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**CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED**  
**中國融眾金融控股有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 03963)**

## **PRELIMINARY ANNOUNCEMENT OF THE UNAUDITED ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

### **UNAUDITED 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 unaudited consolidated financial results of the Group for the year ended 31 March 2022 (the “Reporting Period”) with comparative audited figures for the year ended 31 March 2021. All amounts set out in this announcement are expressed in Hong Kong dollars (“HK\$”) unless otherwise indicated.

For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 March 2022 has not been completed.

# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Audited)
Revenue	4	37,367	15,821
Other income	5	115	1,082
Cost of services		(2,997)	–
Gain on disposal of financial assets		169	7,273
Other gains and losses		(1,183)	(878)
Staff costs		(20,914)	(5,978)
Reversal of/(impairment losses) on financial assets		2,031	(98,032)
Other operating expenses		(22,771)	(11,086)
Finance costs	6	(31,782)	(29,585)
Loss before income tax		(39,965)	(121,383)
Income tax expense	7	(781)	–
Loss for the year	8	(40,746)	(121,383)
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(5,226)	(4,372)
Total comprehensive expense for the year		<u>(45,972)</u>	<u>(125,755)</u>
Loss for the year attributable to:			
Owners of the Company		(41,187)	(121,383)
Non-controlling interests		441	–
		<u>(40,746)</u>	<u>(121,383)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(46,663)	(125,755)
Non-controlling interests		691	–
		<u>(45,972)</u>	<u>(125,755)</u>
Loss per share	10		
Basic and diluted (HK cents)		<u>(10)</u>	<u>(29)</u>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment		72,672	40
Lease receivables and receivables arising from sale and leaseback arrangements	11	77,859	94,117
Deposits		426	–
Security deposits		–	1,190
Goodwill		31,489	–
		<u>182,446</u>	<u>95,347</u>
<b>Current assets</b>			
Lease receivables and receivables arising from sale and leaseback arrangements	11	769,258	723,552
Loan receivable		–	5,563
Trade receivables	12	7,662	–
Other assets		3,202	–
Prepayments and other receivables		5,347	8,501
Security deposits		1,235	1,697
Short term bank deposits with original maturity within three months		–	6,636
Bank balances and cash		15,479	5,671
		<u>802,183</u>	<u>751,620</u>
<b>Current liabilities</b>			
Trade payables	14	414	–
Deposits from customers		219,432	214,813
Other payables and accrued charges		31,328	17,707
Contract liabilities		4,794	–
Deferred income		–	9
Lease liabilities		2,531	482
Tax liabilities		67,959	64,133
Bank borrowings	13	707,219	443,688
Amount due to a related company		101	–
Amount due to a shareholder		168	–
Convertible bonds		3,016	–
Derivative financial liabilities		10,263	–
		<u>1,047,225</u>	<u>740,832</u>
<b>Net current (liabilities) assets</b>		<u>(245,042)</u>	<u>10,788</u>
<b>Total assets less current liabilities</b>		<u>(62,596)</u>	<u>106,135</u>
<b>Non-current liabilities</b>			
Deposits from customers		300	–
Lease liabilities		2,733	–
Loan note		11,995	–
Bank borrowings	13	3,285	216,125
Amount due to a related company		51,273	–
Amount due to a shareholder		10,800	–
Contingent consideration payables		9,950	–
		<u>90,336</u>	<u>216,125</u>
<b>Net liabilities</b>		<u>(152,932)</u>	<u>(109,990)</u>
<b>Capital and reserves</b>			
Share capital		4,125	4,125
Deficit		(162,997)	(114,115)
		<u>(158,872)</u>	<u>(109,990)</u>
Non-controlling interests		5,940	–
<b>Capital deficiency</b>		<u>(152,932)</u>	<u>(109,990)</u>

## **NOTES**

*For the year ended 31 March 2022*

### **1. GENERAL INFORMATION**

China Rongzhong Financial Holdings Company Limited (the “Company”) is a public limited company 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”).

With effect from 6 September 2021, the Company’s principal place of business in Hong Kong is changed to Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

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 leasing services in the People’s Republic of China (the “PRC”), due diligence, credit investigation and debt collection services in the PRC, Hong Kong and Singapore.

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

### **2. BASIS OF PREPARATION**

#### **Going concern basis**

The Group recorded a net loss attributable to owners of the Company of HK\$41,187,000 for the year ended 31 March 2022 and capital deficiency of HK\$152,932,000 as at 31 March 2022. In addition, the worsened general economic environment caused by the outbreak of the COVID-19 pandemic has further adversely impacted on the collectability of the lessees of the Group’s lease receivables and receivables arising from sale and leaseback arrangements because these lessees are mostly small and medium enterprises in the Hubei Province of the PRC. As at 31 March 2022, the Group had lease receivables and receivables arising from sale and leaseback arrangements with a gross carrying amount of HK\$1,832,209,000 that were all past due and an aggregate impairment loss of HK\$985,092,000 was provided for these receivables (Note 11). At the same date, the Group had bank borrowings of HK\$707,219,000 that were repayable within 12 months after the end of the reporting period while the cash and cash equivalents maintained was HK\$15,479,000 only. These conditions indicate that a material uncertainty exists that 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.

## 2. BASIS OF PREPARATION (Continued)

### Going concern basis (Continued)

In view of these circumstances, the directors of the Company have prepared a cash flow forecast covering a period of 18 months from the end of the reporting period. In doing so, they 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 after taking account of the following plans and measures:

#### *(i) Obtaining new source of finance to improve working capital requirements*

On 21 October 2021, the Company and Goldbond Group Holdings Limited (“Goldbond”), the Company’s substantial shareholder, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the “Goldbond Loan Agreement”). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022 and 30 June 2022, the amount of HK\$33,100,000 and HK\$28,410,000, respectively, as stand-by unutilised facilities.

#### *(ii) Implementation of measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements*

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit, debt restructuring, and other methods that are considered effective and can improve the liquidity position of the Group.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the “Related Party”), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 31 March 2022, the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK\$312,769,000 while the relevant bank borrowings were approximately HK\$547,990,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company’s announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party. For illustrative purposes only, based on the figures as at 31 March 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards (“HKFRSs”), the Group’s consolidated net assets would increase by HK\$235,221,000.

#### *(iii) Negotiation of the renewal of bank borrowings*

During the year ended 31 March 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK\$240,953,000 extended to July 2022.

#### *(iv) 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.

Based on the above plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this announcement and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the unaudited consolidated financial statements on a going concern basis.

## 2. BASIS OF PREPARATION (Continued)

### Going concern basis (Continued)

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 and 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 unaudited consolidated financial statements.

## 3. APPLICATION OF AMENDMENTS TO HKFRSs

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the unaudited consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

## 4. REVENUE AND SEGMENT INFORMATION

The directors of the Company determined the reportable segments of the Group as follows:

- (1) Leasing services providing leasing services including direct leasing; sales and leaseback and operating lease services in the PRC
- (2) Debt collection and credit investigation services – providing debt collection services and credit investigation services in Hong Kong, the PRC and Singapore

During the year ended 31 March 2022, debt collection and credit investigation services became a reportable segment as a result of the completion of the acquisition of Alpha & Leader Risks and Assets Management Company Limited and its subsidiaries. Therefore, a new segment of debt collection and credit investigation services has been identified in the current period.

In addition, during the year ended 31 March 2022, the Group has commenced operating lease business, which has been included in the leasing services reportable segment as the directors of the Company believe that information about the segment would be useful to users of the financial statements.

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

##### For the year ended 31 March 2022

	Leasing services <i>HK\$'000</i> (Unaudited)	Debt collection and credit investigation services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue			
Revenue from external customers	<u>12,533</u>	<u>24,834</u>	<u>37,367</u>
Segment results	<u>(19,690)</u>	<u>1,041</u>	<u>(18,649)</u>
Unallocated:			
Other income			2
Other gains and losses			475
Staff costs			(3,923)
Other operating expenses			<u>(17,870)</u>
Loss before tax			<u><u>(39,965)</u></u>

##### For the year ended 31 March 2021

	Leasing services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment revenue		
Revenue from external customers	<u>15,821</u>	<u>15,821</u>
Segment results	<u>(111,118)</u>	<u>(111,118)</u>
Unallocated:		
Other income		1,035
Other gains and losses		(878)
Staff costs		(3,926)
Other operating expenses		<u>(6,496)</u>
Loss before tax		<u><u>(121,383)</u></u>

#### 4. REVENUE AND SEGMENT INFORMATION (Continued)

##### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	At 31 March 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Segment assets		
Leasing services	934,028	833,335
Debt collection and credit investigation services	39,460	–
Total segment assets	973,488	833,335
Unallocated assets	11,141	13,632
Total assets	<u>984,629</u>	<u>846,967</u>
Segment liabilities		
Leasing services	1,069,911	955,121
Debt collection and credit investigation services	17,837	–
Total segment liabilities	1,087,748	955,121
Unallocated liabilities	49,813	1,836
Total liabilities	<u>1,137,561</u>	<u>956,957</u>

Set out below is the disaggregation of the Group's revenue from major products and services:

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Income from debt collection services	16,835	–
Income from credit investigation services	7,999	–
Revenue from contracts with customers	24,834	–
Rental income	4,378	–
Interest income arising from sale and leaseback arrangements	8,155	15,535
Direct leasing income	–	286
	<u>37,367</u>	<u>15,821</u>
Revenue from contracts with customers		
At a point in time	24,684	–
Transferred over time	150	–
	<u>24,834</u>	<u>–</u>



## 5. OTHER INCOME

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Bank interest income	28	120
Government subsidies ( <i>note</i> )	–	216
Others	87	746
	<u>115</u>	<u>1,082</u>

*Note:* The amount represented the government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this programme.

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Interest on bank borrowings	30,973	29,473
Interest on amounts due to a related company	257	–
Interest on lease liabilities	172	63
Interest on amounts due to a shareholder	139	–
Imputed interest on promissory note	127	–
Imputed interest on loan note	84	–
Imputed interest on convertible bonds	21	–
Imputed interest expense on interest-free deposits from customers	9	49
	<u>31,782</u>	<u>29,585</u>

## 7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Current tax		
Enterprise Income Tax in the PRC	158	–
Hong Kong Profits Tax	623	–
Income tax expense	<u>781</u>	<u>–</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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.

## 8. LOSS FOR THE YEAR

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Loss for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	840	840
– Short-term employee benefits	1,032	1,032
– Retirement benefit scheme contributions	18	18
– Equity-settled share-based payments	441	440
Salaries, allowances and other staff benefits	17,958	3,562
Staff's retirement benefit scheme contributions	625	86
	<hr/>	<hr/>
Total staff costs	<b>20,914</b>	<b>5,978</b>
	<hr/>	<hr/>
Depreciation of property, plant and equipment	1,177	147
Auditor's remuneration	1,200	2,300
Short-term lease expenses	22	236
Impairment losses on property, plant and equipment	–	42
	<hr/>	<hr/>

## 9. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

## 10. LOSS PER SHARE

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>41,187</b>	121,383
	<hr/>	<hr/>
	<b>2022 '000</b> (Unaudited)	2021 '000 (Audited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>412,509</b>	412,509
	<hr/>	<hr/>

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 2022 and 2021.

The calculation of diluted loss per share for the years ended 31 March 2022 and 2021 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

## 11. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The Group provides leasing services in the PRC.

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Lease receivables	21,002	18,269
Receivables arising from sale and leaseback arrangements	<u>826,115</u>	<u>799,400</u>
	<u><b>847,117</b></u>	<u><b>817,669</b></u>
	<b>Minimum lease payments</b>	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Lease receivables and receivables arising from sale and leaseback arrangements comprise:		
Within one year	1,759,449	1,783,211
In more than one year but not more than two years	23,874	23,955
In more than two years but not more than three years	22,906	23,022
In more than three years but not more than four years	20,704	22,088
In more than four years but not more than five years	19,324	19,964
More than five years	<u>–</u>	<u>18,635</u>
	1,846,257	1,890,875
Less: Unearned finance income	<u>(14,048)</u>	<u>(20,728)</u>
	1,832,209	1,870,147
Less: Impairment allowance	<u>(985,092)</u>	<u>(1,052,478)</u>
	<u><b>847,117</b></u>	<u><b>817,669</b></u>
Analysed for reporting purposes as:		
Current assets	769,258	723,552
Non-current assets	<u>77,859</u>	<u>94,117</u>
	<u><b>847,117</b></u>	<u><b>817,669</b></u>

The Group's lease receivables and receivables arising from sale and leaseback arrangements are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above lease receivables and receivables arising from sale and leaseback arrangements range mainly from 8.3% to 15.4% (2021: 8.3% to 15.4%) per annum as at 31 March 2022.

## 11. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (Continued)

Lease receivables and receivables arising from sale and leaseback arrangements 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 leases and sale and leaseback arrangements and such collaterals 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.

Lease receivables and receivables arising from sale and leaseback arrangements 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 at 31 March 2022 and 2021, the entire carrying amounts of lease receivables and receivables arising from sale and leaseback arrangements were determined to be impaired under the lifetime expected credit losses ("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.

## 12. TRADE RECEIVABLES

The following is an ageing analysis of trade receivables, presented based on the invoice date at the end of the reporting period.

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
0 to 30 days	3,978	–
31 to 60 days	2,007	–
61 to 90 days	434	–
Over 90 days	1,243	–
	<u>7,662</u>	<u>–</u>

The credit terms of the trade receivables are ranged from 0 to 60 days from the date of billing.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

### 13. BANK BORROWINGS

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
Secured	706,006	659,813
Unsecured	4,498	—
	<u>710,504</u>	<u>659,813</u>
Carrying amount repayable:		
Within one year	707,219	443,688
Within a period of more than one year but not exceeding two years	1,246	216,125
Within a period of more than two years but not exceeding five years	2,039	—
	<u>710,504</u>	<u>659,813</u>
Less: Amounts shown under current liabilities	<u>(707,219)</u>	<u>(443,688)</u>
	<u>3,285</u>	<u>216,125</u>

### 14. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice date.

	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Audited)
0 to 30 days	235	—
31 to 60 days	179	—
	<u>414</u>	<u>—</u>

The average credit period on purchase of services is 90 days.

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **BUSINESS OVERVIEW**

The Group is principally engaged in the provision of (1) leasing services in the PRC and (2) value added services including due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore.

### **Leasing services**

The Group conducts its leasing services in various cities across the PRC. The Group as the lessor generates lease income by delivery of leased assets to its lessees who make periodic lease payments to the Group.

The Group acquired Ultimate Harvest Global Limited in March 2022 with twelve PRC subsidiaries (the “UHG”) engaged in the provision of automobile leasing services covering cities of Huzhou, Ningbo, Shaoxing, Jiaxing and Taizhou. Since the acquisition of UHG and the continued market demand, it is mandated that the Group will establish additional subsidiaries in the PRC in order to facilitate and further expand the lucrative and stable lease business.

### **Credit investigation and debt collection services**

Since 2021, the Group commenced and completed various acquisitions and establishment in new locations as part of the Group’s strategic plan to reform its leasing operations by expanding its operating locations outside of the Hubei Province, as well as mitigating business risks exposure. To further strengthen our leasing operations across the PRC, we have complemented our leasing operations by acquiring Alpha & Leader Risks and Asset Management Company Limited, which provides integral value-added services including due diligence, credit investigation and debt recovery services.

Due diligence and credit investigation services are performed through established networks, databases and credit assessment system using big data analytics which in-turn generate and provide credit reports, scoring results and recommendations to clients as well as the Group prior to entering into any potential business transactions. Debt collection services are provided for past due commercial accounts receivables ranging from 3 to 12 months, this is a non-litigation service that enables creditors to recover past due accounts receivables through mediation and dispute resolution, rather than going through the lengthy process of litigation resulting in further commitments on legal costs and risk of additional non-recoverable debts.

## **Disposal of Rongzhong Capital Holdings Limited**

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing (“Mr. Xie”) entered into the sale and purchase agreement (the “Rongzhong Capital SPA”), pursuant to which, Mr. Xie conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), representing 100% of total issued share capital of Rongzhong Capital (the “Sale Shares”) and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34 (the “Debt”), respectively, at the consideration of HK\$100,000 or equivalent in RMB (the “Disposal”). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group’s financial statements. The Disposal constituted a major and connected transaction of the Company under the Listing Rules.

For details, please refer to the Company’s announcement dated 31 March 2022 and 2 June 2022.

## **FINANCIAL REVIEW**

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

### **Revenue**

For the year ended 31 March 2022, the Group recorded revenue of approximately HK\$37.4 million (2021: approximately HK\$15.8 million), representing an increase of approximately 136.2% from the previous corresponding period ended 31 March 2021. The increase in revenue was due to the Group’s effective implementation of its strategic move to expand into new operating locations outside of Hubei Province and initiation to process loans with more liquid assets and generally smaller in loan size, hence, minimizing credit risk while increasing activities in leasing operations. To complement the development of the Group’s leasing service, the Group provides value added services including credit assessment, investigation and debt recovery services, so as to further strengthen the Group’s leasing operations by creating an ecosystem which in turn contributed approximately HK\$24.8 million to the Group’s revenue during the Reporting Period. Services fees for due diligence and credit investigation services are charge based on the agreed upon scope covering the number of search targets, search period and the complexity of obtaining the relevant search information. Debt collection services are provided to clients with past due commercial accounts receivables. Substantially all revenue derived from the provision of debt collection services are recognized upon successful recovery of past due receivables.

### **Staff costs**

Staff costs of the Group amounted to approximately HK\$20.9 million for the Reporting Period, representing an increase of approximately 249.8% from approximately HK\$6.0 million recorded in the previous corresponding period ended 31 March 2021. This was mainly due to increase in the number of staffs in the Group.

## **Other operating expenses**

During the Reporting Period, other operating expenses of the Group amounted to approximately HK\$22.8 million, representing an increase of approximately 105.4% from approximately HK\$11.1 million recorded in the previous corresponding period ended 31 March 2021. This was mainly due to the increase in operating expenses in relation to increase in legal and professional fees.

## **Reversal of impairment losses on financial assets**

The reversal of impairment losses on financial assets is approximately HK\$2.0 million for the Reporting Period, representing a decrease in impairment losses of approximately HK\$100.1 million from approximately HK\$98.0 million impairment losses recorded in the previous corresponding period ended 31 March 2021.

## **Other income**

Other income of the Group mainly comprised of reversal of over provision for other operating expenses, bank interest income and government subsidies. During the Reporting Period, the other income of the Group amounted to approximately HK\$0.1 million, representing a decrease of approximately 89.4% from approximately HK\$1.1 million recorded in the previous corresponding period ended 31 March 2021. Such decrease was mainly due to the decrease in government subsidies accounted for as financial support and reversal of over-provision for other operating expenses in prior years.

## **Finance costs**

Finance costs of the Group comprised of interest on bank borrowings, imputed interest on promissory note, imputed interest on convertible bonds, imputed interest on loan note, interest on lease liabilities, imputed interest expense on interest-free deposits from customers, interest on amounts due to a related company and interest on amounts due to a shareholder. During the Reporting Period, finance costs of the Group amounted to approximately HK\$31.8 million, representing an increase of approximately 7.4% from approximately HK\$29.6 million in the previous corresponding period ended 31 March 2021. This was mainly due to increase in the Group's borrowings and financing activities.

As at 31 March 2022, the outstanding bank borrowings guaranteed by related parties amount to approximately HK\$706.0 million (2021: approximately HK\$659.8 million) and the guarantee fee paid to the related parties during the Reporting Period amount to nil (2021: nil).

## **Loss for the year**

Loss for the year ended 31 March 2022 of the Company amounted to approximately HK\$40.7 million, representing a decrease of approximately 66.4% from approximately HK\$121.4 million loss recorded in the previous corresponding period ended 31 March 2021. This was mainly due to the reversal of impairment losses on financial assets.

## **Dividend**

The Board does not recommend the payment of any final dividend for the year ended 31 March 2022.



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

As at 31 March 2022, the aggregate sum of the Group's bank balances and cash and short-term bank deposits amounted to approximately HK\$15.5 million (2021: approximately HK\$12.3 million), representing an increase of approximately HK\$3.2 million compared to 31 March 2021. This was due to a combination of multiple effects including the Group's strategy to promote business, collection of past due financial assets and use of internal funding. The working capital deficiency (current assets less current liabilities) of the Group were approximately HK\$245.0 million (2021: working capital of approximately HK\$10.8 million) and the capital deficiency of the Group were approximately HK\$152.9 million (2021: approximately HK\$110.0 million).

As at 31 March 2022, the Group's bank borrowings with maturity within one year amounted to approximately HK\$707.2 million (2021: approximately HK\$443.7 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK\$3.3 million (2021: approximately HK\$216.1 million).

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2022 was not applicable (2021: not applicable).

### **Charges on group assets**

As at 31 March 2022, the Group's bank borrowings with carrying amount of approximately HK\$680.6 million (2021: approximately HK\$634.9 million) were granted by banks in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of approximately HK\$402.3 million (2021: approximately HK\$368.2 million).

As at 31 March 2022, the Group's bank borrowings with carrying amount of approximately HK\$25.4 million (2021: approximately HK\$24.9 million) were secured by bank deposits of approximately HK\$1.2 million (2021: approximately HK\$1.2 million).

### **Employees and remuneration policy**

As at 31 March 2022, the Group had 129 staff located in Hong Kong, the PRC and Singapore, and 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 schemes and training subsidies to its employees. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible 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 are 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 PRC laws to contribute a certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. There were no forfeited contributions utilised to offset employers' contributions for the Reporting Period.

Singapore employees are covered by the mandatory social security savings scheme funded by contributions from employers and employees, the Centra Provident Fund. The Group and its employees are each required to contribute a certain percentage of payroll costs to fund the mandatory social security savings schemes. There were no forfeited contributions utilized to offset employers' contributions for the Reporting Period.

## **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 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 lease receivables and receivables arising from sale and leaseback arrangements could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure and business disruption due to the outbreak of the novel coronavirus (“COVID-19”) in the PRC, it is inevitable for some corporations to be faced with a greater risk of default, especially the SMEs. As most SMEs customers in general have less financial resources in terms of capital or fund raising capability when compared to larger corporations, and as such they are more likely to be adversely affected by changes in market conditions, which poses an 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 pledged 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 measures to minimize our risk of exposure to such credit risks.

### **Risk relating to funding sources and interest rate**

Our business operation relies substantially on interest-bearing bank loans. We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from various banks. Accordingly, fluctuations in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability and results of operations. However, our management will continue to closely monitor the changes in interest rate and in turn charge our clients by the same amount in order to minimize our risk of exposure to such interest rate risks.

### **Foreign exchange risk**

Our Group is exposed to foreign currency risk primarily with respect to Renminbi (“RMB”) and United States Dollars denominated transactions, 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.

## **Liquidity risk**

The Group is exposed to liquidity risk in respect of settlement of trade payables, accruals and other payables and bank borrowings and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## **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 2022.

## **CONTINGENT LIABILITIES**

As at 31 March 2022, the Group did not have any material contingent liabilities (2021: nil).

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

### **New bank guarantee agreements**

New bank guarantee agreements On 24 May 2022, Mr. Xie and Rongzhong Capital Investments (defined hereunder) had each entered into bank guarantee agreements pursuant to which Mr. Xie and Rongzhong Capital Investments (defined hereunder) agreed to provide certain guarantee in favor of a bank for the grant of loan to Rongzhong International Financial Leasing Co., Ltd.. The bank guarantee agreements expire three years upon the settlement of the loan and no guarantee fee is payable by Rongzhong International Financial Leasing Co., Ltd. to Mr. Xie and Rongzhong Capital Investments (defined hereunder) for their provision of guarantee services under the bank guarantee agreements.

### **Supplemental agreement in related to the major and connected transaction disposal of the entire issued share capital of the target company**

On 2 June 2022, the Company and Mr. Xie entered into a supplemental agreement to amend and modify certain terms of the Rongzhong Capital SPA, pursuant to which, among others, the unaudited financial information of Rongzhong Capital has been updated to 31 March 2022.

For details, please refer to the Company's announcement dated 2 June 2022.

### **Impact of novel coronavirus outbreak to the Group**

2022 has continued to be an extremely difficult year for the Group. Due to the outbreak of COVID-19 in 2020, the Group was forced to suspend its main operations in Wuhan and Hubei Province of the PRC for months. While operations in the Hubei Province have been slowly restored after months of lock down, the Group's operation and productivity were impacted, as well as most of the Group's customers who were mostly SMEs in the Hubei Province. Since then, the Group is determined to reform its leasing operations by expanding outside of the Hubei Province.

The continuous outbreak of COVID-19 had continued to caused global disruptions and catastrophes, many companies and corporations are stuck in a cycle of disruption. The recent city-wide lockdown of Shanghai and many major cities in the PRC, the tighten social distancing measures across the PRC and Hong Kong, and the tightening of travel restrictions as well as quarantine, various sanitization and precaution measures had caused major disruptions to the Group's operations. While the Group is making its best effort to restore its normal operations, the COVID-19 pandemic and disruption of operations is continuing to cause significant difficulties to the Group from all aspects, including adverse economic impacts on the financial conditions, cashflow and collectability of the Group's leasing customers, the quality of collaterals of existing customers, the assessments and processing of application of any potential new customers etc. As a result, it is expected that the Group's operations and productivity may continue to be affected and subject to material challenges and uncertainties.

## **PROSPECTS**

Going forward, the Group is likely to face many challenges as a result of the continuously unfavourable economic and political conditions. While the uncertainties and the duration of the COVID-19 pandemic had seriously affected the global economy and the domestic economic recovery remains under pressure. Many companies and corporations are stuck in a cycle of disruption, this impacted the business development of the Group as well as many of the Group's customers. Despite all the negative impacts, the Group remains committed to continue to expand its leasing network, mitigate business risks exposure and place strong emphasis on the recovery of past due receivables. The Board firmly believes that diversification of income sources and associated business risks is a key in enhancing the operations of the Group, and the Board will continue to actively explore and to acquire businesses beyond the horizon of leasing, so as to further enhance and nurture synergies within our ecosystem in order to further complement the development of the Group's leasing services and to provide sustainable sources of revenue to the Group. The Company strongly believes that its operations will turn around as and when the general economic environment, political environment and the uncertainties of COVID-19 pandemic gradually improve domestically and internationally.

## **CONNECTED TRANSACTIONS**

### **Completion of the Major and Connected Transaction in Relation to the Acquisition of 51% Equity Interest in Alpha & Leader Risks and Assets Management Company Limited (“Alpha & Leader”)**

On 25 August 2021, the Group completed an acquisition of 51% equity interest in Alpha & Leader. Alpha & Leader and its subsidiaries are principally engaged in provision of debt collection services and credit investigation services in Hong Kong, the PRC and Singapore.

For details, please refer to the Company's announcement dated 25 August 2021.

## **Supplemental agreement and completion of the major and connected transaction in relation to the acquisition of 51% of the issued share capital of the target company involving the issue of convertible bonds under general mandate and loan note**

On 6 December 2021, the Company entered into a supplemental agreement with Goldbond Group Holdings Limited (“Goldbond”) in relation to the agreement for sale and purchase dated 26 October 2021, pursuant to which, among other things, that the definition of the PRC subsidiaries shall be revised to include the establishment of four additional subsidiaries in the PRC in order to facilitate and further expand the automobile leasing business in order to cope with the additional market demand and also enhance the efficiency in management in different locations.

For details, please refer to the Company’s announcement dated 6 December 2021.

On 4 March 2022, the Group completed an acquisition of 51% equity interest in Ultimate Harvest Global Limited. Ultimate Harvest Global Limited is principally engaged in provision of operating lease of automobiles services in the PRC.

For details, please refer to the Company’s announcement dated 4 March 2022.

## **Major and connected transaction for disposal of the entire issued share capital of the target company and the shareholder’s loan**

On 31 March 2022 (after trading hours), the Company and Mr. Xie entered into the Rongzhong Capital SPA, pursuant to which, Mr. Xie conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt, representing the entire issued share capital of the Rongzhong Capital and the entire shareholder’s loan owed by the Rongzhong Capital to the Company, respectively, at the consideration of HK\$100,000 or equivalent in RMB.

For details, please refer to the Company’s announcement dated 31 March 2022.

## **CONTINUING CONNECTED TRANSACTIONS**

*Expressions used in the sections headed “Connected Persons” and “Exempt Continuing Connected Transactions” shall have the same meanings given to them in the Company’s prospectus dated 18 January 2016 (“Prospectus”).*

## **CONNECTED PERSONS**

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

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 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, 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 武漢欣眾融企業管理有限公司 (formerly known as 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, 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 12 November 2020; 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 Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of one year and two years respectively 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.

## The Bank Guarantee Agreements

On 10 December 2019, 25 May 2020 and 21 December 2020, 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 guarantees 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 2022, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantees 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 2022, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

Guarantor(s)	As at	As at
	31 March 2022	31 March 2021
	(HK\$' million approximately)	
	(Unaudited)	(audited)
Mr. Xie	706.0	659.8
Rongzhong Capital Investments	706.0	659.8

## **The Loan Agreements**

On 21 October 2021, the Company and Goldbond entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the “Goldbond Loan Agreement”). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022, the balance due to Goldbond, is approximately HK\$10.9 million (2021: nil).

For details, please refer to the Company’s announcement dated 21 October 2021.

On 1 July 2020 and 15 November 2021, a loan agreement and a supplementary loan agreement were entered between a non-wholly own subsidiary of the Company and Shanghai Nanlang Finance Lease Co., Ltd., an indirectly owned subsidiary of Goldbond, (the “SHNL Loan Agreements”), with carried interest at 4.5% per annum and repayable on the third anniversary from the first date of loan drawn. As at 31 March 2022, the balance due to related party is approximately HK\$51.4 million (2021: nil), the corresponding interest expenses were recognized as “Finance costs” in the consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

For details, please refer to the Company’s circular dated 24 January 2022.

The Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Bank Guarantee Agreements, the Goldbond Loan Agreement and the SHNL Loan 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 License Agreements, the Finance Lease Guarantee Agreements, the Bank Guarantee Agreements, the Goldbond Loan Agreement and the SHNL Loan 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 2021/22 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed the unaudited consolidated financial statements of the Group for the Reporting Period, which may subject to any estimated material adjustments including further impairment assessments on finance lease receivables and goodwill in relation to acquisitions completed during the Reporting Period, and any outstanding legal opinion required to support accounting judgements. Due to the outbreak of the COVID-19 pandemic, including but not limited to the impact of restrictions in force in parts of the People’s Republic of China, especially in Shanghai where the Group’s leasing offices and a branch office of the credit investigation and debt collection services are located. Accordingly, the accounting and financial reporting works of the Group have been delayed and the audit progress for the annual results for FY2022 has not been completed as scheduled and the Auditors have used their best endeavours to perform the audit work.

## **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 (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 (“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:



As at the date of this announcement, the Company does not have a Chairman to discharge the duties as required under CG Code A.2.2 to A.2.9. The daily operation and management of the Company are monitored by the executive Director as well as the senior management of the Company. The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. Also, CG Code E.1.2 stipulates that the Chairman should attend the annual general meeting. As the position of the Chairman was vacant as at the date of the annual general meeting held on 1 September 2021, Ms. Wong Emilie Hoi Yan, the executive Director and chief executive officer of the Company, was appointed as the chairman of the annual general meeting to answer and address questions raised by the shareholders at the annual general meeting. The Company will, at the appropriate time, arrange for the election of a Chairman.

## **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.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The financial reporting and audit processes for the annual results of the Group for the year ended 31 March 2022 have not been completed due to the COVID-19 pandemic. Due to the outbreak of the COVID-19 pandemic, including but not limited to the impact of restrictions in force in parts of the PRC, especially in Shanghai where the Group's leasing offices and a branch office of the credit investigation and debt collection services are located. Accordingly, the accounting and financial reporting works of the Group have been delayed and the audit progress for the annual results for FY2022 has not been completed as scheduled and the Auditors have used their best endeavours to perform the audit work.

It is expected that the Auditors may deem necessary for further review and adjustments will be subject to further audit works of the Auditors, and are thus subject to uncertainties. As at the date of this announcement, amongst others, the unaudited annual results for FY2022 are subject to certain valuation and impairment assessment to be further ascertained. In these aspects, the Group has engaged an independent professional valuer not connected with the Group to provide assistance to the management of the Group for performing the valuations in respect of the impairment assessment of the lease receivables and receivables arising from sale and leaseback arrangements, impairment assessment of goodwill arising from the debt collection and credit investigation services segment and the leasing services segment. Accordingly, the loss for the year of the Group may be significantly adversely impacted had any such impairment losses been ascertained. As such, the unaudited annual results contained herein have not been agreed with the Auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results of the Group for the year ended 31 March 2022 will be made when the auditing process has been completed.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

## **PUBLICATION OF CONSOLIDATED ANNUAL RESULTS AND ANNUAL REPORT**

This unaudited annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinarzfh.com](http://www.chinarzfh.com)). Following the completion of the audit process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 March 2022 as agreed by the Auditor, and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date of the forthcoming annual general meeting of the Company (the “2022 AGM”) and (iii) the book closure period for the purpose of ascertaining shareholders’ eligibility to attend and vote at the 2022 AGM. In addition, the Company will issue further announcement as and when necessary in a timely manner if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed, and audited results and annual report of the Company will be published, on or before 14 August 2022. The 2022 annual report will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and also be despatched to the shareholders of the Company in due course.

**The financial information contained herein in respect of the annual results of the Group for the year ended 31 March 2022 have not been audited and have not been agreed with the Auditors, and is subject to possible adjustments. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company.**

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

Hong Kong, 30 June 2022

*As at the date of this announcement, the executive Director of the Company is Ms. Wong Emilie Hoi Yan; the non-executive Directors of the Company are Mr. Chen Shuai, Ms. Wong Jacqueline Yue Yee, Ms. Wong Michelle Yatyee and Mr. Wong Ming Bun David; and the independent non-executive Directors of the Company are Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Yu Yang.*