 16.5% from approximately HK$24.6 million in the previous corresponding period ended 30 September 2017. This was mainly due to the decrease in the amounts of bank borrowings.

As at 30 September 2018, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK$662.3 million (30 September 2017: approximately HK$721.8 million) and the guarantee fee paid to the related parties during the Reporting Period amount to Nil (30 September 2017: Nil).

Loss for the period

Loss for the period of the Company amounted to approximately HK$56.6 million, representing a decrease of approximately 70.1% from approximately HK$189.3 million loss recorded in the previous corresponding period ended 30 September 2017. This was mainly due to decrease in the recognition of provision for the impairment losses of finance lease receivables.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018.

Liquidity, financial resources and capital resources

As at 30 September 2018, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$39.1 million (31 March 2018: approximately HK$65.7 million), representing a decrease of approximately HK$26.6 million compared to 31 March 2018, this was due to the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume and thus, an increase in the use of internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$436.6 million (31 March 2018: approximately HK$223.8 million) and approximately HK$117.5 million (31 March 2018: approximately HK$208.5 million).

As at 30 September 2018, the Group's bank borrowings with maturity within one year amounted to approximately HK$158.9 million (31 March 2018: approximately HK$491.5 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK$503.4 million (31 March 2018: approximately HK$239.0 million).

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2018 is approximately 563.5% (31 March 2018: approximately 350.3%).

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 2018, the Group's finance lease receivables with an aggregate carrying value of approximately HK$227.7 million (31 March 2018: approximately HK$277.5 million) was pledged to several banks in PRC respectively to secure certain bank borrowings of the Group.

Capital commitments

As at 30 September 2018, the Group has no capital commitments (31 March 2018: Nil).

Employees and remuneration policy

As at 30 September 2018, the Group had 28 staff 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 PRC

Our business is positioned to fulfill the financing needs of SMEs in Hubei Province of the PRC 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 finance lease receivables could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure in the PRC, 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 the 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 pledge 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 measure to minimize our risk of exposure to such credit risk.

Risk relating to funding sources and interest rate

Our business operation relies substantially on interest-bearing bank loans. We have incurred, and expected 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 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 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.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities of guarantees (2017: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

BUSINESS REVIEW AND PROSPECTS

The first half of financial year 2018/2019 continued to be extremely challenging for the Company, the unfavorable economic conditions had brought upon certain negative impact on many SMEs in the PRC, including the Group. Having experienced certain changes within the Group, the Group had taken many proactive actions towards the recovery of past due finance lease receivables and the strengthening of its internal control. Through the continued implementation of stringent measures and additional resources placed on proactive recovery measures, we have made some progress in the collection of past due finance lease receivables. Nonetheless, our performance has continued to be affected.

Looking forward in the second half of financial year 2018/2019, in spite of the many additional proactive measures already implemented, the Group remains committed to place strong emphasis on the recovery of past due finance lease receivables and the enhancement of credit risk prevention and control with utmost priority. The Group is likely to face many challenges as a result of the overall protracting economic down-turn, which may lead to further deterioration in asset quality and short term liquidity which our customers are also likely to experience. However, the Group believes that this impact is temporary and will continue to closely monitor the collection of past due finance lease receivables and potential growth opportunities in order to safe guard and sustain the growth and profitability of the Group.

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 of Hong Kong Limited (the "**Stock Exchange**") (the "**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:

1. Pursuant to Article 114 of the Articles, Ms. Wong, Emilie Hoi Yan ("**Ms. Emilie Wong**") was appointed as an executive Director of the Company, the chairman of the nomination committee and the chairman of the risk management committee, in each case with effect from 3 July 2018. Per paragraph A.5.1 of the CG Code, nomination committee should be chaired by the chairman of the board or an independent non-executive director of the Company (the "**Independent Non-executive Director**", "**INED**"). As a result, such arrangement was not in full compliance with the CG Code due to inadvertent oversight. On 30 August 2018, Ms. Emilie Wong had resigned as the chairman of the nomination committee and been appointed as a member of the nomination committee. Following the resignation of Ms. Emilie Wong, Mr. Chen Shuai, the chairman of the Board, has been appointed as the chairman of the nomination committee.

2. With effect from the conclusion of the annual general meeting of the Company held on 29 August 2018 (the "**AGM**") following the retirement of Mr. Nie Yong, the number of INED fell short of the minimum number required under Rule 3.10(1) of the Listing Rules and no INED of the Board have the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The required composition of the audit committee and the nomination committee of the Company did not, as a result of the retirement of Mr. Nie Yong, meet the requirement under Rule 3.21 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively. Subsequently, the Company has appointed Mr. Yu Yang as an INED, the chairman of the audit committee (the "**Audit Committee**"), a member of the nomination committee, a member of the remuneration committee and a member of the risk management committee in each case with effect from 30 August 2018. Mr. Yu Yang holds the appropriate qualifications and following such changes, the Company is in compliance with the requirement of the Rules 3.10(1), 3.10(2) and 3.21 and the CG Code A.5.1 of Appendix 14 of the Listing Rules.

BOARD DIVERSITY POLICY

On 18 December 2015, the Board adopted the board diversity policy which sets out the approach to achieve diversity on the Board in order to enhance quality of its performance. The Company is of the view that increasing diversity at the Board level is an essential element in the supporting and attainment of a sustainable and balanced development in the Company. Thus, in designing the Board's composition, its diversity has been considered from a number of aspects, including but not limited to gender, age, cultural, educational background, ethnicity, professional experience and skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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 including but not limited to the reviewing and supervising of 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 one non-executive Director: Mr. Chen Shuai, and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang, and Ms. Zou Lin. The chairman of the Audit Committee is Mr. Yu Yang.

A meeting of the Audit Committee, the management of the Company and the external auditor of the Company, BDO Limited, was held to review the accounting principles and policies adopted by the Group; the financial reporting matters and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2018 and the Audit Committee proposed the adoption of the unaudited interim condensed consolidated financial statements by the Board.

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 2018.

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 condensed consolidated financial statements of the Company for the six months ended 30 September 2018 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
Wong Emilie Hoi Yan
Executive Director

Hong Kong, 27 November 2018

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 and Ms. Wong Jacqueline Yue Yee; and the independent non-executive directors of the Company are Mr. Duan Changfeng, Mr. Yu Yang and Ms. Zou Lin.