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)

PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 AND CLOSURE OF REGISTER OF MEMBERS

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Rongzhong Financial Holdings Company Limited (the "Company", and together with its subsidiaries, the "Group") hereby announces the audited consolidated financial results of the Group for the year ended 31 March 2019 (the "Reporting Period") with comparative figures for the year ended 31 March 2018. 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 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*6*	**70,784**	128,503
Other income	*7*	**3,124**	1,235
Other gains and losses		**2,707**	(4,129)
Staff costs		**(8,499)**	(6,875)
Impairment losses on financial assets		**(100,802)**	(398,904)
Other operating expenses		**(8,920)**	(8,944)
Finance costs	*8*	**(37,029)**	(46,339)
Loss before income tax		**(78,635)**	(335,453)
Income tax expense	*9*	**(12,775)**	(17,069)
Loss for the year	*10*	**(91,410)**	(352,522)
Other comprehensive (expense)/income			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(14,086)**	45,411
Total comprehensive expense for the year		**(105,496)**	(307,111)
Loss per share	*12*		
Basic and diluted *(HK cents)*		**(22)**	(85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Equipment		**499**	1,409
Finance lease receivables	13	**277,556**	231,313
		278,055	232,722
Current assets			
Finance lease receivables	13	**697,995**	920,419
Loan receivable		**8,126**	10,833
Prepayments and other receivables		**8,657**	7,164
Security deposits		**7,694**	8,169
Short term bank deposits with original maturity within three months		**20,118**	30,128
Bank balances and cash		**23,070**	35,594
		765,660	1,012,307
Current liabilities			
Deposits from finance lease customers		**214,364**	222,125
Other payables and accrued charges		**18,428**	19,818
Deferred income		**166**	1,923
Tax liabilities		**62,642**	53,182
Bank borrowings	14	**160,855**	491,457
		456,455	788,505
Net current assets		**309,205**	223,802
Total assets less current liabilities		**587,260**	456,524
Non-current liabilities			
Deposits from finance lease customers		**1,100**	8,823
Deferred income		**9**	132
Bank borrowings	14	**501,527**	239,020
		502,636	247,975
Net assets		**84,624**	208,549
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**80,499**	204,424
Total equity		**84,624**	208,549

NOTES

For the year ended 31 March 2019

1. GENERAL

China Rongzhong Financial Holdings Company Limited (the "Company") was incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of financial leasing services in the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

2.1 Going concern basis

The Group recorded a net loss attributable to owners of the Company of HK$91,410,000 for the year ended 31 March 2019. In preparing the 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$662,382,000 as at 31 March 2019 of which bank borrowings of HK$160,855,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$43,188,000 only.

In addition, as further detailed in note 13, the majority of the Group's finance lease receivables were past due as at 31 March 2019. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$899,192,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2019 have not yet been collected as at the date of approval of these consolidated financial statements. 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.

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 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:

(i) 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.

(ii) 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.

2. **BASIS OF PREPARATION (Continued)**

2.1 Going concern basis (Continued)

(iii) Negotiation of obtaining banking facilities

New or extension of existing banking facilities will be arranged when necessary. During the year ended 31 March 2019, the Group had successfully renewed its debts with principal amounts of approximately HK$470,307,000 for at least two years.

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 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 cash flows through the successful implementation and acceleration 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 net realisable amounts; to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.2 Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

2.3 Basis of measurement

The financial statements have been prepared under the historical cost basis.

3. **ADOPTION OF HKFRSs**

3.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the amendments has no material impact on the Group's financial statements.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 – Financial Instruments ("HKFRS 9")

HKFRS 9 replaces Hong Kong Accounting Standard ("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 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. 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.

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.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 (Continued)

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

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 3.1(b))*
Loan receivable	Loans and receivables	Amortised cost	10,833	9,959 *(note 3.1(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

The following tables summarised the impact of transition to HKFRS 9 on the opening balance of accumulated losses as of 1 April 2018:

	Notes	*HK$'000*
Accumulated losses as at 31 March 2018		(345,391)
Recognition of additional expected credit losses on:		
– finance lease receivables	*3.1(b)*	(17,555)
– loan receivable	*3.1(b)*	(874)
Restated accumulated losses as at 1 April 2018		(363,820)

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 (Continued)

(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 bank 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.

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.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 (Continued)

(b) Impairment of financial assets (Continued)

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.

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.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 9 (Continued)

(b) Impairment of financial assets (Continued)

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

(c) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. 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.

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

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.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 15 (Continued)

A performance obligation represents a good 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.

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 consolidated financial statements.

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[1]
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting[2]

[1] *Effective for annual periods beginning on or after 1 January 2019*

[2] *Effective for annual periods beginning on or after 1 January 2020*

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

Going concern assumption

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the going concern assumption is set out in note 2.1 to this announcement.

Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

5. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting period. The Group is principally engaged in providing financial leasing service in the PRC. The executive director of the Company, being the chief operating decision maker of the Group, reviews 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:

	2019 ***HK$'000***	2018 *HK$'000*
Customer A	**36,477**	37,550

6. REVENUE

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

7. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Government grants *(note)*	**1,852**	–
Interest income from a loan receivable	**838**	981
Bank interest income	**430**	235
Others	**4**	19
	3,124	1,235

Note: These grants are accounted for as financial support with no future related costs expected to be incurred nor related to any assets.

8. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on borrowings	**35,316**	42,471
Imputed interest expense on interest-free deposits from finance lease customers	**1,713**	3,868
	37,029	46,339

9. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Enterprise Income Tax in the PRC		
– Tax for the year	**12,752**	17,050
– Under provision in prior year	**23**	19
Income tax expense	**12,775**	17,069

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.

10. LOSS FOR THE YEAR

	2019 *HK$'000*	2018 *HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	**1,325**	1,407
– Short-term employee benefits	**1,278**	1,602
– Retirement benefit scheme contributions	**33**	74
Salaries, allowances and other staff benefits	**5,515**	3,508
Staff's retirement benefit scheme contributions	**348**	284
Total staff costs	**8,499**	6,875
Depreciation of equipment	**866**	915
Auditor's remuneration	**1,550**	1,500
Operating lease rentals in respect of properties	**1,831**	1,921

11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

12. LOSS PER SHARE

	2019 *HK$'000*	2018 *HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**91,410**	352,522

	2019 *'000*	2018 *'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**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 years ended 31 March 2019 and 2018.

The Group had no potential ordinary share in issue during both years.

13. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**1,578,714**	1,682,340	**1,551,141**	1,629,257
In more than one year but not more than five years	**298,402**	308,808	**269,448**	262,510
More than five years	**58,229**	85,327	**54,154**	77,458
	1,935,345	2,076,475	**1,874,743**	1,969,225
Less: Unearned finance income	**(60,602)**	(107,250)	**–**	–
Present value of minimum lease payment	**1,874,743**	1,969,225	**1,874,743**	1,969,225
Less: Impairment allowance	**(899,192)**	(817,493)	**(899,192)**	(817,493)
	975,551	1,151,732	**975,551**	1,151,732
Analysed for reporting purposes as:				
Current assets			**697,995**	920,419
Non-current assets			**277,556**	231,313
			975,551	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 leases range mainly from 7.6% to 16.3% (2018: 7.6% to 21.9%) per annum as at 31 March 2019.

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivable is past due, the entire outstanding balance of the finance lease receivables is classified as past due.

	2019
	HK$'000
Neither past due nor credit-impaired	**33,735**
Past due but not credit-impaired	**1,876**
Credit-impaired	**1,839,132**
Subtotal	**1,874,743**
Less: Impairment allowance	
– 12-month ECL	**(11,691)**
– Lifetime ECL	**(887,501)**
	975,551

13. FINANCE LEASE RECEIVABLES (Continued)

	2018
	HK$'000
Neither past due nor individually impaired	194,537
Past due but not individually impaired	194,937
Past due but individually impaired	1,579,751
Subtotal	1,969,225
Less: Collective impairment allowance	(134,987)
Individual impairment allowance	(682,506)
	1,151,732

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

As at 31 March 2019, finance lease receivables which are past due but not credit-impaired represented the contractual payments have not been settled by customers more than 30 days but were considered not to be credit-impaired as the management considered the reputation of these customers were sound. Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 31 March 2019, an aggregate finance lease receivables of HK$887,501,000 was determined to be impaired under the lifetime ECL. The lifetime ECL impaired receivables related to those credit exposures where there has been a significant increase in credit risk since initial recognition, which the loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

As at 31 March 2019, an aggregate finance lease receivables of HK$11,691,000 was determined to be impaired under the 12-month ECL. The 12-month ECL impaired receivables related to those possible for credit losses that result from default events within the next 12-month.

As at 31 March 2018, an aggregate finance lease receivables of HK$682,506,000 was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or were in default.

As at 31 March 2018, aggregate finance lease receivables with carrying amount of HK$134,987,000 was determined to be impaired on a collective basis.

As at 31 March 2018, management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2018, an aggregate carrying amount of HK$6,899,000 was past due but the Group has not provided for individual impairment loss (instalments which are not yet due at the end of the reporting period are excluded) as management considered there has not been a significant change in credit quality for these customers.

13. FINANCE LEASE RECEIVABLES (Continued)

Movements of the provision for impairment loss on finance lease receivables during the current period and prior period are as follows:

	HK$'000
At 31 March 2018	817,493
Adjustment on initial application of HKFRS 9	17,555
At 1 April 2018, restated	835,048
Impairment losses recognised, net	111,899
Written-off	(1,767)
Exchange realignment	(45,988)
At 31 March 2019	899,192
At 1 April 2017	373,682
Impairment losses recognised, net	398,904
Exchange realignment	44,907
At 31 March 2018	817,493

14. BANK BORROWINGS

	2019 ***HK$'000***	2018 *HK$'000*
Secured	**147,267**	359,734
Unsecured	**515,115**	370,743
	662,382	730,477
Carrying amount repayable:		
Within one year	**160,855**	491,457
More than one year, but not exceeding two years	**104,661**	160,231
More than two years, but not exceeding five years	**396,866**	78,789
	662,382	730,477
Less: amounts shown under current liabilities	**(160,855)**	(491,457)
	501,527	239,020

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 in the consolidated financial statements, which indicates that (a) the Group recorded a net loss attributable to owners of the Company of HK$91,410,000 for the year ended 31 March 2019; (b) the majority of the Group's finance lease receivables were past due as at 31 March 2019 and the Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$899,192,000 has been recognised in respect of the receivables as at 31 March 2019; and (c) the Group is committed to repay bank borrowings of HK$160,855,000 within one year. These conditions, along with other matters as set forth in note 2.1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the business of provision of financial leasing services in Hubei Province, PRC with the longest operating history amongst the Hubei-based finance lease companies. The Group mainly offers two categories of financial leasing services to our customers; namely: (i) sales and leaseback; and (ii) direct financial leasing. In addition, value-added services such as advisory and consultancy services 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 consolidated financial statements. The Group realized revenue for the Reporting Period of approximately HK$70.8 million, representing a decrease of approximately 44.9% from approximately HK$128.5 million as recorded in the previous corresponding period ended 31 March 2018. This was mainly due to the Group's prudent and conservative strategy to promote business during the continued static economy in order to safeguard our asset with 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$8.5 million for the Reporting Period, representing an increase of approximately 23.6% from approximately HK$6.9 million recorded in the previous corresponding period ended 31 March 2018. This was mainly due to increase in the number of staff hired for the legal and collection department in order to enhance the efficiency of recovery of past due financial assets.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$8.9 million, representing a decrease of approximately 0.3% from approximately HK$8.9 million recorded in the previous corresponding period ended 31 March 2018.

Impairment losses on financial assets

The impairment losses on financial assets is approximately HK$100.8 million for the Reporting Period, representing a decrease of approximately HK$298.1 million from approximately HK$398.9 million recorded in the previous corresponding period ended 31 March 2018.

Other income

Other income of the Group mainly comprised of interest income from loan, government grants and bank interest income. During the Reporting Period, the other income of the Group amounted to approximately HK$3.1 million, representing an increase of approximately 153.0% from approximately HK$1.2 million recorded in the previous corresponding period ended 31 March 2018. Such increase is due to the increase in government grants accounted for as financial support.

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 amount to approximately HK$37.0 million, representing a decrease of approximately 20.1% from approximately HK$46.3 million in the previous corresponding period ended 31 March 2018. This was mainly due to the decrease in the amounts of bank borrowings.

As at 31 March 2019, the outstanding bank borrowings guaranteed by related parties amount to approximately HK$662.4 million (2018: approximately HK$730.5 million) and the guarantee fee paid to the related parties during the Reporting Period amount to nil (2018: nil).

Loss for the year

Loss for the year ended 31 March 2019 of the Company amounted to approximately HK$91.4 million, representing a decrease of approximately 74.1% from approximately HK$352.5 million loss recorded in the previous corresponding period ended 31 March 2018. This was mainly due to decrease in the recognition of provision for the impairment losses on financial assets.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019.

Liquidity, financial resources and capital resources

As at 31 March 2019, the aggregate sum of the Group's bank balances and cash and short-term bank deposits amounted to approximately HK$43.2 million (2018: approximately HK$65.7 million), representing a decrease of approximately HK$22.5 million compared to 31 March 2018, this was due to a combination of multiple effects including the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume, slow-down in the collection of past due financial assets; 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$309.2 million (2018: approximately HK$223.8 million) and approximately HK$84.6 million (2018: approximately HK$208.5 million).

As at 31 March 2019, the Group's bank borrowings with maturity within one year amounted to approximately HK$160.9 million (2018: approximately HK$491.5 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK$501.5 million (2018: approximately HK$239.0 million).

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2019 was approximately 782.7% (2018: approximately 350.3%).

Charges on group assets

As at 31 March 2019, the Group's finance lease receivables with an aggregate carrying value of approximately HK$133.9 million (2018: approximately HK$277.5 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 2019, the Group had 27 staffs located in both Hong Kong and the 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.

In Hong Kong, we participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and 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 the 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 our Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and 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 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.

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 2019.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (2018: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

PROSPECTS

Going forward, the Group is likely to face many challenges as a result of the unfavorable economic and political conditions. Nonetheless, we remain committed to place strong emphasis on the recovery of our past due financial assets and the continued enhancement of effective credit risks prevention. In spite of the many proactive measures already taken and implemented, we will continue to closely monitor the collection of past due financial assets. The Group is prepared to continuously improve its internal management structures to enhance the succession of the Group's future development. In addition, the Group aims to seek potential growth opportunities and adjust its development strategies where necessary in order to safeguard and sustain the long term growth and profitability of the Group.

CONTINUING CONNECTED TRANSACTIONS

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

CONNECTED PERSONS

Rongzhong Group Limited ("Rongzhong Group")

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

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

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

Finance Lease Guarantee Agreements

For all our financial leasing arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the "Additional Assets") as we are a wholly-foreign invested financial leasing entity. In this regard, our subsidiary and main operating entity, Rongzhong International Financial Leasing Co., Ltd ("Rongzhong PRC") entered into (i) one finance lease guarantee supplemental agreement with Wuhan Rongzhong on 28 March 2019 and (ii) three finance lease guarantee agreements with Wuhan Jinhong on 13 January 2016, 30 March 2016 and 18 May 2016 respectively, (collectively as the "Finance Lease Guarantee Agreements" and each a "Finance Lease Guarantee Agreement") pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinghong 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 been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

Litigation Guarantee Framework Agreements

Legal proceedings arising in the ordinary course of our operations generally involve claims initiated by us to recover lease payments from our customers. In some cases, we have applied to the PRC courts to freeze the assets of our customers in order 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, entered into a litigation guarantee framework agreement with each of Wuhan Jinhong and Wuhan Rongzhong, (collectively as the "Litigation Guarantee Framework Agreements") on 29 December 2017 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 28 December 2016, 28 June 2017 and 18 May 2018, Mr. Xie and Rongzhong Capital Investments had each entered into bank guarantee agreements with certain banks (collectively as the "Bank Guarantee Agreements") pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC. The Bank Guarantee Agreements expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for their provision of guarantee services under the Bank Guarantee Agreements.

On 31 March 2019, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 31 March 2019, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

	As at 31 March 2019	As at 31 March 2018
	(HK$' million approximately)	
Mr. Xie	**662.4**	730.5
Rongzhong Capital Investments	**662.4**	730.5

The Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements are in favorable terms to the Group and all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules are less than 0.10%. Accordingly, the Trademarks 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 2018/19 CONSOLIDATED FINANCIAL STATEMENTS

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in this preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

CORPORATE GOVERNANCE

The Group is committed to promote good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code and the Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

During the Reporting Period, 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 the Article 114 of memorandum and articles of association of the Company 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 of the Company, 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. 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. Following such changes and with effect from 30 August 2018, the Company is in compliance with the requirement of paragraph A.5.1 of the CG Code.

2. With effect from the conclusion of the annual general meeting of the Company held on 29 August 2018 following the retirement of Mr. Nie Yong, the number of independent non-executive director of the Company fell short of the minimum number required under Rule 3.10(1) of the Listing Rules and no independent non-executive director of the Company has 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 A.5.1 of the CG Code respectively. Subsequently, the Company has appointed Mr. Yu Yang ("Mr. Yu") as an independent non-executive director of the Company, the chairman of 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 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 A.5.1 of the CG Code of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the forthcoming 2019 annual general meeting of the Company (the "2019 AGM"), the register of members of the Company will be closed from Tuesday, 20 August 2019 to Friday, 23 August 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2019 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong* for registration by not later than 4:30 pm on Monday, 19 August, 2019.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Friday, 23 August 2019 at 2/F, J Plus, 35 – 45B Bonham Strand, Sheung Wan, Hong Kong. The notice of the 2019 AGM will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinarzfh.com) and sent to the shareholders of the Company, together with the Company's 2019 annual report, in due course.

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

Hong Kong, 25 June 2019

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.

* *The address of Tricor Investor Services Limited will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019.*